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 2012 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 69, 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 2012 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 Report of the Directors for the financial year for which the group financial statements are prepared is consistent with the group 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 42, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

OTHER MATTERS

We have reported separately on the parent company financial statements of Workspace Group PLC for the year ended 31 March 2012 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
11 June 2012

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH

	Notes	**2012 £m**	2011 £m
Revenue	1	**67.3**	68.8
Direct costs	1	**(22.5)**	(22.9)
Net rental income	1	**44.8**	45.9
Administrative expenses	3	**(10.2)**	(9.7)
		34.6	36.2
Other income	2	**–**	0.1
Profit on disposal of investment properties	4(a)	**0.9**	2.8
Loss on disposal of property, plant and equipment	4(b)	**(0.1)**	–
Change in fair value of investment properties	11	**35.6**	30.8
Operating profit	3	**71.0**	69.9
Finance income	5	**0.2**	0.1
Finance costs	5	**(19.3)**	(22.2)
Change in fair value of derivative financial instruments	5	**(4.6)**	5.3
Gains/(losses) from share in joint venture	13	**1.2**	(0.3)
Profit before tax		**48.5**	52.8
Taxation	7	**0.5**	0.7
Profit for the year after tax and attributable to equity shareholders		**49.0**	53.5
Basic earnings per share (pence)†	9	**36.3p**	45.4p
Diluted earnings per share (pence)†	9	**35.5p**	44.4p
EPRA earnings per share (pence)†	9	**11.9p**	12.4p

† Comparative figures have been restated to reflect the Rights Issue and share consolidation as described in note 22.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH

	2012 £m	2011 £m
Profit for the financial year	**49.0**	53.5
Revaluation of owner occupied property	**–**	1.2
Total comprehensive income attributable to equity shareholders	**49.0**	54.7

The notes on pages 75 to 98 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH

	Notes	2012 £m	2011 £m
Non-current assets			
Investment properties	11	**759.3**	713.4
Intangible assets		**0.3**	0.4
Property, plant and equipment	12	**1.1**	4.6
Investment in joint venture	13	**12.3**	6.7
Trade and other receivables	14	**4.6**	4.9
		777.6	730.0
Current assets			
Trade and other receivables	14	**10.6**	8.3
Cash and cash equivalents	15	**26.5**	2.3
Corporation tax asset		**0.6**	–
		37.7	10.6
Current liabilities			
Bank overdraft	17(a)	**–**	(3.2)
Derivative financial instruments	17(d) & (e)	**(14.2)**	(10.9)
Trade and other payables	16	**(27.5)**	(28.0)
		(41.7)	(42.1)
Net current liabilities		**(4.0)**	(31.5)
Non-current liabilities			
Borrowings	17(a)	**(337.3)**	(363.8)
Other non-current liabilities	21	**(0.9)**	(0.9)
		(338.2)	(364.7)
Net assets		**435.4**	333.8
Shareholders' equity			
Ordinary shares	22	**144.1**	115.3
Share premium		**59.2**	25.0
Investment in own shares	24	**(8.7)**	(8.0)
Other reserves	23	**13.9**	15.0
Retained earnings		**226.9**	186.5
Total shareholders' equity		**435.4**	333.8
EPRA net asset value per share†	10	**£3.08**	£2.86

† Comparative figures have been restated to reflect the Rights Issue and share consolidation as described in note 22.

The financial statements were approved and authorised for issue by the Board of Directors on 11 June 2012 and were signed on its behalf by:

J Hopkins
G Clemett
Directors

The notes on pages 75 to 98 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Parent					
	Notes	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 April 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	23	–	–	–	1.2	–	1.2
Total comprehensive income		–	–	–	1.2	53.5	54.7
Transactions with owners:							
Share issues	22	0.4	0.3	–	–	–	0.7
ESOT shares net purchase	24	–	–	(0.8)	–	–	(0.8)
Dividends paid	8	–	–	–	–	(8.9)	(8.9)
Share based payments	25	–	–	–	0.8	–	0.8
Balance at 31 March 2011		115.3	25.0	(8.0)	15.0	186.5	333.8
Profit for the year		**–**	**–**	**–**	**–**	**49.0**	**49.0**
Release of revaluation of owner occupied property	23	**–**	**–**	**–**	**(1.9)**	**1.9**	**–**
Total comprehensive income		**–**	**–**	**–**	**(1.9)**	**50.9**	**49.0**
Transactions with owners:							
Share issues	22	**28.8**	**34.2**	**–**	**–**	**–**	**63.0**
ESOT shares net purchase	24	**–**	**–**	**(0.7)**	**–**	**–**	**(0.7)**
Dividends paid	8	**–**	**–**	**–**	**–**	**(10.5)**	**(10.5)**
Share based payments	25	**–**	**–**	**–**	**0.8**	**–**	**0.8**
Balance at 31 March 2012		**144.1**	**59.2**	**(8.7)**	**13.9**	**226.9**	**435.4**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH

	Notes	2012 £m	2011 £m
Cash flows from operating activities			
Cash generated from operations	19	**35.8**	37.9
Interest received		**0.1**	0.1
Interest paid		**(18.5)**	(21.9)
Tax paid		**(0.1)**	(2.1)
Net cash inflow from operating activities		**17.3**	14.0
Cash flows from investing activities			
Capital expenditure on investment properties		**(18.3)**	(9.4)
Net proceeds from disposal of investment properties		**8.8**	43.9
Purchase of intangible assets		**(0.1)**	(0.2)
Purchase of property, plant and equipment		**(0.7)**	(0.4)
Net proceeds from disposal of property, plant and equipment		**3.8**	–
Investment in and loan to joint venture	13	**(4.8)**	(7.4)
Movement in short-term funding balances with joint venture		**(0.1)**	0.6
Distributions received from joint venture	13	**0.4**	–
Net cash (outflow)/inflow from investing activities		**(11.0)**	27.1
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	22	**66.3**	–
Fees paid on share issue	22	**(3.3)**	–
Finance costs for new/amended borrowing facilities	20	**(2.2)**	(3.8)
Settlement and re-couponing of derivative financial instruments		**(1.3)**	(6.5)
Repayment of bank borrowings	20	**(25.5)**	(17.3)
Movement on bank facility rental income accounts		**(1.7)**	(5.0)
ESOT shares purchase		**(0.7)**	(0.8)
Finance lease principal payments		**–**	(0.2)
Dividends paid	8	**(10.5)**	(8.2)
Net cash inflow/(outflow) from financing activities		**21.1**	(41.8)
Net increase/(decrease) in cash and cash equivalents		**27.4**	(0.7)
Cash and cash equivalents at start of year	19	**(0.9)**	(0.2)
Cash and cash equivalents at end of year	19	**26.5**	(0.9)

The notes on pages 75 to 98 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 new and growing enterprises across 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 currency 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 and derivative financial instruments.

