WORKSPACE UNDERSTANDS WORK SPACE

ANNUAL REPORT AND ACCOUNTS 2013

WORKSPACE®

OUR BUSINESS MODEL

CONTENTS

WHAT WE DO

Workspace provides business premises tailored to the needs of new and growing companies across London.

HOW WE DO IT

Workspace understands the changing needs of these companies and actively adapts and manages its buildings to create an environment for growth.

WHERE WE DO IT

Workspace owns over 100 properties in London providing 5.2 million square feet of space and is home to some 4,000 businesses employing more than 30,000 people.

HOW WE GENERATE VALUE

Workspace is growing through deep market knowledge, operational excellence and strong customer relationships.

Workspace is enhancing both core operational income and capital values by repositioning specific property assets.

Workspace provides the right properties to attract its customers and the right services to retain them and help them grow.

RELATED INFORMATION
OUR STRATEGY P.08

2013 HIGHLIGHTS

INVESTOR HIGHLIGHTS

DIVIDEND PER SHARE GROWTH

+10%

TOTAL SHAREHOLDER RETURN

51%

TRADING PERFORMANCE

ENQUIRIES PER MONTH

1,037

2013	1,037
2012	1,009
2011	960

LIKE-FOR-LIKE OCCUPANCY

89.8%

2013	89.8%
2012	87.7%
2011	86.2%

LIKE-FOR-LIKE RENT ROLL

+9%

2013	up 9%
2012	up 5%
2011	up 4%

TRADING PROFIT (AFTER INTEREST)

+12%

2013	£17.9m
2012	£16.0m
2011	£14.2m

CAPITAL PERFORMANCE

PROPERTY VALUATION

+8%

2013	up 7.7%
2012	up 5.1%
2011	up 4.7%

LOAN TO VALUE

40%

2013	40%
2012	41%
2011	50%

EPRA NAV PER SHARE

+13%

2013	£3.48
2012	£3.08
2011	£2.86

TOTAL PROPERTY RETURN

13.8%

2013	13.8%
2012	13.4%
2011	11.7%

The businesses we host are critical in driving the UK's growth and by serving them with focus and energy we will maintain our strong momentum.

To achieve this we are putting in place:

- Clear priorities.
- The right strategy and team.
- Deeper customer relationships, increased lettings.
- Hands-on active portfolio management.
- Refined debt profile enabling more flexible operations.
- Focused programme to refurbish, redevelop and acquire the right properties.

DANIEL KITCHEN
NON-EXECUTIVE CHAIRMAN

Clear priorities. Renewed momentum.

Workspace had a successful year, sticking resolutely to our strategy of driving value by growing income through increased rent and occupancy while adding to the value of our assets through focused refurbishment and redevelopment. I am pleased to report that this has delivered a strong set of results for the year.

Our CEO, Jamie Hopkins, has brought a renewed energy to bear which has resulted in a clear focus on our priorities, driving our performance and moving the Company back into the FTSE250. We achieved strong growth in revenue and trading profit for the year. Group net rental income was £47.1m, an underlying increase of 6%, trading profit after interest was £17.9m, an increase of 12%, and EPRA NAV per share was £3.48, an increase of 13%.

Based on these results and the Company's future prospects, the Board is recommending the payment of a final dividend of 6.45p per share (a total of 9.67p for the year) to be paid on 2 August 2013, an increase of 10% on last year. This is in line with our progressive dividend policy.

During the year we continued to deploy the funds raised in our 2011 Rights Issue. We executed a focused capital expenditure programme to refurbish and extend existing assets and create buildings that suit our strategy whilst disposing of those that don't. The result is an integrated portfolio of core buildings that we actively manage, increasing rental values.

We also refined our debt profile, lengthening the terms and diversifying the sources of funding. The successful refinance announced on 11 June 2013 alongside the Retail Bond issued earlier in the year will have a significant positive impact on the flexibility of our operational capabilities.

Throughout the year, our Board has played an active role in helping guide the Company and we remain committed to a strong succession approach. John Bywater's retirement as a Non-Executive Director will occur in July this year and he leaves with our thanks for his long-standing contribution over the last nine years. Joining us, we welcome Chris Girling and Damon Russell. Chris has a strong background in finance and management while Damon brings a wealth of experience across the telecommunications, internet, digital and media sectors. Ensuring the long-term strength of our Board is a priority and we will be making a further Non-Executive Director appointment in due course.

We are also aware of our wider responsibilities in the communities where we work, as well as being conscious of our environmental impact and we remain committed to strong health and safety and energy sustainability principles. We are proud that we have once again been included in the FTSE4Good Index and that we have recently been awarded the BITC CommunityMark. We will continue to do the right things by all of our stakeholders.

The Company is working hard so that our customers and our employees flourish, our communities and environment stay vibrant and our shareholders are rewarded for their support. The achievements during the year are many and I would particularly like to thank our Workspace employees for delivering another strong performance.

The Board and I believe that we are clear on our objectives, have the right strategy and team in place to achieve them and, as a result, are ideally positioned to take advantage of the strength of the London economy. The businesses we host are critical in driving the UK's growth and by serving them with focus and energy we are confident that we will maintain our strong business momentum.

DANIEL KITCHEN
NON-EXECUTIVE CHAIRMAN

RELATED INFORMATION
CORPORATE SOCIAL RESPONSIBILITY P.14
CORPORATE GOVERNANCE REPORT P.35

DANIEL KITCHEN
NON-EXECUTIVE CHAIRMAN

Our customers need more than just space. We are recognising that with a successful strategy.

New and growing companies are the engine of growth for the whole country. Our strategy of focusing our resources on supporting these companies continued to pay off and this, coupled with the quality and location of the assets we own, has helped us to report like-for-like growth of 9% in our rent roll and an 8% uplift to the capital value of our portfolio.

Overlaid on our deep understanding of London commercial real estate is a detailed appreciation of the essential attributes of support that help our customers' businesses be successful; from the right technology and services, to flexibility of environment, these fast-moving companies need more than just space. We are alive to that and last year we developed our customer relationships and grew the number of new lettings by understanding and meeting this need.

All of this was achieved by remaining true to the four long-term strategic priorities that underpin everything we do.

WE OWN THE RIGHT PROPERTIES THAT ARE TAILORED TO MEET OUR CUSTOMERS' NEEDS AND WE INTENSIVELY MANAGE THEM TO DRIVE OCCUPANCY AND RENTS

This year saw us drive forward a number of new projects across our portfolio from full building refurbishments and extensions through to new floors and the modernisation of reception areas. At all times we keep as many existing customers in situ as possible while working on the buildings. Many of those customers who do have to move out are keen to return once the projects are complete or they often take an alternative solution within our extensive portfolio.

More broadly, everyone in our business from our central marketing and lettings teams through to our staff on site are motivated to increase occupancy and rent wherever possible across our portfolio.

WE MAXIMISE THE VALUE OF OUR LONDON-BASED PROPERTY PORTFOLIO AND ITS WIDER OPPORTUNITIES FOR REPOSITIONING AND REDEVELOPMENT

Planning consents progressed strongly resulting in short-term capital gains as well as longer-term income growth potential. Grand Union, Kensington, was a good example where we obtained planning permission for 145 residential units alongside a brand new tailor-made business centre on an existing industrial site. We will start to market this business centre to customers upon completion at the beginning of 2015.

Reflecting our focused portfolio management approach, we also made some disposals, removing properties which were no longer aligned to our strategic objectives.

WE UNDERSTAND OUR CUSTOMERS AND ENHANCE OUR BRAND BY RESPONDING TO THEIR NEEDS

A true differentiator for Workspace is the way in which we interact directly with our customers all of the time – we don't rely on agents or intermediaries – and this allows us to work in true partnership with them and have a stronger understanding of where future demand lies. This has helped us as, amongst other things, roll out more of our co-working Club Workspace sites and continue to develop our digital platform, where already we are receiving almost 40,000 visits a month to our website.

WE WORK SUSTAINABLY AS PART OF EVERYDAY BUSINESS FOR US, OUR CUSTOMERS AND OUR PARTNERS

Promoting entrepreneurship and lowering carbon footprints are no longer mutually exclusive goals as more and more business is transacted digitally and we work hard to ensure we remain at the forefront in environmental and sustainability practice. Elsewhere, working alongside London's Mayor in our InspiresMe programme to encourage today's schoolchildren to aspire to be tomorrow's entrepreneur was one example of the depth of our involvement in the local community.

We also know how important it is that our employees feel fully engaged in what we are doing so this year we launched a Share Incentive Plan to help them benefit from the future success of the Company. This culture of ownership is creating an even stronger focus on the link between us, our properties and our customers.

As our understanding of our customers deepens and our engagement with them broadens, it is clear that demand is evolving into what we see as the next generation of work space. Customers are relying increasingly on digital platforms and scalability, but in addition they also value the creative interaction that comes with being part of physical business communities. Listening to them, we are putting in place superior telecoms infrastructure and services on the same flexible terms as our leases. We are also facilitating access to cloud computing, we are bringing customers together at organised events that result in networking and inter-trading and we are broadening our footprint for the smaller entrepreneurs with Club Workspace.

These and other new initiatives are establishing us as an essential partner to our customers, enabling their businesses to grow faster and, in turn, positioning us as the leading provider of space, environment and communities tailored to the needs of these new and growing companies.

Looking forward, I see our target customer base continuing to grow. Whether they are labelled 'new and growing companies', the 'TMT' sector or 'SMEs', we do all we can to position ourselves as the landlord of choice for this tenant type. We have an experienced and talented team at Workspace and a very clear and focused strategy for growth. Our assets are of quality and character, relevant to the modern needs of today and extremely well positioned to benefit from the increasing migration of occupiers across London.

JAMIE HOPKINS
CHIEF EXECUTIVE OFFICER

JAMIE HOPKINS, CHIEF EXECUTIVE OFFICER WITH CLAUDIA AND RUTH, CENTRE STAFF AT CANTERBURY COURT IN KENNINGTON PARK.

RELATED INFORMATION
OUR STRATEGY P.08
GENERATING VALUE P.10
CORPORATE SOCIAL RESPONSIBILITY P.14

Performance summary.