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 receivable entity and the status of any disputed amounts.

COMPLIANCE WITH THE REAL ESTATE INVESTMENT TRUST (REIT) REGIME

The Group is a Real Estate Investment Trust (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 and valuations 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 2012. 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.

NOTES TO THE FINANCIAL STATEMENTS
continued

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.

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.

Existing investment property which undergoes redevelopment for continued future use as investment property remains in investment property. 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 is capitalised from the date of commencement of the redevelopment 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 'assets held for sale' when it is considered highly probable that sale completion will take place.

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.

INTANGIBLE ASSETS

Acquired computer software licences 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.

PROPERTY, PLANT AND EQUIPMENT

Land and Buildings

Land and buildings within property, plant and equipment related to the owner occupied building of Magenta House which was sold during the year. The Group had adopted the revaluation model to show this asset category at fair value less subsequent depreciation for buildings.

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.

JOINT VENTURES

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.

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.

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, with any difference between the initial amount (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method, except for interest capitalised on redevelopments.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative transactions such as interest rate caps 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.

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 Committee 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.

NOTES TO THE FINANCIAL STATEMENTS
continued

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.

All the Group's properties are leased out under operating leases and 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.

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.

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.

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.

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 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.

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

INCOME 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.

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 ACCOUNTING STANDARDS, AMENDMENTS AND GUIDANCE
a) During the year to 31 March 2012 the Group adopted the following accounting standards and guidance. These either had no material impact on the Group's financial statements or resulted in changes to presentation and disclosure only:

Standard or interpretation	Content
IFRIC 19	Extinguishing financial liabilities with equity investments
Annual improvements 2010; Amendments to:	
IFRS 3	Business combinations
IFRS 7	Financial instruments disclosure
IAS 1	Presentation of financial statements
IAS 24 (revised)	Related party disclosures
IAS 27	Separate financial statements
IAS 34	Interim financial reporting

b) The following standards and guidance are relevant to the Group but are not yet effective and are not expected to have a significant impact on the Group's financial statements once adopted:

Standard or interpretation	Content
IFRS 9	Financial instruments: classification and measurement
Amendment: IFRS 7	Financial instruments: disclosures on transfers of financial assets
Amendment: IAS 12	Income taxes on deferred tax
Amendment: IAS 1	Financial statement presentation regarding other comprehensive income
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosures of interest in other entities
IFRS 13	Fair value measurement
IAS 27 (revised)	Separate financial statements
IAS 28 (revised)	Associates and joint ventures
Amendment: IFRS 7	Financial instruments: disclosures, on offsetting financial assets and liabilities
Amendment: IAS 32	Financial instruments: presentation, on offsetting financial assets and liabilities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH

1. ANALYSIS OF NET RENTAL INCOME AND SEGMENTAL INFORMATION

	2012			2011		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**50.2**	**(0.1)**	**50.1**	52.0	(0.2)	51.8
Service charges	**13.7**	**(16.2)**	**(2.5)**	13.8	(17.2)	(3.4)
Empty rates and other non recoverables	**0.6**	**(4.1)**	**(3.5)**	0.5	(4.1)	(3.6)
Services, fees, commissions and sundry income	**2.8**	**(2.1)**	**0.7**	2.5	(1.4)	1.1
	67.3	**(22.5)**	**44.8**	68.8	(22.9)	45.9

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.

2. OTHER INCOME

	2012 £m	2011 £m
Right of light and other damages compensation	**–**	0.1

3. OPERATING PROFIT
The following items have been charged in arriving at operating profit:

	2012 £m	2011 £m
Depreciation[1,2]	**0.4**	0.5
Staff costs (including share based costs)	**10.7**	9.9
Repairs and maintenance expenditure on investment properties	**3.2**	3.6
Trade receivables impairment[1]	**0.4**	0.2
Amortisation of intangibles[2]	**0.1**	0.2
Operating lease rentals payable	**0.1**	0.1
Audit fees payable to the Group's auditors[3]	**0.2**	0.2

1. Charged to direct costs.
2. Charged to administrative expenses.
3. Services provided by the Group's Auditors – PricewaterhouseCoopers LLP.

Analysis of audit and non-audit services:	**2012 £000**	2011 £000
Audit services:		
Audit of Group and Company financial statements	**125**	123
Audit of subsidiary financial statements	**28**	28
	153	151
Non-audit services:		
Group interim review	**32**	32
Rights issue	**200**	–
Taxation and legal services	**158**	123
Other services	**70**	4
	613	310

Total administrative expenses are analysed below:	**2012 £m**	2011 £m
Staff costs	**5.8**	5.4
Cash settled share based costs	**0.2**	0.3
Equity settled share based costs	**0.8**	0.8
Other	**3.4**	3.2
	10.2	9.7

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH
continued

4. PROFIT/LOSS ON DISPOSAL
(A). PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

	2012 £m	2011 £m
Gross proceeds from sale of investment properties	**9.0**	44.3
Book value at time of sale plus sale costs	**(7.8)**	(41.1)
	1.2	3.2
Unrealised profit on sale of properties to joint venture	**–**	(0.4)
Revaluation of deferred consideration	**(0.3)**	–
Pre-tax profit on sale	**0.9**	2.8

(B). LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2012 £m	2011 £m
Gross proceeds from sale of the Group's former head office building	**3.9**	–
Book value at time of sale plus sale costs	**(4.0)**	–
	(0.1)	–

5. FINANCE INCOME AND COSTS

	2012 £m	2011 £m
Interest income on bank deposits	**0.2**	–
Interest income on corporation tax refunds	**–**	0.1
Finance income	**0.2**	0.1
Interest payable on bank loans and overdrafts	**(18.3)**	(21.4)
Amortisation of issue costs of bank loans	**(1.2)**	(0.8)
Interest payable on finance leases	**(0.2)**	(0.2)
Capitalised interest on property refurbishments	**0.4**	0.2
Finance costs	**(19.3)**	(22.2)
Change in fair value of financial instruments through the income statement	**(4.6)**	5.3
Net finance costs	**(23.7)**	(16.8)

6. EMPLOYEES AND DIRECTORS

Staff costs for the Group during the year were:	2012 £m	2011 £m
Wages and salaries	**8.3**	7.5
Social security costs	**1.0**	0.8
Defined contribution pension plan costs (see note 30)	**0.4**	0.5
Cash settled share based costs	**0.2**	0.3
Equity settled share based costs	**0.8**	0.8
	10.7	9.9

The monthly average number of people (including Executive Directors) employed during the year was:	2012 Number	2011 Number
Executive Directors	**2**	2
Head office staff	**66**	67
Estates and property management staff	**96**	102
	164	171

The emoluments and pension benefits of the Executive Directors is determined by the Remuneration Committee of the Board and are set out in detail in the Directors' Remuneration Report on pages 57 to 68. These form part of the financial statements.

7. TAXATION

	2012 £m	2011 £m
Current tax:		
UK corporation tax	**(0.5)**	–
Adjustments to tax in respect of previous periods	**–**	(0.7)
Total taxation credit	**(0.5)**	(0.7)

The tax on the Group's profit for the period differs from the standard applicable corporation tax rate in the UK (26%). The differences are explained below:

	2012 £m	2011 £m
Profit on ordinary activities before taxation	**48.5**	52.8
Adjust (gains)/losses in joint ventures	**(1.2)**	0.3
	47.3	53.1
Tax at standard rate of corporation tax in the UK of 26% (2011: 28%)	**12.3**	14.9
Effects of:		
REIT exempt income	**(3.8)**	(4.5)
Changes in fair value not subject to tax as a REIT	**(8.0)**	(11.1)
Chargeable gains adjustments	**0.8**	–
Share scheme adjustments	**0.2**	0.2
Contaminated land relief	**(0.5)**	–
Adjustments to tax in respect of previous periods	**–**	(0.7)
Losses (brought forward)/carried forward	**(1.5)**	0.5
Total taxation credit	**(0.5)**	(0.7)

The Group is a Real Estate Investment Trust (REIT). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Group's other income is subject to corporation tax.

The Group currently has £4.4m (2011: £6.0m) of tax losses carried forward calculated at a corporation tax rate of 24% (2011: 26%) which is the rate substantively enacted at the Balance Sheet date following the March 2012 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 22% 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 £0.4m.

8. DIVIDENDS

Ordinary dividends paid	Payment date	Per share	**2012 £m**	2011 £m
For the year ended 31 March 2010:				
Final dividend	August 2010	4.85p*	**–**	5.7
For the year ended 31 March 2011:				
Interim dividend	February 2011	2.66p*	**–**	3.2
Final dividend	August 2011	5.33p*	**6.3**	–
For the year ended 31 March 2012:				
Interim dividend	February 2012	2.93p	**4.2**	–
Dividends for the year			**10.5**	8.9
Less dividends settled in shares			**–**	(0.7)
Dividends – cash paid			**10.5**	8.2

* The comparative dividends per share figures have been divided by 1.0319 to take account of the bonus element of the Rights Issue and by 0.1 to take account of the 1 for 10 share consolidation.

In addition the Directors are proposing a final dividend in respect of the financial year ended 31 March 2012 of 5.86p per ordinary share which will absorb an estimated £8.4m of revenue reserves. If approved by the shareholders at the AGM, it will be paid on 3 August 2012 to shareholders who are on the register of members on 13 July 2012. The dividend will be paid 50% as a Property Income Distribution (PID) and 50% normal dividend (non PID).

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9. EARNINGS PER SHARE

Earnings used for calculation of earnings per share:	2012 £m	2011 £m
Basic and diluted earnings	**49.0**	53.5
Change in fair value of investment property	**(35.6)**	(30.8)
Profit on disposal of investment properties	**(0.9)**	(2.8)
Loss on disposal of property, plant and equipment	**0.1**	–
Movement in fair value of derivative financial instruments	**4.6**	(5.3)
Group's share of EPRA adjustments of joint venture	**(0.7)**	0.3
EPRA adjusted earnings	**16.5**	14.9
Adjustment for non-recurring items	**–**	(0.8)
Adjusted underlying earnings	**16.5**	14.1

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) and an underlying earnings measure, with additional Company adjustments for non-recurring items.

Number of shares used for calculating earnings per share:	2012 Number	2011 Number restated*
Weighted average number of shares (excluding shares held in the ESOT)	**134,902,483**	117,962,202
Dilution due to share option schemes	**3,183,215**	2,607,785
Weighted average number of shares for diluted earnings per share	**138,085,698**	120,569,987

In pence:	2012	2011 restated*
Basic earnings per share	**36.3p**	45.4p
Diluted earnings per share	**35.5p**	44.4p
EPRA earnings per share	**11.9p**	12.4p
Underlying earnings per share	**11.9p**	11.7p

* The comparative number of shares and earnings per share figures have been restated to take account of the bonus element of the Rights Issue (adjustment factor of 1.0319) and the 1 for 10 share consolidation. See note 22 for further details of the Rights Issue and share consolidation.

10. NET ASSETS PER SHARE

Net assets used for calculating net assets per share:	2012 £m	2011 £m
Net assets at end of year (basic)	**435.4**	333.8
Derivative financial instruments at fair value	**14.2**	10.9
EPRA net assets	**449.6**	344.7

Number of shares used for calculating net assets per share:	2012 Number	2011 Number restated*
Shares in issue at year-end	**144,091,418**	118,946,481
Less ESOT shares at year-end	**(1,218,802)**	(1,006,103)
Number of shares for calculating basic net assets per share	**142,872,616**	117,940,378
Dilution due to share option schemes	**3,304,176**	2,781,890
Number of shares for calculating diluted adjusted net assets per share	**146,176,792**	120,722,268

	2012	2011 restated*
EPRA net assets per share	**£3.08**	£2.86

* The comparative number of shares and NAV figures have been restated to take account of the bonus element of the Rights Issue (adjustment factor of 1.0319) and the 1 for 10 share consolidation. See note 22 for further details of the rights issue and share consolidation.