STRATEGIC PRIORITIES	PRIORITIES IN 2012/13	PERFORMANCE IN 2012/13
OWNING THE RIGHT PROPERTIES THAT ARE TAILORED TO OUR CUSTOMERS' NEEDS AND INTENSIVELY MANAGING THESE PROPERTIES TO DRIVE OCCUPANCY AND RENTS.	**Owning properties that are tailored to our customers' needs** – Complete refurbishment of Canalot Studios. – Commence a further six refurbishment schemes.	– Refurbishments at Canalot Studios and Whitechapel completed. – Six refurbishment schemes commenced comprising 250,000 sq. ft. of which Chester House Phase 2 and Leyton Phase 1 completed in March 2013. – Like-for-like occupancy up from 87.7% to 89.8%. – Like-for-like rent roll growth of 9%. – Like-for-like rent per sq. ft. up 7% in the year.
MAXIMISING THE VALUE OF OUR LONDON BASED PROPERTY PORTFOLIO AND ITS WIDER OPPORTUNITIES FOR REPOSITIONING AND REDEVELOPMENT.	**Repositioning and redevelopment** – Appoint developers for the mixed use redevelopment schemes at Grand Union in Kensington and Bow. – Progress planning consent for mixed use schemes at a further four sites. – Drive value from continued occupancy and rent roll growth.	– Taylor Wimpey appointed as developer for Grand Union. Peabody appointed at Bow. – Planning and applications made at Tower Bridge and Faircharm comprising 948 apartments and 112,000 sq. ft. of commercial space. – Successful repositioning at Canalot Studios and Parkhall driving pricing growth. – Underlying property valuation up 8% in the year.
UNDERSTANDING OUR CUSTOMERS AND ENHANCING OUR BRAND BY RESPONDING TO THEIR NEEDS.	**Enhancing our brand (responding to customers' needs)** – Roll out the Club Workspace format at four additional centres. – Continue the roll out of our 'Digital Programme' meeting the needs of our digital business customers. – Develop InspiresMe as a valued platform for advice and support to new and growing businesses.	– Three new Club Workspace co-working lounges opened. – Club Workspace revenue growth of 250%. – Roll out of 'digital platform' providing a high quality business grade service with the same flexibility of our lease terms.
WORKING SUSTAINABLY AS PART OF EVERYDAY BUSINESS FOR US, OUR CUSTOMERS AND OUR PARTNERS.	**Sustainable working** – Continue support of charities which promote entrepreneurship. – Working with customers to lower our carbon footprint. – Ensure that our development activities conform with the highest environmental and sustainability regulations and best practice.	– InspiresMe week placed 20 young people in work experience. – Urban 20 Cricket giving experience at the Kia Oval Cricket Ground for 200 local children. – Refurbishment schemes achieving 'very good' BREEAM (Building Research Establishment Environmental Assessment Method). – Continued liaison with customers in helping to reduce our carbon emissions.

PRIORITIES FOR 2013/14

KEY RISKS

Priorities

- **Complete three further refurbishment schemes with a fourth due to complete in 2014.**
- **Commence three refurbishment schemes.**
- **Progress further schemes through design phase.**
- **Focus on driving pricing as occupancy approaches 90%.**

Key risks

- Failure to meet customer space and service expectations.
- External macroeconomic factors influence the demand for our accommodation.

Priorities

- **Obtain planning consent for Tower Bridge, Poplar and Faircharm.**
- **Make planning applications for three further schemes.**
- **Appoint development partners for Tower Bridge and Faircharm.**

Key risks

- Adverse planning decisions.
- Construction cost and programme over runs.
- Downturn in the London property market.

Priorities

- **Continue the roll out and evolution of the Club Workspace brand.**
- **Broaden the range of services offered under our digital platform.**
- **Position Workspace as the preferred choice for fast growing businesses.**

Key risks

- Failure to meet customer service expectations.
- The performance of our selected digital partners.

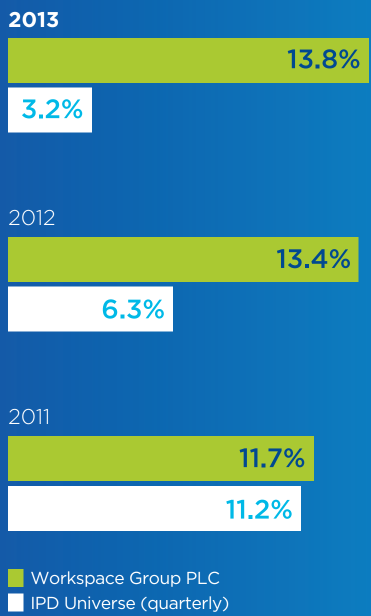
Priorities

- **To develop CSR a policy for engaging with and encouraging school leavers and graduates into entrepreneurship.**
- **Demonstrate tangible savings in carbon emissions.**
- **Develop charity strategy.**

Key risks

- Failure to meet regulatory environmental requirements.
- Introduction of new requirements causing additional costs or inhibiting lettings.

IPD Performance



RELATED INFORMATION
PRINCIPAL BUSINESS RISKS P.22

Generating value.

From redevelopment and acquisitions, planning gains and refurbishments, direct communication with our customers and hands-on active management, the case studies we highlighted in our last report have all generated significant value.

FOR MORE INFORMATION
WWW.WORKSPACE.CO.UK

REPOSITIONING

REDEVELOPMENT

PLANNING GAIN

ACQUISITION AND DISPOSAL

What we said

UNDERSTANDING OUR CUSTOMERS

CORPORATE SOCIAL RESPONSIBILITY

DRIVING RENTAL GROWTH

How we delivered

Repositioning
Exmouth House, EC1R 0JH

We anticipate the additional floor and refurbishment of Exmouth House will achieve rental levels similar to that of Clerkenwell Workshops, our other business centre in EC1. On track to open in July 2013.

Redevelopment
ScreenWorks, N5 2EA

ScreenWorks, our new 61,000 sq. ft. business centre in Islington is on track to open in December 2013.

Planning gain
The Pill Box, E2 6JL

We made a gain from the sale of surplus land with planning consent. We are now investing in a new business centre in Bethnal Green, which is on track to open in January 2014.

Acquisition and disposal
Little London, SE1 2BA

During the year we acquired five new buildings in the BlackRock Joint Venture and sold six from the portfolio.

Understanding our customers
Club Workspace

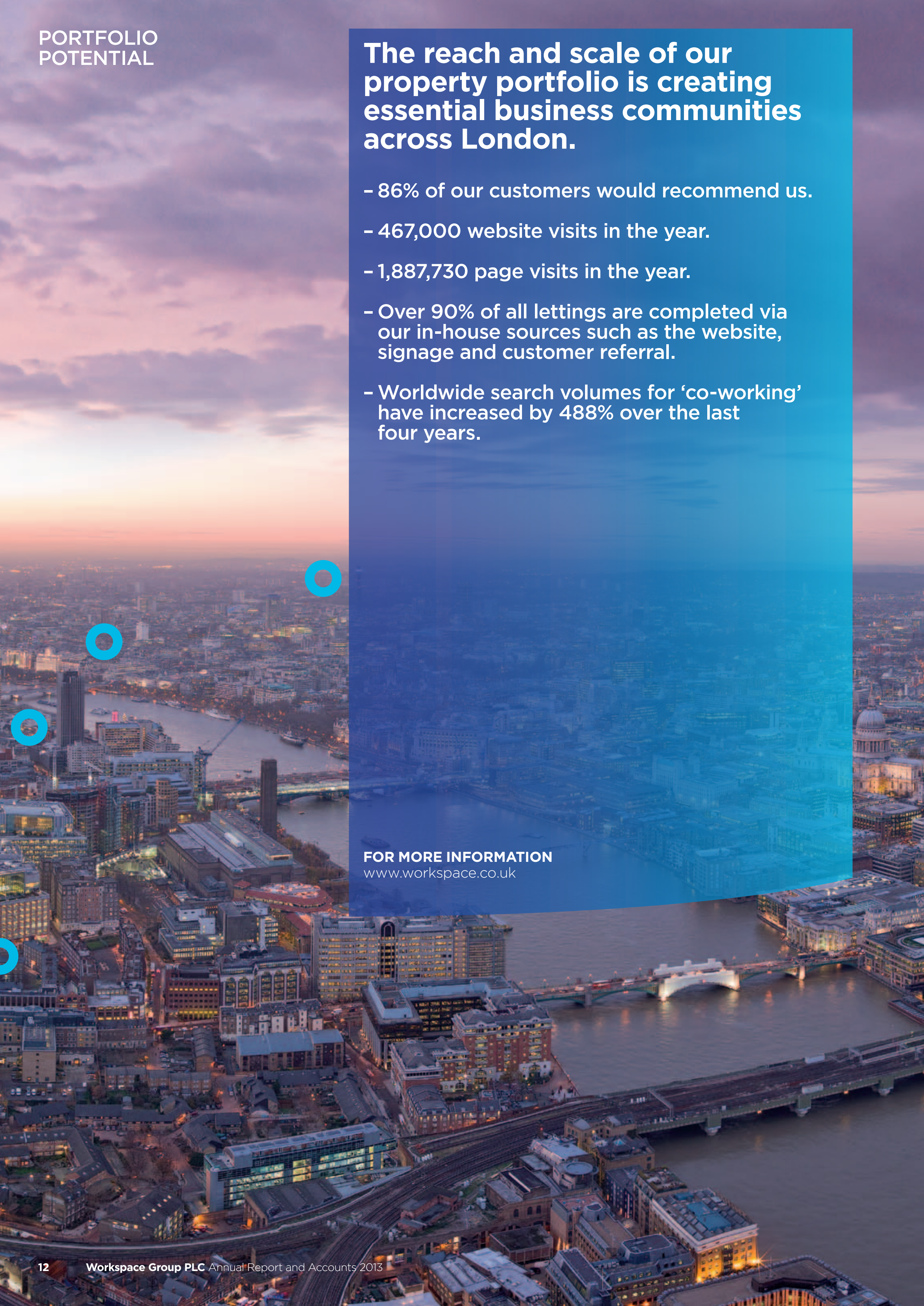
Our unique Club Workspace format has continued to attract new customers and we have opened a further three sites, taking us to a total of five and increased revenue by 250%.

Corporate social responsibility
Chester House, SW9 6DE

Our customers tell us the BREEAM 'very good' rating at Chester House helped attract them and allowed us to gain rents 20% higher than anticipated.

Driving rental growth
Parkhall, SE21 8EN

Our active marketing, digital platforms and flexibility for customers have helped grow like-for-like rent roll by 9%.



The reach and scale of our property portfolio is creating essential business communities across London.

- 86% of our customers would recommend us.
- 467,000 website visits in the year.
- 1,887,730 page visits in the year.
- Over 90% of all lettings are completed via our in-house sources such as the website, signage and customer referral.
- Worldwide search volumes for ‘co-working’ have increased by 488% over the last four years.