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) to derive a net asset value (EPRA NAV) measure.

11. INVESTMENT PROPERTIES

	2012 £m	2011 £m
Balance at 1 April	**713.4**	713.2
Capital expenditure	**17.5**	10.0
Capitalised interest on refurbishments	**0.4**	0.2
Disposals during the year	**(7.6)**	(40.7)
Depreciation on finance leases	**–**	(0.1)
Change in fair value of investment properties	**35.6**	30.8
Balance at 31 March	**759.3**	713.4

Capitalised interest is included at a rate of capitalisation of 5.2% (2011: 5.5%). The total amount of capitalised interest included in investment properties is £3.6m (2011: £3.2m).

Investment property includes buildings under finance leases of which the carrying amount is £3.5m (2011: £3.5m). Investment property finance lease commitment details are show in note 17(f).

VALUATION

The Group's investment properties were revalued at 31 March 2012 by the external valuer, CBRE Limited, a firm of independent qualified valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Professional Standards (2012).

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

	2012 £m	2011 £m
Total per CBRE valuation report	**760.4**	718.7
Deferred consideration on sale of property (note 14)	**(4.6)**	(4.9)
Owner occupied property	**–**	(3.9)
Head leases treated as finance leases under IAS 17	**3.5**	3.5
Total investment properties per balance sheet	**759.3**	713.4

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 2010	1.4	1.3	4.3	7.0
Additions during the year	–	–	0.4	0.4
Disposals 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
Additions during the year	–	–	0.9	0.9
Disposals during the year	(2.9)	(1.0)	(0.1)	(4.0)
Balance at 31 March 2012	**–**	**–**	**5.3**	**5.3**
Accumulated depreciation				
Balance at 1 April 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
Charge for the year	–	–	0.4	0.4
Balance at 31 March 2012	**–**	**–**	**4.2**	**4.2**
Net book amount at 31 March 2012	**–**	**–**	**1.1**	**1.1**
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) was included at valuation at 31 March 2011. The land and buildings were sold during the year (see note 4(b)).

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13. JOINT VENTURES
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 the 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 investment in the joint venture represents:

	31 March 2012 £m	31 March 2011 £m
Balance at 1 April	**6.7**	–
Cash investment	**4.8**	7.4
Unrealised surplus on sale of properties to joint venture	**–**	(0.4)
Share of gains/(losses)	**1.2**	(0.3)
Distributions received	**(0.4)**	–
Balance at 31 March	**12.3**	6.7

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

	31 March 2012 £m	31 March 2011 £m
Investment properties	**12.4**	7.1
Current assets	**0.7**	0.3
Current liabilities	**(0.4)**	(0.3)
Net assets	**12.7**	7.1
Unrealised surplus on sale of properties to joint venture	**(0.4)**	(0.4)
Investment in joint venture	**12.3**	6.7

The Group's 20.1% share of the joint venture revenues and expenses is shown below:

	Year ended 31 March 2012 £m	Period ended 31 March 2011 £m
Revenue	**0.9**	0.1
Direct costs	**(0.3)**	–
Net rental income	**0.6**	0.1
Administrative expenses	**(0.1)**	–
Change in fair value of investment properties	**0.7**	(0.3)
Set up costs	**–**	(0.1)
Profit/(loss) before tax	**1.2**	(0.3)
Taxation	**–**	–
Profit/(loss) after tax	**1.2**	(0.3)

14. TRADE AND OTHER RECEIVABLES

Non-current trade and other receivables	2012 £m	2011 £m
Deferred consideration on sale of investment property	**4.6**	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 CBRE Limited on the basis of market value as at 31 March 2012, using appropriate discount rates, and will be revalued on a regular basis. The change in value is charged/credited to the income statement.

Current trade and other receivables	2012 £m	2011 £m
Trade receivables	**2.5**	2.4
Less provision for impairment of receivables	**(0.6)**	(0.5)
Trade receivables – net	**1.9**	1.9
Prepayments and accrued income	**2.0**	1.4
Bank facility rental income accounts	**6.7**	5.0
	10.6	8.3

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:

	2012 £m	2011 £m
Balance at 1 April	**0.5**	0.5
Provision for receivables impairment	**0.4**	0.2
Receivables written off during the year	**(0.3)**	(0.2)
Balance at 31 March	**0.6**	0.5

As at 31 March 2012, the ageing of trade receivables past due but not impaired was as follows:

	Total 2012 £m	Impaired 2012 £m	Not impaired 2012 £m	Total 2011 £m	Impaired 2011 £m	Not impaired 2011 £m
Up to 3 months past due	**1.8**	**(0.2)**	**1.6**	1.6	(0.1)	1.5
3 to 6 months past due	**0.3**	**(0.1)**	**0.2**	0.2	(0.1)	0.1
Over 6 months past due	**0.4**	**(0.3)**	**0.1**	0.6	(0.3)	0.3
	2.5	**(0.6)**	**1.9**	2.4	(0.5)	1.9

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

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15. CASH AND CASH EQUIVALENTS

	2012 £m	2011 £m
Cash at bank and in hand	**24.5**	0.2
Restricted cash – tenants' deposit deeds	**2.0**	2.1
	26.5	2.3

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 19).

16. TRADE AND OTHER PAYABLES

	2012 £m	2011 £m
Trade payables	**1.9**	1.9
Other tax and social security payable	**1.5**	1.4
Tenants' deposit deeds (see note 15)	**2.0**	2.1
Tenants' deposits	**8.0**	7.6
Accrued expenses and deferred income	**10.4**	11.2
Amounts due to related parties	**0.5**	0.6
Deferred income-rent and service charges	**3.2**	3.2
	27.5	28.0

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

17. BORROWINGS
(A) BALANCES

	2012 £m	2011 £m
Current		
Bank loans and overdrafts due within one year or on demand (secured)	**–**	3.2
	–	3.2
Non-current		
Bank loans (secured)	**333.8**	360.3
Finance lease obligations (part secured)	**3.5**	3.5
	337.3	363.8
	337.3	367.0

The secured loans and overdraft facility are secured on investment properties with balance sheet values totalling £741.1m (2011: £692.4m).