FOR MORE INFORMATION
www.workspace.co.uk

A wider understanding.

JAMIE HOPKINS
CHIEF EXECUTIVE OFFICER

We have long understood the value that a focused Corporate Social Responsibility (CSR) programme can create for Workspace, delivering operational efficiencies in the process and contributing to our reputation as a responsible business. We believe our CSR activities benefit financial performance by driving occupancy rates, delivering cost savings and creating a more attractive business environment for our customers.

The primary role of our business is to meet the space and environment needs of new and growing companies across London. We foster entrepreneurial activity and create vibrant working communities that in turn support local businesses by boosting employment and economic growth. We believe that by adhering to our fundamental principles of helping businesses to grow and being a good community member, we can be a force for good benefiting both our customers and wider society.

Not only do we work within the regulatory environment for real estate providers, adhering to the UK Energy Act, Carbon Reduction Commitment and landfill tax regime, but we go beyond our legal obligations. This approach has generated opportunities to reduce operating costs, by sending zero waste to landfill and installing more efficient boilers in our centres, for example.

A selection of the year's performance highlights against stakeholder goals can be seen in the table opposite. We are particularly pleased that our E3 community investment strategy was recognised by Business in the Community, one of the UK's leading CSR organisations, who awarded us their prestigious CommunityMark. We were amongst four businesses that have achieved this accolade in 2013. Similarly, we are proud to once again be included in the FTSE4Good Index which helps us assess our achievements against a transparent and evolving global corporate responsibility standard.

Our goal is to ensure that we fully consider the impact that we and our stakeholders have and that we address these impacts positively and transparently. We want to ensure that our customers and employees flourish, our communities and environment stay vibrant and that our shareholders are rewarded for their support. The Board, the management team and I remain focused on these important objectives.

More detail on our CSR activities in 2012/13, including our performance against EPRA sustainability indicators, is available at www.workspace.co.uk.

FTSE4Good

We are particularly proud to once again be included in the FTSE4Good Index which helps us assess our achievements against a transparent and evolving global corporate responsibility standard.

OUR APPROACH

CUSTOMERS

Customer satisfaction and loyalty are key to the sustainability of our business.

We help our customers to connect with local communities by participating in our community programmes and working with them to improve the environmental performance of our centres.

SUPPLIERS AND PARTNERS

We aim to build long-term relationships with our suppliers by being a responsible purchaser of goods and services.

We also work closely with our partners to integrate sustainability into the design, construction and redevelopment of Workspace centres.

COMMUNITIES

We aim to make the communities in which we operate better places to live and do business in.

Our flagship E3 community investment strategy provides education, employment and entrepreneurial opportunities for young people.

EMPLOYEES

We provide a safe and rewarding work environment to ensure we attract and retain talented and ambitious individuals.

Our commitment to diversity encourages innovation and ensures our workforce reflects the diversity of our customers and communities.

ENVIRONMENT

Our buildings are our biggest environmental impact and we are committed to making the most of opportunities to reduce carbon emissions and energy use, benefiting the environment and reducing operating costs.

We strive to reduce other environmental impacts and costs such as waste.

1 EPRA Sustainability Performance Measure 3.1
2 EPRA Sustainability Performance Measure 3.3
3 EPRA Sustainability Performance Measure 3.5
4 EPRA Sustainability Performance Measure 3.6
5 EPRA Sustainability Performance Measures 3.10 and 3.11

PERFORMANCE HIGHLIGHTS IN 2012/13

We achieved an average customer experience score of 82% exceeding our target of 80%.

We received a Bronze certificate in the Mayor's Green Procurement Code – the third year we have achieved this award.

We are now an approved signatory of the Prompt Payment Code.

We invested in community initiatives.

E3 received the Business in the Community CommunityMark in recognition of our commitment to delivering tangible benefits for our business and communities.

- On-going training and development for all employees which helps to develop the right skills to support our growth plans.
- Over the last 12 months we have embedded a new appraisal process to further enhance employee understanding of how their objectives will assist in driving business performance.
- We continued to drive engagement through our communications channels to ensure employees understand our strategy and the part they play.
- We recognise how important it is that our employees feel engaged in what we are doing, so this year we launched a Share Incentive Plan to help them benefit from the future success of the Company.
- Participation in the Sharesave Scheme continues to be popular with employees. In total, 55% of employees participate in the Sharesave Scheme.

Total energy consumption from electricity was 24,360,097 kWh[1]. Total energy consumption from fuels was 21,124,428 kWh[2]. Although energy from electricity decreased by 2% compared to 2011/12 (adjusted for occupancy), our overall energy consumption (electricity and fuels) increased by 9% on an absolute basis.

Total direct GHG emissions were 3,878 tonnes CO_2e[3]. Total indirect GHG emissions were 13,179 tonnes CO_2e[4]. This meant our total GHG emissions (direct and indirect) increased by 5% compared to 2011/12 driven by higher gas consumption primarily due to the unusually cold winter.

Our centres generated 10.48 tonnes of waste of which 48% (6,612 kg) was recycled and 52% (3,873 kg) was converted to energy[5].

TARGETS FOR 2013/14

- Launch programme to reduce energy in partnership with customers at flagship sites.
- Review sustainability questions in annual customer survey.
- Create a customer focused sustainability marketing factsheet for three assets.

- Continue to achieve a Bronze certificate in the Mayor's Green Procurement Code.
- Require suppliers to demonstrate that a minimum of 80% of timber is procured from a certified sustainable source (FSC or equivalent).
- Register all developments over 2,000m^2 with the Considerate Constructors Scheme.

- Continue delivery of E3 strategy.
- Evaluate the socio-economic impact of a completed Workspace development by March 2015.
- Develop a strategy for charitable donations.

- With the Government's pension auto-enrolment changes effective for the Company from April 2014, we will ensure that we can meet the legislative requirements efficiently.
- Continue to focus on training and development.
- Continue with Director led staff briefings designed to keep employees well informed of the performance and objectives of the Group.
- The Group remains committed to an equal opportunities policy from recruitment and selection through to training and development.

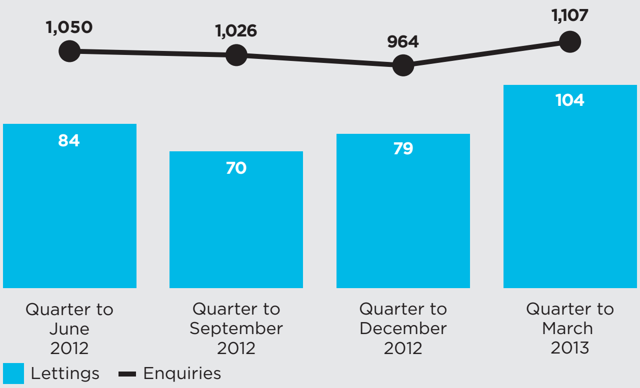
INVESTORS IN PEOPLE

- Set portfolio energy (kWh) reduction target.
- Achieve an average recycling rate of 55% for all assets where Workspace manages the waste.
- Send zero waste to landfill for all assets where Workspace manages the waste.
- Divert at least 75% (by weight) of non-hazardous construction waste away from landfill for all developments and refurbishments over 2,000m^2.
- Divert at least 90% (by weight) of non-hazardous demolition waste away from landfill for all developments and refurbishments over 2,000m^2.
- We will record water consumption at all properties.
- Achieve BREEAM Very Good for all developments and refurbishments over 2,000m^2.

Trading performance.

ENQUIRIES AND LETTINGS

Average number per month

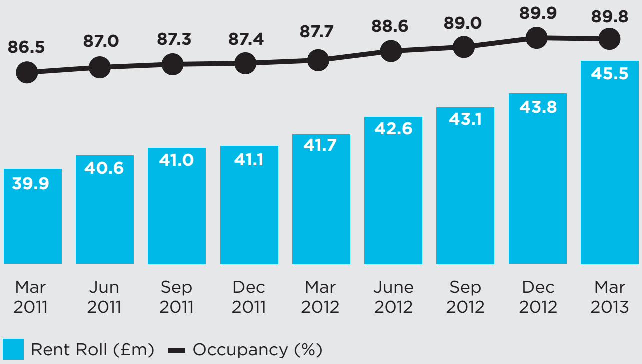


Our aim is to be the preferred choice for new and growing businesses looking for space in London. We have continued to attract strong levels of demand with enquiry levels up 3% on the prior year to an average of 1,037 per month, and new lettings running at an average of 84 per month (2012: 82 per month). Good levels of enquiries and lettings have continued into the first quarter of the current financial year.

Average number per month	Quarter Ended **March 2013**	Dec 2012	Sept 2012	June 2012
Enquiries	**1,107**	964	1,026	1,050
Lettings	**104**	79	70	84

The like-for-like property portfolio, which excludes properties impacted by refurbishment or redevelopment, has seen both occupancy and rents improve strongly over the year reflecting the consistent high level of customer demand. Occupancy improved by 2.1% to 89.8% and rent per square foot is up by 6.6%. This has produced a strong growth in like-for-like rent roll of 9.1% (2012: 4.7%).

LIKE-FOR-LIKE OCCUPANCY AND RENT ROLL



Like-for-like properties	**31 March 2013**	30 September 2012	31 March 2012
Number	**68**	68	68
Occupancy	**89.8%**	89.0%	87.7%
Rent roll	**£45.5m**	£43.1m	£41.7m
Rent per sq. ft.	**£13.75**	£13.12	£12.90

Overall occupancy is 87.0% at March 2013 (March 2012: 85.3%) and cash rent roll has increased to £52.7m (March 2012: £50.2m). The strong growth in like-for-like rent roll has been off-set by the net loss of income at properties where we are undertaking refurbishment and redevelopment activity and property disposals made during the year:

	£m
Rent roll at 31 March 2012	50.2
Like-for-like rent roll growth	3.8
Rent reduction on redevelopment and refurbishment underway	(0.9)
Increase in rent from newly refurbished space	0.6
Rent roll on property disposals	(1.0)
Rent roll at 31 March 2013	**52.7**

The contracted rent roll is £2.3m higher than the cash rent roll at £55.0m at March 2013. This relates primarily to stepped rent increases and rent free periods, with around 75% expected to convert to cash rent roll in the next year.

Driving enquiries and lettings

MARKETING
Cathie Sellars (centre), Head of Marketing discussing enquiries and deals with James Friedenthal, Managing Director Club Workspace and Kylie Ferns, Marketing Executive.

CUSTOMER UNDERSTANDING
We interact directly with our customers. We don't rely on agents. Over 90% of our lettings come from internally generated leads and managed transactions.