(B) MATURITY

	2012 £m	2011 £m
Secured (excluding finance leases)		
Repayable in less than one year	**–**	3.2
Repayable between one year and two years	**–**	95.5
Repayable between two years and three years	**68.0**	–
Repayable between three years and four years	**270.0**	68.0
Repayable between four years and five years	**–**	200.0
	338.0	366.7
Less cost of raising finance	**(4.2)**	(3.2)
	333.8	363.5
Finance leases (part secured)		
Repayable in five years or more	**3.5**	3.5
	337.3	367.0

(C) INTEREST RATE AND REPAYMENT PROFILE

	Principal £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	–	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)	70.0	LIBOR +2.5%	Quarterly	June 2015
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 swap	100.0	3.23%	3 month LIBOR	to October 2012
Interest rate swap	70.0	4.00%	3 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
Interest rate swap	40.0	2.46%	3 month LIBOR	November 2012 to June 2015
Interest rate swap	30.0	2.03%	3 month LIBOR	November 2012 to June 2015
Interest rate cap	100.0	5.43%	–	to October 2012
Interest rate cap	15.5	5.00%	–	to October 2012
Interest rate cap	7.0	5.00%	–	November 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

	2012 Book Value £m	**2012 Fair Value £m**	2011 Book Value £m	2011 Fair Value £m
Financial liabilities not at fair value through profit or loss				
Bank overdraft	**–**	**–**	3.2	3.2
Bank loans	**333.8**	**333.8**	360.3	360.3
Finance lease obligations	**3.5**	**3.5**	3.5	3.5
	337.3	**337.3**	367.0	367.0
Financial liabilities at fair value through profit or loss				
Derivative financial instruments:				
Liabilities	**14.2**	**14.2**	10.9	10.9

The total change in fair value of derivative financial instruments recorded in the income statement was a loss of £4.6m (2011: £5.3m gain). This is net of £1.3m (2011: £6.5m) paid in the year to settle/re-coupon some instruments.

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17. BORROWINGS continued
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 are Level 2 valuations as defined by IFRS 7.

The different levels of valuation hierarchy as defined by IFRS 7 are set out 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 total fair value calculated equates to 9.7p per share (31 March 2011: 9.0p restated).

(F) FINANCE LEASES
Finance lease liabilities are in respect of leased investment property.

Minimum lease payments under finance leases fall due as follows:	2012 £m	2011 £m
Within one year	**0.2**	0.3
Between two and five years	**0.9**	0.8
Beyond five years	**21.5**	21.7
	22.6	22.8
Future finance charges on finance leases	**(19.1)**	(19.3)
Present value of finance lease liabilities	**3.5**	3.5

18. 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 will affect the Group's interest rates. 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. At 31 March 2012 77% (2011: 74%) 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 £0.4m (2011: £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 approximately 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 requiring that tenants provide a deposit equivalent to three months rent on inception of lease as security against default. Total tenant deposits held are £10.0m (2011: £9.7m). The Group also monitors aged debt balances and any potential bad debts every week, the information being reported to the Executive Committee every month for 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:

	2012 £m	2011 £m
Cash and cash equivalents (note 15)	**26.5**	2.3
Trade receivables – current (note 14)	**2.5**	2.4
Other receivables – non current (note 14)	**4.6**	4.9
	33.6	9.6

(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, a revolving loan facility of £55m and term loans. At 31 March 2012 headroom excluding overdraft was £55m (31 March 2011: £30m).

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.

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18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY continued

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities, derivative financial instruments and trade and other payables existing at the balance sheet date. Contracted cash flows are based upon the loan balances and applicable interest rates payable on these at each year end.

31 March 2012	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	–	–	–	–	–	–
Secured bank loans (note 17b)	338.0	–	–	68.0	270.0	338.0
Interest payable on secured bank loans	–	10.7	10.7	10.7	2.8	34.9
Derivative financial instruments	14.2	7.2	7.1	5.5	3.5	23.3
Finance lease liabilities	3.5	0.2	0.4	0.5	21.5	22.6
Trade and other payables	24.3	24.3	–	–	–	24.3
Bank priority fee	0.9	–	–	0.9	–	0.9
	380.9	42.4	18.2	85.6	297.8	444.0

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 17b)	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

(D) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and monitor an appropriate mix of debt and equity financing.

Equity comprises issued share capital and retained earnings and debt comprises drawings against revolving and term loan facilities from banks.

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 65% to 85%.

19. NOTES TO CASH FLOW STATEMENT

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

	2012 £m	2011 £m
Profit before tax	**48.5**	52.8
Depreciation	**0.4**	0.5
Amortisation of intangibles	**0.1**	0.2
Profit on disposal of investment properties	**(0.9)**	(2.8)
Loss on disposal of property, plant and equipment	**0.1**	–
Net gain from change in fair value of investment property	**(35.6)**	(30.8)
Equity settled share based payments	**0.8**	0.8
Change in fair value of financial instruments	**4.6**	(5.3)
Interest income	**(0.2)**	(0.1)
Interest expense	**19.3**	22.2
(Gains)/losses from share in joint venture	**(1.2)**	0.3
Changes in working capital:		
(Increase)/decrease in trade and other receivables	**(0.7)**	1.3
Increase/(decrease) in trade and other payables	**0.6**	(1.2)
Cash generated from operations	**35.8**	37.9

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

	2012 £m	2011 £m
Cash at bank and in hand	**24.5**	0.2
Restricted cash – tenants' deposit deeds	**2.0**	2.1
Bank overdrafts	**–**	(3.2)
	26.5	(0.9)

20. ANALYSIS OF NET DEBT

	At 1 April 2011 £m	Cash flow £m	Non-cash items £m	**At 31 March 2012 £m**
Cash at bank and in hand	0.2	24.3	–	**24.5**
Restricted cash – tenants' deposit deeds	2.1	(0.1)	–	**2.0**
Bank overdrafts	(3.2)	3.2	–	**–**
	(0.9)	27.4	–	**26.5**
Bank loans	(363.5)	25.5	–	**(338.0)**
Less cost of raising finance	3.2	2.2	(1.2)	**4.2**
Finance lease obligations	(3.5)	–	–	**(3.5)**
	(363.8)	27.7	(1.2)	**(337.3)**
Total	(364.7)	55.1	(1.2)	**(310.8)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH
continued

21. OTHER NON-CURRENT LIABILITIES

	2012 £m	2011 £m
Bank priority fee	**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.

22. SHARE CAPITAL

	2012 Number	2011 Number
Issued: Fully paid ordinary shares of £1 each	**144,091,418**	1,152,731,338

	2012 £m	2011 £m
Issued: Fully paid ordinary shares of £1 each	**144.1**	115.3

Movements in share capital were as follows:	2012 Number	2011 Number
Number of shares at 1 April	**1,152,731,338**	1,149,459,056
Issue of shares[1]	**288,182,842**	3,272,282
Share consolidation[2]	**(1,296,822,762)**	–
Number of shares at 31 March	**144,091,418**	1,152,731,338

	£m	£m
Balance at 1 April	**115.3**	114.9
Issue of shares	**28.8**	0.4
Balance at 31 March	**144.1**	115.3

1. **Rights Issue:**
Under the terms of a fully underwritten Rights Issue, ordinary shareholders of the Company on the register at the close of business on 5 July 2011 were offered 288.2m new ordinary shares of 10p each at a price of 23p each on the basis of 1 new ordinary share for each existing 4 ordinary shares held. These shares were fully subscribed resulting in net proceeds of £63.0m, being gross proceeds on issue of £66.3m, less expenses of £3.3m. £28.8m is shown in share capital (above) with the balance of £34.2m taken to share premium account.

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

23. OTHER RESERVES

	Owner occupied property £m	Equity settled share based payments £m	Merger reserve £m	Total £m
Balance at 1 April 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
Share based payments	–	0.8	–	0.8
Recycled to income statement	(1.9)	–	–	(1.9)
Balance at 31 March 2012	**–**	**5.2**	**8.7**	**13.9**

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. This property was sold during the year and so the balance on the reserve has been recycled to the income statement.

The merger reserve was created in 2009 following the raising of equity through a cashbox share placing structure.

24. INVESTMENT IN OWN SHARES

The Company has established an Employee Share Ownership Trust (ESOT) to purchase shares in the market for distribution at a later date in accordance with the terms of the 1993 and 2000 Executive Share Option Schemes, Co-Investment Plan and Long Term Equity Incentive Plan. The shares are held by an independent trustee and the rights to dividends on the shares have been waived except where the shares are beneficially owned by participants. During the year the Trust purchased 2,437,699 shares (before share consolidation) for a cash consideration of £0.7m. At 31 March 2012 the number of shares held by the Trust totalled 1,218,802 (2011: 9,750,321 – not restated for share consolidation). At 31 March 2012 the market value of these shares was £2.9m (2011: £2.7m) compared to a nominal value of £1.2m (2011: £1.0m).

	2012 £m	2011 £m
Balance at 1 April	**8.0**	7.2
Acquisition of ordinary shares	**0.7**	0.8
Balance at 31 March	**8.7**	8.0

25. 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 2011 LTIP scheme 953,009 performance and matching shares were awarded in August 2011 to Directors and senior management (2010 LTIP scheme: 1,146,644 as restated). The Directors' shares under these schemes are analysed in detail in the Directors' Remuneration Report on page 67.

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:

	2012	2011*
Share price at grant	**270p**	204p
Exercise price (pence)	**Nil**	Nil
Average expected life (years)	**3**	3
Risk free rate	**2%**	1%
Expected dividend yield	**4%**	4%
Average share price volatility	**55%**	59%
Fair value per option – Absolute TSR element	**177p**	116p
Fair value per option – Relative TSR element	**183p**	126p

* Restated where necessary for the effect of the Rights Issue and share consolidation in the year.

The relative NAV is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 270p. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH
continued

25. SHARE-BASED PAYMENTS continued
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.

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 2010	519,234	£13.24	448,146	£1.18
Options granted	–	–	35,894	£1.66
Options lapsed	(213,062)	£17.22	(39,829)	£1.39
At 31 March 2011	306,172	£10.46	444,211	£1.20
Options granted	–	–	39,475	£1.91
Options lapsed	(115,001)	£9.49	(85)	£8.89
At 31 March 2012	**191,171**	**£11.05**	**483,601**	**£1.26**

* The number of shares and exercise prices have been adjusted where necessary for the effect of the Rights Issue and share consolidation in the year.

Of the outstanding ESOS options at 31 March 2012 191,171 (2011: 306,172 as restated) were exercisable immediately. None of the SAYE options outstanding were available to exercise.

At 31 March 2012 in total there were 674,772 (2011: 750,383 as restated) SAYE and ESOS share options exercisable on the Company's ordinary share capital. Of these, 139,749 were Directors' share options and are disclosed in the Directors' Remuneration Report. 535,023 options are held by employees who are not Directors and these are analysed below:

Non-Director options Date of grant	Scheme	Exercise price*	Ordinary shares Number*	Exercisable between	
29 July 2002	ESOS	£8.66	8,925	29.07.2005	29.07.2012
30 June 2003	ESOS	£8.25	18,950	30.06.2006	30.06.2013
30 June 2004	ESOS	£13.16	14,624	30.06.2007	30.06.2014
17 June 2005	ESOS	£17.81	16,401	17.06.2008	17.06.2015
1 September 2005	ESOS	£19.37	8,260	01.09.2008	01.09.2015
				Exercisable between	
22 July 2008	SAYE	£8.89	366	01.09.2013	01.03.2014
21 July 2009	SAYE	£1.15	304,216	01.09.2012	01.03.2013
21 July 2009	SAYE	£1.15	87,913	01.09.2014	01.03.2015
20 July 2010	SAYE	£1.66	32,910	01.09.2013	01.03.2014
20 July 2010	SAYE	£1.66	2,983	01.09.2015	01.03.2016
14 December 2011	SAYE	£1.91	39,475	01.02.2015	01.08.2015
Total			**535,023**		

* The number of shares and exercise prices have been adjusted where necessary for the effect of the Rights Issue and share consolidation in the year.