OVER 26,000 UNIQUE WEB VISITS PER MONTH TO WORKSPACE.CO.UK

26,000+

PROFIT BEFORE TAX

£m	31 March 2013	31 March 2012
Net rental income – underlying	**46.5**	43.7
Net rental income – disposals	**0.6**	1.1
Joint venture income	**1.1**	0.5
Administrative expenses	**(11.0)**	(10.2)
Net finance costs	**(19.3)**	(19.1)
Trading Profit after Interest	**17.9**	16.0
Change in fair value of investment properties	**59.0**	35.6
Other Items	**(0.5)**	(3.1)
Profit before tax	**76.4**	48.5
EPRA earnings per share	**12.2p**	11.9p

TRADING PROFIT AFTER INTEREST

£m

The improving levels of occupancy and pricing have translated into a good growth in income with underlying net rental income up 6% (£2.8m) in the year to £46.5m. The growth in net rental income at like-for-like properties of 9% (£3.4m) and new income from completed refurbishments of £0.3m is offset by income reduction of £0.9m at properties currently being refurbished and redeveloped.

Joint venture (JV) income represents our 20.1% share of net rental income from the properties in the BlackRock Workspace JV. Income has grown as properties have been acquired by the JV with the initial investment phase completed in October 2012. The portfolio comprised of 16 properties with a rent roll of £7.0m at March 2013.

Administrative expenses have increased by 8% (£0.8m) in the year. Long-term incentive plan costs have increased by £0.8m as a result of the improved share price performance alongside a £0.2m increase in salary and bonus costs offset by net savings of £0.2m in other cost categories.

Net finance costs increased by £0.2m with net debt increasing by £14m to £328m over the year as a result of increased capital expenditure but the weighted average interest cost fell by 0.1% to 5.0% (2012: 5.1%).

Trading profit after interest is up 12% in the year to £17.9m reflecting the strong growth in rental income.

Profit before tax is up 58% to £76.4m with the improved trading performance supplemented by an underlying increase of 8% (£59.0m) in the property valuation.

EPRA earnings per share has increased by 3% to 12.2p, lagging the growth in trading profit following the Rights Issue which was completed in July 2011.

DIVIDEND

The Board has proposed a final dividend of 6.45 pence per share, (2012: 5.86 pence) which will be paid on 2 August 2013 to shareholders on the register at 12 July 2013. This dividend will be paid as a normal dividend (non-PID). The total dividend for the year is 9.67 pence, a 10% increase on the prior year, which is covered 1.26 times by EPRA earnings per share.

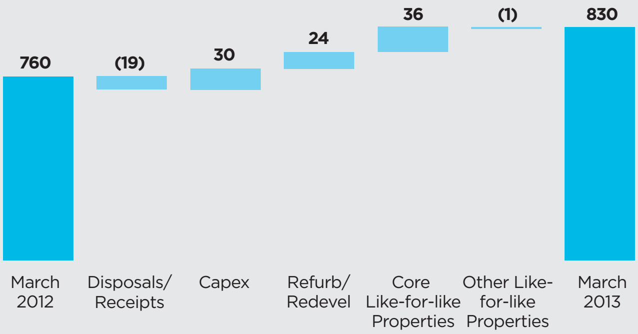
PROPERTY VALUATION

At 31 March 2013 the wholly owned portfolio was independently valued by CBRE at £830m, an underlying increase of 8% (£59m) in the year. The main elements of the increase in the valuation over the year are set out below:

	£m
Valuation at 31 March 2012	760
Property Disposals	(15)
Capital expenditure	30
Revaluation surpluses:	
6 Months to September 2012	18
6 Months to March 2013	41
Capital Receipts	(4)
Valuation at 31 March 2013	**830**

VALUATION AT 31 MARCH 2013

£m



A more detailed analysis of our properties at 31 March 2013 is set out in Table 1.

Workspace delivered a total property return over the year of 13.8%, well ahead of the IPD Universe (Quarterly) at 3.2%. This strong performance came from:

- A £36m uplift in value at the core like-for-like properties from driving increases in occupancy and rent roll (which is up 10% in the year) with no benefit from movement in valuation yield, offset by a marginal fall of £1m in the value of other like-for-like properties; and
- A £24m uplift in value from our refurbishment and redevelopment activity, mainly in the second half of the year. There was a £6m increase at each of Grand Union Centre, W10 and Bow Enterprise Park, E3 following the signing of development agreements in October 2012. There was also an £8m increase at Tower Bridge Business Complex, SE16 ahead of achieving planning consent at this site (subsequently achieved in May 2013) with a further uplift in valuation expected in the current financial year.

The other property category represents generally good quality but small properties, primarily industrial estates, where the opportunity for Workspace to add premium operational or brand value is limited.

During the year we realised £13m from the disposal of six non core properties at a loss of £2m compared to book value at March 2012. A further three properties are currently under offer for £8m in line with their book values at March 2013.

The net initial and equivalent yields of our portfolio as reported by CBRE are set out below:

	Net initial yield		Equivalent yield	
At 31 March	**2013**	**2012**	**2013**	**2012**
Like-for-like Properties	7.3%	7.2%	8.1%	8.3%
Refurbishment/ Redevelopment	5.3%	6.6%	8.1%	8.9%
Total	**6.9%**	**7.1%**	**8.1%**	**8.4%**

The total net initial yield is impacted by the declining yield at refurbishment and redevelopment properties where we are running down income. The like-for-like (investment) net initial yield has softened marginally to 7.3%.

Total Estimated Rental Value (ERV) of the overall portfolio at March 2013 is £67.4m (March 2012: £65.4m). The ERV of the like-for-like portfolio is £51.3m up 4.0% in the year (March 2012: £49.3m). Capital value per sq. ft. is £177 up from £152 at March 2012.

REFURBISHMENT ACTIVITY

During the year we completed four refurbishments:

- 49,000 sq. ft. refurbishment and two storey roof extension at Canalot Studios (cost: £5m)
- 7,000 sq.ft. side extension at Whitechapel (cost: £2m)
- 9,000 sq.ft. roof extension to Chester House at Kennington Park (cost: £2m)
- 27,000 sq.ft. of new industrial buildings at Leyton, E10 (cost: £3m)

We have seen good progress with the letting up of the space at these schemes at pricing levels ahead of our expectations when these projects were approved. The rent roll at these four properties at 31 March 2013 was £0.7m. We would expect to achieve an uplift in rent roll of £1.2m to £1.9m at current estimated rents once these schemes reach 90% occupancy.

Refurbishment is underway at a further four properties as shown in Table 2.

These properties were valued at £49m at March 2013 with rent roll of £1.9m. £11m of the total estimated capital expenditure of £30m has been incurred on these projects to date. We expect to achieve an uplift in rent roll of £3.3m to £5.2m, at current estimated rents, once these schemes are completed and have reached 90% occupancy.

TABLE 1:
PROPERTIES AT 31 MARCH 2013

	Core			Other
	Like-for-like	**Refurbishment**	**Redevelopment**	**Like-for-like**
No of properties	47	8	10	21
Valuation	£509m	£110m	£155m	£56m
Revaluation surplus	£36m	£4m	£20m	(£1m)
Rent roll yield	7.8%	4.4%	2.5%	7.6%

TABLE 2:
REFURBISHMENT ACTIVITY

	Estimated Cost	Expected Completion	Upgraded Area (sq. ft.)	New Area (sq. ft.)
Westminster (Phase I), SE11	£2m	H1 2013	6,000	5,000
Exmouth House, EC1	£4m	H1 2013	52,000	5,000
The Pill Box, E2	£9m	H1 2014	–	42,000
Metal Box Factory, SE1	£15m	H2 2014	82,000	20,000

REDEVELOPMENT ACTIVITY

Many of our properties are in areas across London where there is strong demand for mixed use redevelopment. These schemes generally require demolition of an existing building to deliver new residential and commercial space. We obtain mixed use planning consent and then agree terms with a residential developer to undertake the construction at no cost to Workspace. We generally receive back new commercial space together with a combination of cash and overage in return for the sale of the residential component to the developer.

In October 2012 we announced that we had exchanged contracts for the redevelopment of Grand Union, W10 and the first phase of Bow Enterprise, E3:

- At Grand Union we will receive back on completion of the redevelopment a new 60,000 sq.ft. business centre together with £5.9m of cash that will be paid over the development period together with overage on the private residential component.
- At Bow Enterprise we received £11.5m of cash in April 2013 having achieved vacant possession of the site in six months, and on completion of the redevelopment we will receive 15,000 sq. ft. of new industrial space and overage on the private residential component.

We have now signed development agreements for four redevelopment schemes for a total of 693 residential units as detailed in Table 3.

On these four schemes Workspace will receive a total of 189,000 sq. ft. of new business space, cash of £22m and overage on the residential component of the schemes. These properties were valued at £73m at March 2013 with rent roll of £0.3m which will fall to zero during redevelopment. At current estimated rents and 90% occupancy we would expect the new business space to deliver £3.8m of rent roll.

In May 2013 we received planning consent for a further two mixed use redevelopments:

- At Tower Bridge Business Complex, SE16 we secured planning on the northern part of this large 12 acre site for 800 residential units and 60,000 sq. ft. of new business space.
- At Faircharm Estate, SE8 we secured planning for 148 residential units and 52,000 sq. ft. of new business space.

These two properties, together with Bow (Phase 2), E3 where we have already obtained planning consent for 290 residential units and 30,000 sq. ft. of business space were valued at £43m at 31 March 2013 with rent roll of £1.8m.

CASH FLOW AND FINANCING

Our customer payment profile and cash collection statistics are strong with bad debts in the year of £0.3m (2012: £0.4m). Net debt has increased by £14m to £328m over the year due to an acceleration in capital expenditure on refurbishment projects. A summary of the movements in cash flow is set out below:

	£m
Net cash from operations	22
Dividends paid	(13)
Capital expenditure	(29)
Property disposals/capital receipts	17
Investment in joint ventures	(8)
Retail Bond issue	58
Net repayment of bank borrowings	(58)
Other	(3)
Net movement in year	(14)
Net debt at 31 March 2012	(314)
Net debt at 31 March 2013	**(328)**

TABLE 3: REDEVELOPMENT ACTIVITY

	Developer	Expected Completion	Residential Units	Commercial Area (sq. ft.)	Cash	Other
Wandsworth, SW18	Mount Anvil	H2 2014	209	53,000	–	Overage
ScreenWorks, N5	Taylor Wimpey	H1 2014	72	61,000	£5m	Overage
Grand Union, W10	Taylor Wimpey	H1 2015	145	60,000	£6m	Overage
Bow (Phase 1), E3	Peabody	H2 2015	267	15,000	£11m	Overage

At 31 March 2013 the Group had £383m of committed facilities with an average period to maturity of 2.9 years and the earliest maturity in June 2015. Details are set out below:

	Committed Facilities	Drawn Amount	Maturity
RBS/HSBC Club	£125m	£80m	Jun 2015
Bayern Club	£200m	£200m	Jun 2015
Retail Bond	£58m	£58m	Oct 2019
Total	**£383m**	**£338m**	

At 31 March 2013 there were £45m of available facilities and £10m in cash deposits. Overall loan to value was 40% with good headroom on all of bank and bond covenants.