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 68.

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:

	2012 SAYE 3 year	**2012 SAYE 5 year**	2011* SAYE 3 year	2011* SAYE 5 year
Weighted average share price at grant	**229p**	**–**	204p	204p
Exercise price	**191p**	**–**	166p	166p
Expected volatility	**58%**	**–**	59%	54%
Average expected life (years)	**3**	**–**	3	5
Risk free rate	**2%**	**–**	1%	2%
Expected dividend yield	**4%**	**–**	4%	4%
Possibility of ceasing employment before vesting	**25%**	**–**	25%	25%

* Restated where necessary for the effect of the Rights Issue and share consolidation in the year.

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.

25. SHARE-BASED PAYMENTS continued

Fair values per share of these options were:

	2012 Grant date	2012 Fair value of award	2011 Grant date	2011* Fair value of award
SAYE – 3 year	**14 December 2011**	**85p**	20 July 2010	74p
SAYE – 5 year	**–**	**–**	20 July 2010	79p

* Restated where necessary for the effect of the Rights Issue and share consolidation in the year.

III) 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:

	2012	2011*
Share price at 31 March	**235p**	262p
Exercise price	**–**	–
Expected volatility	**58%**	59%
Term of option remaining (years)	**2.3**	2.2
Risk free rate	**2%**	1%
Expected dividend yield	**4%**	4%
Possibility of ceasing employment	**10%**	10%
Fair value of cash based payment per share	**209p**	233p

* Restated where necessary for the effect of the Rights Issue and share consolidation in the year.

IV) SHARE BASED PAYMENT CHARGES

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

	2012 £m	2011 £m
Equity settled share based payments	**0.8**	0.8
Cash settled share based payments	**0.2**	0.3
	1.0	1.1

The total liability at the end of the period in respect of cash-settled share based schemes was £0.6m (2011: £0.4m).

26. RELATED PARTY TRANSACTIONS

	2012 £m	2011 £m
Transactions year ended 31 March:		
Net investment into joint venture (note 13)	**4.8**	7.4
Fee income and recharges to joint venture	**0.5**	–
Distributions received from joint venture (note 13)	**0.4**	–
Balances with joint venture at 31 March:		
Amounts payable to joint venture (note 16)	**(0.5)**	(0.6)

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:	2012 £m	2011 £m
Salaries and short-term employee benefits	**2.5**	2.3
Pensions and other post-employment benefits	**0.1**	0.2
Share-based payments	**0.4**	0.5
	3.0	3.0

27. CAPITAL COMMITMENTS

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

	2012 £m	2011 £m
Funding of joint venture	**7.9**	12.7
Purchases, construction or redevelopment of investment property	**5.9**	2.0
Repairs, maintenance or enhancement of investment property	**0.5**	1.5
Property, plant and equipment	**–**	0.4

28. CONTINGENT LIABILITY

Upon restructuring of the former joint venture (Workspace Glebe) the Group entered into a proceeds sharing agreement with Workspace Glebe Limited's lenders 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 qualifying capital expenditure incurred. All disposals are at the option of Workspace. This gives rise to a contingent liability based upon the deemed value liable under this proceeds sharing arrangement if all properties were disposed of at current market valuation.

At 31 March 2012 the proceeds sharing contingent liability assuming all properties were sold was calculated at £21.5m (2011: £15.8m). This is based on 31 March 2012 valuation of the former joint venture portfolio of £136m (2011: £117m).

The impact of this on EPRA NAV per share if the entire Workpsace Glebe portfolio were sold would be a decrease of 15p (2011: 13p). This liability will be reviewed at each six monthly valuation using the same basis to generate a contingent liability under this proceeds sharing arrangement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH
continued

29. PRINCIPAL SUBSIDIARY UNDERTAKINGS
Except where indicated otherwise, the Company (incorporated in the UK) wholly owns the following active subsidiary undertakings incorporated in the UK, all of which are consolidated in the Group's financial statements:

Name	Nature of business
Workspace 11 Ltd	Property Investment
Workspace 12 Ltd*	Property Investment
Workspace 13 Ltd	Property Investment
Workspace 14 Ltd*	Property Investment
Workspace 15 Ltd	Property Investment
Workspace 16 (Jersey) Ltd†	Investor in joint venture
Workspace Glebe Ltd	Property Investment
Glebe Three Ltd*	Property Investment
Workspace Holdings Ltd	Holding Company
LI Property Services Ltd	Insurance Agents
Workspace Management Ltd	Property Management
Anyspacedirect.co.uk Ltd	Website Service

* 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 2012 will be appended to the Company's next annual return.

30. PENSION COMMITMENTS
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for this scheme in the year was £0.4m (2011: £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 12%. 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 (2011: 98).

31. OPERATING LEASES
The following future minimum lease payments are due under non-cancellable operating leases:

Motor vehicles and office equipment:	2012 £m	2011 £m
Due within one year	0.1	0.1
Due between two and five years	0.1	0.1
	0.2	0.2

The Group has determined that all tenant leases are operating leases within the meaning of IAS 17. 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:

	2012 £m	2011 £m
Within one year	18.0	20.3
Between two and five years	1.1	0.7
Beyond five years	0.9	0.7
	20.0	21.7

32. POST BALANCE SHEET EVENTS
In April 2012 the Group sold Enterprise House, Hayes for £3.2m into a joint venture of which the Group holds a 50% share. The other 50% is held by Polar Properties Limited and the partners intend to develop the property into residential and commercial space.

In May 2012 the BlackRock Workspace Property Trust exchanged contracts for the purchase of a property, of which the Group's share is £1.5m.

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 2012 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 69, 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 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 parent company financial statements:
- give a true and fair view of the state of the company's affairs as at 31 March 2012;
- 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 Report of the Directors 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 2012.