Our interest rate hedging is structured to maintain a stable interest rate over the medium term. At 31 March we had £210m of fixed rate hedges at 2.9% out to June 2015, alongside the fixed 6% Retail Bond out to October 2019. The weighted average interest rate on debt in the year was 5.0% (2012: 5.1%).

During the year we have focused on diversifying our funding, extending the maturity profile and moving progressively to an unsecured basis to provide operational flexibility.

In October 2012 we raised £57.5m from an unsecured Retail Bond issue with a 6.0% coupon and a maturity date of October 2019. The proceeds were used to repay secured bank borrowings.

On 10 June 2013 we agreed the refinancing of the Group's remaining bank facilities through a combination of:

- The issue of £157.5m of unsecured private placement notes, £148.5m with a 10 year maturity and £9m with a seven year maturity;
- Unsecured debt of £45m provided by a UK Fund with a 9/10 year maturity; and
- £150m of unsecured five year bank debt provided by our core relationship banks, comprising RBS, HSBC and Santander.

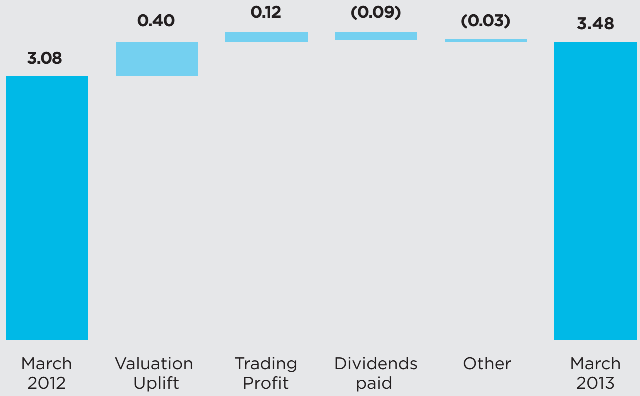
With effect from 1 July 2013 these new unsecured facilities will replace the existing secured bank facilities. Details on a pro forma basis of the Group's facilities from 1 July 2013 are set out below:

	Facility	Maturity
Private Placement notes	£148.5m	June 2023
UK Fund	£45m	June 2022/2023
Private Placement notes	£9m	June 2020
Retail Bond	£57.5m	October 2019
Bank debt	£150m	June 2018
Total	**£410m**	

The refinance extends the weighted average maturity of our debt at 31 March 2013 from 2.9 years to 7.8 years. Following the refinance we expect the weighted average interest rate on our debt (based on the drawn debt at 31 March 2013) to be around 5.4%. It will be necessary to amend/cancel existing interest rate hedges at an estimated cost of around £10m.

EPRA NET ASSET VALUE PER SHARE

£



EPRA net asset value per share at 31 March 2013 was £3.48 (2012: £3.08), an increase of 13% in the year with the main movements in net asset value per share highlighted below:

EPRA NAV per share	£
At 31 March 2012	3.08
Property valuation surplus	0.40
Trading profit after interest	0.12
Dividends paid in year	(0.09)
Other	(0.03)
At 31 March 2013	**3.48**

BLACKROCK WORKSPACE PROPERTY TRUST (BLACKROCK JV)

We have a 20.1% interest in BlackRock JV for which we also act as property manager receiving management and performance fees. It was initially seeded with eight properties sold by Workspace to the JV in February 2011 for £35m. The fund has acquired a further eight properties to complete the initial investment phase (allowing for the future capital expenditure). As at 31 March 2013 the valuation of these properties stood at £96m, with an underlying increase in the valuation of 5% (£3m) in the year.

Subsequent to the year end, Cam Road, Stratford was sold for £7.6m, a £0.6m surplus to its book value at March 2013. It is intended to reinvest the proceeds in further property acquisitions.

Principal business risks

Risk management is an integral part of our activities and the day-to-day running of the business. Risks are assessed, discussed and taken into account when deciding upon future strategy, approving transactions and monitoring performance. A Risk Committee is in place to co-ordinate the risk management process and assists with reporting to the Board and Audit Committee. The Risk Committee also includes rolling representation from various areas across the business to help ensure that lower level issues and risks are captured, reported and dealt with as appropriate.

The process of identifying risks, assessing their impact and monitoring their likelihood is considered at two levels:

1. **Strategic Risks: These are identified, assessed and managed by the Main Board and Audit Committee.**

2. **Operational Risks: These are identified, assessed and managed by Executive Committee Directors.**

This segregation ensures that risks related to our strategy and major decisions are considered at Main Board level and that our level of risk appetite remains appropriate. Day-to-day operational risks are more closely reviewed and managed by the Executive team and senior management.

Risk registers are maintained by the Main Board for strategic risks and by the Executive Committee for operational risks. The absolute levels of risk, the net levels of risk taking into account mitigating controls and the appropriate level of risk appetite are reviewed regularly. High rated risks identified in the registers are regularly reviewed by the Board, Audit and Executive Committees.

Details of our principal strategic risks and the mitigating activities in place to reduce these risks are set out to the right.

STRATEGIC RISK	CHANGE
RISK AREA: FINANCING **DETAIL** Reduced availability and cost of bank financing resulting in inability to meet business plans or satisfy liabilities.	REDUCED
RISK AREA: PROPERTY VALUATION **DETAIL** Value of our properties declining as a result of macroeconomic environment, external market, or internal management factors.	NO CHANGE
RISK AREA: OCCUPANCY **DETAIL** Demand by businesses for our space declining as a result of social, economic or competitive factors.	NO CHANGE
RISK AREA: LONDON **DETAIL** Changes in the political, infrastructure and environmental dynamics of London lead to reduced demand for space from businesses.	NO CHANGE
RISK AREA: DEVELOPMENT **DETAIL** Impact to underlying income and capital performance due to: – Adverse planning rulings. – Construction cost and timing overrun. – Lack of demand for developments.	NO CHANGE

MITIGATING ACTIVITIES

Funding requirements for business plans reviewed regularly and options for alternative sources of funding monitored.

Range of banking relationships maintained, refinancing strategy reviewed regularly.

Interest rate hedging policy in place to minimise exposure to short-term rate fluctuations.

Example of actions undertaken in 2012/13:

- **The Group raised £57.5m funding via a Retail Bond issue in October 2012. This widened our financing arrangements and also extended our debt maturity.**

Investment market mood monitoring.

Market yields and pricing of property transactions monitored closely across the London market.

Alternative use opportunities pursued across the portfolio and planning consent progressed.

Sufficient headroom on Loan to Value banking covenants is maintained and reviewed.

Weekly monitoring of occupancy levels, demand, pricing and reasons for customers vacating at each property and exit interviews conducted.

On-site staff maintain regular contact with customers and local monitoring of competitors offering space.

Extensive marketing using the Workspace brand.

Flexibility offered on deals by dedicated in-house marketing and letting teams.

Regular monitoring of the London economy, research reports and the commissioning of relevant research.

Regular meetings with the GLA and London Boroughs.

Understanding of planning environment and use of appropriate advisers.

Detailed development analysis and appraisal undertaken, sensitivity and risk scenarios considered.

Board level discussion and approval prior to project commitment.

Contract structuring to reduce/eliminate build risk.

Example of actions undertaken in 2012/13:

- **As the extensive development programme continues, improvements have been made to monthly reporting of progress on costs and timings to the Board of each project underway.**
- **Enhanced reporting of progress of letting up and pricing for completed projects with comparison against original appraisals.**

RETAIL BOND ISSUE

Workspace launched a Retail Bond in October 2012, successfully raising £57.5m.

ENHANCED REPORTING PROCEDURES

Our development team report directly to the Board on costs and programme of all larger developments.

PRINCIPAL BUSINESS RISKS
CONTINUED

BUSINESS CONTINUITY
This year we have established a new Business Continuity office at Southbank House, SE1 7SJ.

STRATEGIC RISK	CHANGE
RISK AREA: INVESTMENT **DETAIL** Underperformance due to inappropriate strategy of: – Timing of disposal decisions. – Acquisitions timing. – Non achievement of expected returns.	NO CHANGE
RISK AREA: TRANSACTIONAL **DETAIL** Joint ventures or other ventures with third parties do not deliver the expected return.	NO CHANGE
RISK AREA: REGULATORY **DETAIL** Failure to meet regulatory requirements leading to fines or penalties or the introduction of new requirements that inhibit activity.	NO CHANGE
RISK AREA: BUSINESS INTERRUPTION **DETAIL** Major external events result in Workspace being unable to carry out its business for a sustained period.	REDUCED
RISK AREA: REPUTATIONAL **DETAIL** Failure to meet customer and external stakeholder expectations.	NO CHANGE

MITIGATING ACTIVITIES

Regular monitoring of asset performance and positioning of portfolio.

Acquisition due diligence appraisal and business plans analysis.

Regular monitoring of acquisition performance against target returns.

Review and monitoring of potential joint ventures before agreed.

Requirements for business plans are reviewed regularly.

Regular review of performance of joint ventures throughout term.

Example of actions undertaken in 2012/13:
- **BWPT joint venture has acquired five properties during 2012/13 taking the total portfolio to 16.**
- **The trust is meeting key objectives and the portfolio is performing well, with regular meetings and monitoring of performance.**

REIT conditions monitored and tested on a regular basis and reported to the Board.

Close working relationship maintained with appropriate authorities and all relevant issues openly disclosed.

Advisers engaged to support best practice operation.

Continual monitoring of security threat.

Business Continuity plans and procedures in place and regularly tested.

Example of actions undertaken in 2012/13:
- **Moved to a Data Centre with increased resilience.**
- **Hourly replication of data to our Business Continuity site with the ability to rapidly redirect services when required.**
- **Creation of a readily available Business Continuity office at Southbank House.**

Customer survey undertaken and results acted upon.

Training and mystery shopper initiatives undertaken.

Regular communication with stakeholders.

LLOYDS AVENUE, EC3N 3AX
One of the five new buildings acquired this year through the BWPT joint venture.

KEY PROPERTY STATISTICS

	Quarter ending 31 March 2013	Quarter ending 31 December 2012	Quarter ending 30 September 2012	Quarter ending 30 June 2012	Quarter ending 31 March 2012
Workspace Group Portfolio					
Property valuation	**£830m**	£799m	£781m	£773m	£760m
Number of estates	**86**	90	90	91	92
Lettable floorspace (million sq. ft.)†	**4.7**	4.8	4.8	4.9	5.0
Number of lettable units	**4,626**	4,607	4,639	4,643	4,668
ERV	**£67.4m**	£66.7m	£65.3m	£65.1m	£65.4m
Cash rent roll of occupied units	**£52.7m**	£51.0m	£50.5m	£50.5m	£50.2m
Average rent per sq. ft.	**£12.98**	£12.33	£12.30	£12.02	£11.79
Overall occupancy	**87.0%**	87.0%	84.6%	85.5%	85.3%
Like-for-like lettable floor space (million sq. ft.)	**3.7**	3.7	3.7	3.7	3.7
Like-for-like cash rent roll	**£45.5m**	£43.8m	£43.1m	£42.6m	£41.7m
Like-for-like average rent per sq. ft.	**£13.75**	£13.22	£13.12	£13.02	£12.90
Like-for-like occupancy	**89.8%**	89.9%	89.0%	88.6%	87.7%

BlackRock Workspace Property Trust					
Property valuation	**£96m**	£94m	£77m	£69m	£62m
Number of estates	**16**	16	13	12	11
Lettable floorspace (million sq. ft.)†	**0.5**	0.5	0.5	0.5	0.4
ERV	**£8.4m**	£8.4m	£6.9m	£6.2m	£5.5m
Cash rent roll of occupied units	**£7.0m**	£7.0m	£5.3m	£4.7m	£4.7m
Average rent per sq. ft.	**£14.20**	£14.47	£13.07	£11.36	£11.82
Overall occupancy	**90.4%**	88.4%	89.3%	88.5%	89.8%

† Excludes storage space

GOVERNANCE, FINANCIAL STATEMENTS AND SHAREHOLDER INFORMATION

GOVERNANCE

FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

Good governance, based on robust practices and processes, is a fundamental part of being a responsible business.

DANIEL KITCHEN
CHAIRMAN

The Board of Workspace is committed to maintaining a high standard of corporate governance in terms of leadership, remuneration matters, accountability, and in our relationship with our shareholders, all as identified by the UK Corporate Governance Code.

We believe that good governance, based on robust practices and processes, is a fundamental part of being a responsible business.

BOARD APPOINTMENTS AND SUCCESSION

In order to implement our strategy successfully, the Board monitors and reviews succession planning and development requirements for key Executives and senior managers across the Company.

Consequently, since last year's report, we have welcomed two new Non-Executive Directors to our Board. In February 2013, we announced the appointment of Chris Girling. Chris was previously Finance Director at Carillion PLC and in recognition of his background and extensive experience it is intended that he will succeed Bernard Cragg as Chairman of the Audit Committee in due course. In May 2013 we appointed Damon Russell, the Chairman of New Telecom Express Group, an interactive media service provider. Damon brings over 20 years of experience across the telecommunications, internet, digital and media sectors.

As I explained last year, Bernard Cragg will remain as a Board Director until the Annual General Meeting in 2014. We have been mindful to ensure that a certain level of continuity is retained given the Board changes last year and of course the experience and skills required in performing the role of Chair of the Audit Committee and Senior Independent Director.

After nine years on the Board, John Bywater will be retiring at this year's Annual General Meeting and we would like to thank him for his valued contribution to the Board's activities over the years and in his role as Chairman of the Remuneration Committee.

We continue to review and monitor Board and Board Committee composition against our skills and experience requirements and expect to appoint one further Non-Executive Director this year. We recognise the benefits of diversity of skills, gender, knowledge and independence and we will continue to ensure that this is taken into account when considering any particular appointment. The Company's policy remains that selection should be based on the best person for the role. We will continue to review candidates from a wide range of backgrounds with our foremost priority being to ensure that we appoint the most appropriate individuals and maintain our merit-based approach to recruitment.

In accordance with the UK Corporate Governance Code, all of the Directors have submitted themselves for re-election at the Annual General Meeting. This practice will continue at the Annual General Meeting in 2013.

BOARD AND COMMITTEE PERFORMANCE

In the previous financial year, we conducted our annual evaluation of the Board and Committee performance through an independent external consultancy. This year, the evaluation was conducted by me with support from the Company Secretary. The process covered Board, Committee and personal performance and the output was reviewed by the Board. The process confirmed that the Board and its Committees continued to work effectively.

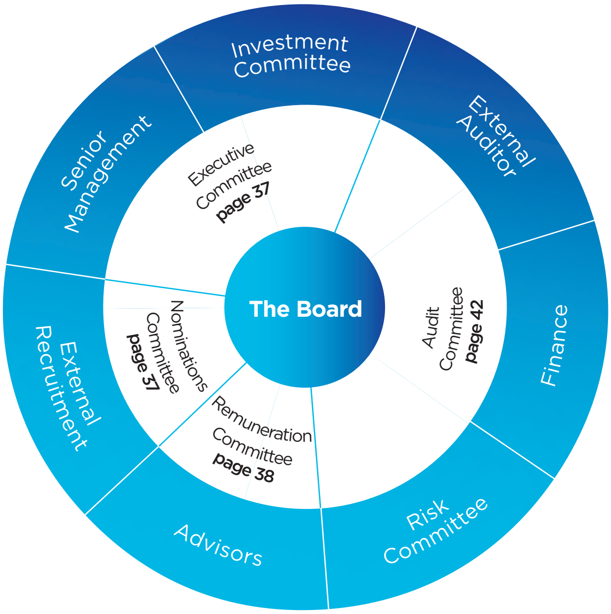
COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given a high priority by the Board. During the year, the Remuneration Committee reviewed the remuneration structure in place at Workspace. As part of its review, the Committee identified some modifications for long-term incentive arrangements. These were discussed with the Company's largest shareholders.

When the Company announces its annual and half year results, the Chief Executive Officer, and Chief Financial Officer make presentations to institutional investors and analysts and hold one-to-one briefings with key shareholders. In addition, I am available to meet with shareholders if they wish to raise any matters separately.

DANIEL KITCHEN
CHAIRMAN

CORPORATE GOVERNANCE STRUCTURE



THE BOARD AND EXECUTIVE COMMITTEE

THE BOARD

1. DANIEL KITCHEN
Appointment: Non-Executive Chairman

COMMITTEE MEMBERSHIPS:
Chairman of the Nominations Committee and a member of the Remuneration Committee.

BACKGROUND AND RELEVANT EXPERIENCE:
Daniel Kitchen was appointed to the Board on 6 June 2011 and subsequently took on the role as Chairman in July 2011. He was previously Deputy Chief Executive at Heron International plc and prior to that was Finance Director at Green Property for eight years. He retired as Non-Executive Chairman of Irish Nationwide Building Society in July 2011 and as Non-Executive Director of Kingspan Group PLC in May 2012.

CURRENT EXTERNAL APPOINTMENTS:
He is currently Non-Executive Chairman of Key Capital Real Estate Ltd and a Non-Executive Director of LXB Retail Properties PLC, Irish Takeover Panel Limited and Governor of St Patrick Hospital in Dublin.

2. JAMIE HOPKINS
Appointment: Chief Executive Officer

BACKGROUND AND RELEVANT EXPERIENCE:
Jamie Hopkins was appointed to the Board as a Non-Executive Director in June 2010 then subsequently took on the role as Chief Executive on 1 April 2012. He was previously Chief Executive and a Non-Executive Director of Mapeley PLC and a Director of Chester Properties. Prior to that, Jamie was a Director of Delancey Estates and Savills.

CURRENT EXTERNAL APPOINTMENTS:
Jamie is a Member of the Corporate Board of Great Ormond Street Hospital Children's Charity.

3. GRAHAM CLEMETT BSC, ACA
Appointment: Chief Financial Officer

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

4. MARIA MOLONEY PHD, B.LEG.SCI, D.UNIV, M.PHIL (LAW)
Appointment: Non-Executive Director

COMMITTEE MEMBERSHIPS:
Member of the Audit, Remuneration and Nominations Committees.

BACKGROUND AND RELEVANT EXPERIENCE:
Maria Moloney was appointed to the Board in May 2012. She was previously on the Board of the Belfast Harbour Commissioners, the Industrial Development Board for Northern Ireland and the Northern Ireland Transport Holdings.

CURRENT EXTERNAL APPOINTMENTS:
Maria, a lawyer, is currently a Non-Executive Director of the Broadcasting Authority of Ireland in Dublin and a Trustee of the N. Ireland Cancer Centre in Belfast.

5. JOHN BYWATER FRICS
Appointment: Non-Executive Director

COMMITTEE MEMBERSHIPS:
Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees.

BACKGROUND AND RELEVANT EXPERIENCE:
John Bywater was appointed to the Board in June 2004. He was previously an Executive Director of Hammerson PLC and retired in March 2007.

CURRENT EXTERNAL APPOINTMENTS:
He is Managing Director of Caddick Developments Ltd, a Non-Executive Director of Canal and River Trust (formerly British Waterways) and Realis Estates, a private property company; a Non-Executive of Low Carbon Workspace Limited and a Trustee of Opera North.

6. BERNARD CRAGG BSC, ACA
Appointment: Senior Independent Non-Executive Director

COMMITTEE MEMBERSHIPS:
Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees.

BACKGROUND AND RELEVANT EXPERIENCE:
Bernard Cragg was appointed to the Board in June 2003. He was previously Chairman of Datamonitor PLC and i-mate PLC, and a Non-Executive Director of Bristol & West PLC. He was formerly Group Finance Director and Chief Financial Officer of Carlton Communications PLC and a Non-Executive Director of Arcadia PLC.

CURRENT EXTERNAL APPOINTMENTS:
He is a Non-Executive Director of Astro Overseas Limited and Astro Malaysia Holdings SDN BHD and the Senior Independent Director of Mothercare PLC and Progressive Digital Media PLC. He is also Deputy Chairman and Senior Independent Non-Executive Director of Alternative Networks PLC.