Bowker Andrews
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 June 2012

PARENT COMPANY BALANCE SHEET
AS AT 31 MARCH

	Notes	2012 £m	2011 £m
Fixed assets			
Investments in subsidiary undertakings	C	**263.3**	260.4
		263.3	260.4
Current assets			
Cash at bank and in hand		**23.0**	–
Debtors	D	**142.0**	125.6
		165.0	125.6
Creditors: amounts falling due within one year	E	**(89.2)**	(102.2)
Net current assets		**75.8**	23.4
Total assets less current liabilities		**339.1**	283.8
Net assets		**339.1**	283.8
Capital and reserves			
Called up share capital	F	**144.1**	115.3
Share premium account	F	**59.2**	25.0
Investment in own shares	F	**(8.7)**	(8.0)
Merger reserve	F	**8.7**	8.7
Share based payment reserve	F	**5.2**	4.4
Profit and loss account	F	**130.6**	138.4
Total shareholders' funds		**339.1**	283.8

The financial statements were approved by the Board of Directors on 11 June 2012 and were signed on its behalf by:

J Hopkins
G Clemett
Directors

The notes on pages 101 and 102 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 as adopted by the EU, 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 18 of the Group financial statements.

(B) CASH FLOW STATEMENT

The Company has taken advantage of the exemption 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) 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 £2.7m (2011: £1.1m).

Auditors' remuneration of £10,000 (2011: £10,000) has been borne by a subsidiary undertaking.

Proposed dividends are disclosed in note 8 to the consolidated financial statements.

C. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Cost	£m
Balance at 1 April 2011	307.5
Additions in the year	2.9
Balance at 31 March 2012	310.4

Impairment	£m
Balance at 31 March 2011 and 2012	47.1

Net book value at 31 March 2012	**263.3**
Net book value at 31 March 2011	260.4

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

Refer to note 29 to the consolidated financial statements for the list of subsidiary undertakings.

D. DEBTORS

	2012 £m	2011 £m
Amounts owed by subsidiary undertakings	**141.5**	125.6
Prepayments and accrued income	**0.2**	–
Corporation tax payments on account	**0.3**	–
	142.0	125.6

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

	2012 £m	2011 £m
Amounts owed to subsidiary undertakings	**88.8**	101.8
Other taxation and social security payable	**0.4**	0.4
	89.2	102.2

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
continued

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 22, 23, 24 and 25 of the consolidated financial statements.

Profit and loss account:	£m
Balance at 1 April 2011	138.4
Profit for the year	2.7
Dividends paid	(10.5)
Balance at 31 March 2012	**130.6**

G. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £m	2011 £m
Profit for the financial year	**2.7**	1.1
Dividends paid	**(10.5)**	(8.9)
Issue of shares (net of costs)	**63.0**	0.7
Investment in own shares	**(0.7)**	(0.8)
Share based payments	**0.8**	0.8
Net movement in shareholders' funds	**55.3**	(7.1)
Opening shareholders' funds	**283.8**	290.9
Closing shareholders' funds	**339.1**	283.8

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 26 of the consolidated financial statements.

FIVE-YEAR PERFORMANCE

2008 – 2012

	31 March 2012 £m	31 March 2011 £m	31 March 2010 £m	31 March 2009 £m	31 March 2008 £m
Rents receivable	**50.2**	52.0	49.8	54.2	51.4
Service charges and other income	**17.1**	16.8	16.7	15.6	15.5
Revenue	**67.3**	68.8	66.5	69.8	66.9
Profit before interest including share of BWPT	**35.1**	36.3	35.3	38.4	37.0
Net interest payable^	**(19.1)**	(22.1)	(24.5)	(28.4)	(28.1)
Trading profit after interest (adjusted)	**16.0**	14.2	10.8	10.0	8.9
Profit/(loss) before taxation	**48.5**	52.8	26.0	(360.4)	(37.0)
Profit/(loss) after taxation	**49.0**	53.5	24.2	(360.4)	(34.7)
Basic earnings per share*	**36.3p**	45.4p	21.8p	(1,304.5)p	(147.4)p
Dividends per share*	**8.79p**	7.99p	7.27p	15.92p	33.21p
Dividends (total)	**12.6**	9.5	8.6	7.8	7.8
Investment properties	**759.3**	713.4	713.2	664.1	994.3
Less: net liabilities	**(11.1)**	(12.8)	(39.5)	(54.1)	(16.1)
Less: net borrowings	**(312.8)**	(366.8)	(386.4)	(358.1)	(441.4)
Net assets	**435.4**	333.8	287.3	251.9	536.8
Gearing	**72%**	110%	134%	142%	82%
Gearing on EPRA net assets	**70%**	106%	125%	129%	82%
Basic NAV per share*	**£3.05**	£2.83	£2.43	£2.34	£22.71
EPRA NAV per share*	**£3.08**	£2.86	£2.59	£2.58	£22.56

* Earnings per share, dividends per share and net assets per share have been restated to reflect adjustment for the Rights Issue, in July 2011 and share consolidation in August 2011 and the Rights Issue in March 2009.

^ Excludes exceptional items.

KEY PERFORMANCE INDICATORS

Workspace Group:	**31 March 2012**	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Number of estates[1]	**92**	96	105	106	106
Lettable floorspace (m sq. ft.)■[1]	**5.0**	5.1	5.5	5.0	5.2
Number of lettable units[1]	**4,668**	4,856	5,156	4,546	4,611
Average unit size (sq. ft.)[1]	**1,070**	1,049	1,067	1,099	1,118
Rent roll of occupied units[1]	**£50.2m**	£48.9m	£50.7m	£50.8m	£52.6m
Average rent per sq. ft.[1]	**£11.79**	£11.47	£11.22	£12.64	£11.88
Overall occupancy[1]	**85.3%**	83.6%	81.9%	80.3%	85.8%
Enquiries (number)*	**12,103**	11,535	12,109	10,515	9,414
Lettings (number)*	**981**	1,051	1,203	1,035	1,007

BlackRock Workspace Property Trust (BWPT):	**31 March 2012**	31 March 2011
Number of estates	**11**	8
Lettable floorspace (m sq. ft.)■	**0.4**	0.3
Number of lettable units	**313**	281
Average unit size (sq. ft.)	**1,407**	1,147
Rent roll of occupied units	**£4.7m**	£3.1m
Average rent per sq. ft.	**£11.82**	£10.57
Overall occupancy	**89.8%**	92.1%

■ Excludes storage space

1 Excluding BWPT which is shown separately

* Including BWPT