7. DAMON RUSSELL
Appointment: Non-Executive Director

BACKGROUND AND RELEVANT EXPERIENCE:
Damon is currently Chairman of New Telecom Express Group, an interactive media service provider, and has more than 20 years' experience in the industry. He co-founded the company in 1989 and has been responsible for key client relationships and the business' sales strategy since its inception. Telecom Express was sold to AMV BBDO, part of the Omnicom Group, in 1998. In 2004, Damon led a successful management buyout. He also holds advisory roles for a number of smaller companies in the digital media sector.

8. CARMELINA CARFORA FCIS
Appointment: Company Secretary

BACKGROUND AND RELEVANT EXPERIENCE:
Carmelina Carfora was appointed Company Secretary in March 2010. She was previously Group Company Secretary of Electrocomponents Plc. She has also worked in the construction industry and for a consultancy firm offering company secretarial services.

9. CHRIS GIRLING
Appointment: Non-Executive Director

COMMITTEE MEMBERSHIPS:
Member of the Audit, Remuneration and Nominations Committees.

BACKGROUND AND RELEVANT EXPERIENCE:
Chris Girling was appointed to the Board in February 2013. He was previously Group Finance Director of Carillion PLC.

CURRENT EXTERNAL APPOINTMENTS:
Chris is currently a Non-Executive Director and Chairman of the Audit Committees of Elementis PLC and Keller PLC and a Non-Executive Director of Arco Limited.

EXECUTIVE COMMITTEE

10. ANGUS BOAG MSC CENG MICE
Appointment: Development Director

BACKGROUND AND RELEVANT EXPERIENCE:
Angus Boag joined the Group in June 2007 as Development Director. He has extensive experience in property and construction management and was a principal consultant at PA Consulting Group. Prior to joining the Group he was at Manhattan Loft Corporation for 12 years joining as Development Director and then being appointed as Managing Director in 2001.

11. CHRIS PIERONI BA (HONS) MSC (ECON) PHD (CANTAB) ACSI
Appointment: Operations Director

BACKGROUND AND RELEVANT EXPERIENCE:
Chris Pieroni joined the Group as Operations Director in October 2007. Chris is responsible for asset management, marketing, professional services, brand and business development. Prior to joining Workspace, he worked at KPMG specialising in real estate and infrastructure finance. He began his professional career teaching economics at Cambridge University. Chris was a Non-Executive Director of the Group from 2000 until his retirement from the Board in August 2006.

REPORT OF THE DIRECTORS

CARMELINA CARFORA
Company Secretary

The Directors present their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2013. The Business Review and all other sections of the annual report, to which cross reference is made, are incorporated into the Report of the Directors by reference.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW
The Group is engaged in property investment in the form of letting of business accommodation to new and growing companies located in and around London. At 31 March 2013 the Company had 12 active subsidiaries, six of which are property investment companies owning properties in Greater London. The other six include: Workspace Management Limited which acts as manager for all the Group's property investment companies and the BlackRock Workspace Property Trust; Workspace 16 (Jersey) Limited which invests in the BlackRock Workspace Property Trust; LI Property Services Limited which procures insurance on behalf of the Group; and Anyspacedirect.co.uk Limited which operates a web-based service for businesses in search of commercial space to rent in the UK. Workspace Holdings Limited and Workspace Glebe Limited are intermediate holding companies. A full list of the Company's trading subsidiaries appears on page 89.

Significant events which occurred during the year are detailed in the Chairman's Statement on page 4, the Chief Executive Officer's Strategic Review on page 6 and the Business Review on pages 16 to 25.

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

This information, together with a description of the principal risks and uncertainties facing the Company, details of the Company's health and safety policies and its environmental and corporate responsibility activities can be found on pages 1 to 26 and page 34.

CORPORATE GOVERNANCE
The Company and the Group are committed to high standards of corporate governance, details of which are given in the Chairman's Governance Introduction on pages 28 and 29 and the Corporate Governance Report on pages 35 to 44 and in the Directors' Remuneration Report on pages 45 to 60.

PROFIT AND DIVIDENDS
The Group's profit after tax for the year attributable to shareholders amounted to £76.4m (2012: £49.0m).

The interim dividend of 3.22p (2012: 2.93p) was paid in February 2013 and the Board is proposing to recommend the payment of the final dividend of 6.45p (2012: 5.86p) per share to be paid on 2 August 2013 to shareholders whose names are on the Register of Members at the close of business on 12 July 2013. This makes a total dividend of 9.67p (2012: 8.79p) for the year.

GOING CONCERN
The Group's activities, strategy and performance are explained in the Chief Executive Officer's Strategic Review and Our Strategy on pages 6 to 9 and the Business Review on pages 16 to 25.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 63 to 90.

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

LAND AND BUILDINGS
The Group's fixed assets are mainly investment properties of £825.9m (2012: £759.3m). The Group's investment properties have been independently valued by CBRE Limited, Chartered Surveyors, at 31 March 2013 at open market value.

DIRECTORS
With the exception of Maria Moloney, Chris Girling and Damon Russell who were appointed as Directors on 22 May 2012, 7 February 2013 and 29 May 2013 respectively, the Directors of the Company all held office throughout the year. The current Directors are shown on pages 30 and 31.

All the Directors will retire at the Annual General Meeting and, being eligible, will offer themselves up for election or re-election.

DIRECTORS' INDEMNITIES

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

The indemnity provision was in force during the year and at the date of approval of the financial statements.

DIRECTORS' CONFLICT OF INTEREST

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

Details of the Directors' shareholdings and options over shares are provided on pages 58 to 60.

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

EMPLOYMENT POLICIES

The Group values highly the commitment of its employees and has maintained its practice of communicating business developments to them in a variety of formats. Furthermore, the Group has implemented a series of Director-led staff briefings designed to keep employees well informed of the performance and objectives of the Group. These briefings are held regularly and serve as an informal forum for employees to ask questions about the Company.

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

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

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

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

SHARE CAPITAL AND CONTROL

Full details of share options and awards under the terms of the Company's share incentive plans can be found on pages 85 to 88.

Other relevant requirements from the takeover directive are included elsewhere in the Report of the Directors, the Corporate Governance Report, the Directors' Remuneration Report and the notes to the Group and Company financial statements. There are no agreements in place between the Group and its employees or Directors for compensation for loss of office or employment that occur because of a takeover bid.

As at 31 March 2013, the Company's issued share capital comprised of a single class of 144,936,155 ordinary shares of £1.00 each. Details of the Company's issued share capital are set out on page 84.

SUBSTANTIAL SHAREHOLDINGS IN THE COMPANY

As at 31 March 2013, the Company has been notified, in accordance with the FSA Disclosure and Transparency Rules of the following interests in the voting rights of the Company:

	Number of Shares	Percentage Held
Mr S N Roditi	38,880,258	26.83
BlackRock Inc	16,475,156	11.37
Standard Life Investments	8,726,570	6.02
F&C Asset Management Plc	8,091,140	5.58
Invesco Perpetual	7,830,749	5.40
Legal & General Investment Management	6,285,840	4.34
Aberforth Partners	6,084,364	4.20
NBIM	4,840,332	3.34

As at 31 May 2013, the Company has been notified, in accordance with the FSA Disclosure and Transparency Rules of the following interests in the voting rights of the Company:

	Number of Shares	Percentage Held
Mr S N Roditi	38,880,258	26.83
BlackRock Inc	16,347,524	11.28
Standard Life Investments	10,322,479	7.12
Invesco Perpetual	7,587,941	5.24
F&C Asset Management Plc	7,130,851	4.92
Legal & General Investment Management	5,871,178	4.05
NBIM	5,741,430	3.96

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

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political contributions during the year (2012: £nil). Charitable contributions within the UK amounted to £45,940 (2012: £43,824) principally through rental concessions.

HEALTH AND SAFETY

We are committed to health and safety best practice as an integral part of our business activities and our drive for high performance.

The Group's policy is to provide and maintain safe and healthy working conditions, equipment and systems of work for all its employees and to provide such information, training and supervision as they need for this purpose.

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

PURCHASING POLICIES AND PAYMENTS

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

During the year to 31 March 2013 the Group's average payment term from the date of invoice was 29 days (2012: 33 days). The Parent Company has made no trade purchases.

FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies of the Company are set out in note 17 to the financial statements and in the Corporate Governance section of this report on pages 43 and 44.

DISCLOSURE OF INFORMATION TO AUDITORS

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

INDEPENDENT AUDITORS

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

ANNUAL GENERAL MEETING

The 27th Annual General Meeting of the Company will be held at Chester House, Kennington Park, 1-3 Brixton Road, London SW9 6DE on Thursday 25 July 2013 at 11.00am. Accompanying this report is the Notice of the Annual General Meeting, which sets out the resolutions to be considered and approved at the meeting.

By order of the Board

CARMELINA CARFORA
COMPANY SECRETARY
11 June 2013

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE STATEMENT

The Board is committed to maintaining high standards of corporate governance and we support and apply the principles of good governance advocated by the UK Corporate Governance Code (the Code). The Board works with honesty and integrity which it considers are vital to building a sustainable business for all of our stakeholders.

The Board believes that implementing a robust governance and corporate social responsibility framework in which appropriate management structures, processes and safeguards are adopted and are transparently communicated to shareholders is essential in aiding sustainable long-term economic performance.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

It is the Board's view that the Group has been fully compliant with the Code throughout the year ended 31 March 2013. The application of the principles contained in the Code is described below. Detailed reports on Directors' remuneration and the Audit Committee can be found on pages 45 to 60 and pages 42 to 44.

CORPORATE GOVERNANCE STRUCTURE

The Board is responsible to shareholders for the strategic direction of the Group and the stewardship of its activities.

The Board has a number of standing committees to which specific responsibilities have been delegated and for which written terms of reference have been agreed.

LEADERSHIP

CORPORATE GOVERNANCE STRUCTURE

THE BOARD
- Establish the core values and standards which are implemented by Workspace's governance framework and operational activities.
- Set Workspace's business strategy and business objectives in order to create long-term value for shareholders.
- Ensure that the necessary resources are available to fulfil Workspace's strategic objectives.
- Review and monitor performance against its business objectives and consider any associated risk factors which may adversely impact the business at large.

EXECUTIVE COMMITTEE
- Address Group-wide issues and initiatives.
- Review and approve capital expenditure, disposals and certain property acquisitions within established levels of authority.
- Monitor the operating and financial results against plans and budgets.
- Review the effectiveness of risk management and control procedures.

NOMINATIONS COMMITTEE
- Assess what new skills, knowledge and experience are required on the Board.
- Recommend to the Board candidates for appointment as Executive and Non-Executive Directors ('NEDs') of the Group.
- Consider succession policies and talent management.

REMUNERATION COMMITTEE
- Oversee all aspects of remuneration for Executive Directors.
- Recommend the Chairman's remuneration.
- Consider remuneration policy and practices of the workforce.

AUDIT COMMITTEE
- Ensure the integrity of financial reporting and audit processes.
- Ensure maintenance of a sound internal control and risk management system.
- Review and monitor the external auditors independence, objectivity and effectiveness of the audit process.
- Establish and implement the policy on non-audit services.

SENIOR MANAGEMENT
- Assist the Executive Committee in the running of day-to-day operations in line with Group strategy.
- Review and track major initiatives.
- Attend regular meetings with the Executive Committee to review performance and operational activity.

INVESTMENT COMMITTEE
- Approve any acquisition or disposal of investment property assets.
- Review and monitor integration plans for acquisitions.
- Approve and monitor development contracts.
- Approve and monitor asset management property improvements.
- Make recommendations to the Board for its approval of any business initiative with a value of more than £2m.

EXTERNAL RECRUITMENT
- Advise and assist the Committee in the search for appropriate candidates.
- Advise and assist the Nominations Committee in increasing the effectiveness of the Board and ensure that diversity continues to be a major factor in profiling candidates.

ADVISORS
- Advise on all aspects of executive remuneration and aspects associated with the LTIP.
- Advise on administration and the tax treatment of share option schemes and deferred share awards.

EXTERNAL AUDITOR
- Audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

FINANCE
- Produce the interim and annual financial reports and associated announcements.
- Establish and monitor financial processes of control and cash management.

RISK COMMITTEE
- Review and identify risks facing the Group.
- Ensure that appropriate controls are in place to review each issue raised.
- Provides reports to the Audit Committee.

THE BOARD

The Board has a duty to promote the long-term success of the Company for its shareholders and is responsible for safeguarding their interests by establishing a robust governance framework which is applied to all aspects of its business.

The Board is collectively responsible for the performance of the Group. The Board will review and monitor strategic plans and objectives, approval of acquisition of investment properties, disposals, financing arrangements and capital expenditure and of the Group's systems of internal control, governance and risk management.

Other day-to-day operational decisions are delegated by the Board to the Executive Committee.

The Chairman promotes open discussion among the Board members and encourages the Non-Executive Directors to constructively challenge strategic and other business related debate in order to ensure that the decisions adopted by the Board have been vigorously tested.

To assist the Board in effectively discharging its duties, Directors receive relevant supporting information, which include but is not limited to the Group's financial results, performance reports and risk assessment reports. The governance framework implemented by the Group ensures that open communication channels exist between the Board, its principal committees and from within the organisation. Copies of committee minutes are distributed to all Directors and Committee Chairmen report back to the Board. Furthermore, the Board routinely considers safety, environmental, ethical and reputational issues in order to ensure that they are fully reflected in the risk management process.

BOARD ACTIVITIES

The full schedule of matters reserved for the Board can be found on the Company website at www.workspace.co.uk. At least once a year the Board reviews the nature and scale of matters reserved for its decision.

During the past financial year, the Board has met for scheduled Board meetings eleven times. Key matters reserved for the Board at those meetings include:

- **Strategy:** the setting and monitoring of strategy, including the dividend policy;
- **Strategy:** reviewing performance and implementation of the strategy by the Executive Directors;
- **Property:** reviewing the Group's property valuation;
- **Financing:** considering significant financing arrangements;
- **Acquisitions and Disposals:** examine and approve potential acquisitions and disposals;
- **Business Plans and Budget:** reviewing and approval of budgets, business plans and performance;
- **Redevelopment Activity:** approval of redevelopment activity and major developments;
- **Financial Reporting & Controls:** approval of the annual, half yearly and interim management statement;
- **Internal Controls:** ensuring a sound system of internal control and risk management; review of crisis management plan;
- **Policy:** reviewing and approving policy on key areas including sustainability objectives, health and safety and the environment;
- **Board Membership:** approval of Board appointments and ensuring adequate succession planning is in place;
- **Corporate Governance:** undertaking a review of its own performance and that of its committees, the independence of the Non-Executive Directors and reviewing the governance framework in place.

The Company maintains Directors' and Officers' Liability insurance which is reviewed annually.

BOARD ATTENDANCE

The Board normally meets at regular intervals during the year. Supplementary meetings are also held as and when necessary.

During the year ended 31 March 2013, the attendance of Directors at Board meetings was as follows:

	Scheduled Board Meetings (11)
Daniel Kitchen	10
Jamie Hopkins	11
Graham Clemett	11
Bernard Cragg	10
John Bywater	9
Maria Moloney[1]	10
Chris Girling[1]	3
Damon Russell[2]	0

Notes:
1. Maria Moloney and Chris Girling were appointed to the Board on 22 May 2012 and 7 February 2013 respectively. Since their appointment, both Maria Moloney and Chris Girling have attended all Board meetings that they were eligible to attend.
2. Damon Russell was appointed to the Board on 29 May 2013.

Where Directors are unable to attend meetings, their comments, as appropriate, are provided to the Board or Committee Chairman prior to the meeting.

During the year, the Board held an annual strategy meeting at which it considered the future strategy of the Group.

THE EXECUTIVE COMMITTEE

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

The Committee has met 18 times during the year ended 31 March 2013.

An Investment Committee was also established during the year under review, again this comprises the Executive Committee and senior managers will be invited to attend as required.

The responsibilities of the Executive Committee members include:

Jamie Hopkins, Chief Executive Officer

Strategic management; investor relations; acquisitions and disposals; health and safety; staff; equal opportunities; remuneration; and training and development.

Graham Clemett, Chief Financial Officer

Finance; treasury; company secretarial; investor relations; and the Group's IT strategy.

Chris Pieroni, Operations Director

Portfolio performance; asset management, marketing, professional services, brand and business development.

Angus Boag, Development Director

Planning consents; development of assets; valuations; disposals; sustainability; and environmental strategy.

BOARD COMMITTEES

The Board has a number of standing committees, namely the Remuneration, Audit, and Nominations Committee, to which specific responsibilities have been delegated and for which written terms of reference have been agreed. The terms of reference for the Remuneration, Audit and Nominations Committee are available for inspection on the Company's website. Each of these Committees is comprised of Independent Non-Executive Directors of the Company who are appointed by the Board. Board members receive minutes of meetings of all the Board's committees and can request presentations or reports on areas of interest. The Company Secretary is secretary to each Committee.

Attendance at Committee meetings by Committee members during the year was as follows:

	Nominations Committee (3 Meetings)	Remuneration Committee (7 Meetings)	Audit Committee (4 Meetings)
Chairman			
Daniel Kitchen	3	6	–
Non-Executive Directors			
Bernard Cragg	3	7	4
John Bywater	3	7	4
Maria Moloney[1]	1	6	3
Chris Girling[1]	–	2	1

Notes:

1. The attendance of Maria Moloney and Chris Girling is based on the number of meetings held in which they were eligible to attend following their appointment as a formal member of the Committee.

EFFECTIVENESS

NOMINATIONS COMMITTEE

DANIEL KITCHEN
Chairman

During the year, the Nominations Committee was chaired by the Company Chairman, Daniel Kitchen and comprised all of the Non-Executive Directors. The names of the members of the Committee are shown in the table above together with attendance at meetings. The full terms of reference of the Nominations Committee are available for inspection on the Company's website at www.workspace.co.uk.

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

During the year, the Nominations Committee worked on three Non-Executive Director appointments. The Committee appointed Spencer Stuart, an external search consultancy, to assist it in identifying external candidates with diverse experience, one of whom with relevant financial experience.

The Committee met with a number of candidates and following several meetings and discussions, the preferred candidates, Maria Moloney, Chris Girling and Damon Russell, met with each member of the Board prior to their appointments on 22 May 2012, 7 February 2013 and 29 May 2013 respectively.

REMUNERATION COMMITTEE

JOHN BYWATER FRICS
Non-Executive Director

During the year ended 31 March 2013, the Remuneration Committee was chaired by John Bywater and comprises all of the Non-Executive Directors and the Company Chairman who was independent upon appointment. The names of the members of the Committee are shown in the Table on page 37, together with attendance at meetings. The full terms of reference of the Remuneration Committee are available for inspection on the Company's website at www.workspace.co.uk.

The Chief Executive Officer is, other than discussions in respect of his own position, invited to attend and contribute towards meetings.

Under its terms of reference the Committee meets at least twice a year. During the year under review the Committee met seven times. It is responsible for all aspects of the remuneration of the Executive Directors. The Committee is also responsible for recommending the Chairman's remuneration to the Board in compliance with the UK Corporate Governance Code.

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

BOARD COMPOSITION

The effectiveness of the Board and its Committees is vital to the success of the Company. The Board considers there to be an appropriate balance between Executive and Non-Executive Directors required to lead the business and safeguarding the interest of shareholders. The Board's current composition of a Non-Executive Chairman, two Executive Directors and five Non-Executive Directors meets the requirement of the code for at least half the Board, excluding the Chairman, to be independent Non-Executive Directors. In the Board's view, all of the current Non-Executive Directors are independent and this is explained in more detail on pages 39 and 40.

The Non-Executive Chairman was considered by the Board to be independent upon his appointment.

During the year, a number of changes have been made to the Board. On 1 April 2013, Jamie Hopkins was appointed Chief Executive Officer following the retirement of Harry Platt in March 2012.

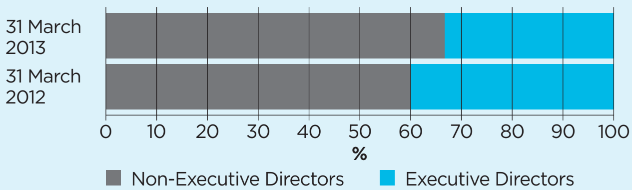
Maria Moloney was appointed as a Non-Executive Director on 22 May 2012 and Chris Girling joined the Board as a Non-Executive Director on 7 February 2013.

Damon Russell was also appointed to the Board as a Non-Executive Director on 29 May 2013.

The biographies of all members of the Board are set out on pages 30 and 31. The Nominations Committee regularly reviews the composition of the Board to ensure that we have an appropriate and diverse mix of skills, experience, independence and knowledge of the Group.

The following Table illustrates the balance of Non-Executive Directors to Executive Directors, excluding the Chairman, on the Board during the past year:

BALANCE OF NON-EXECUTIVE AND EXECUTIVE DIRECTORS

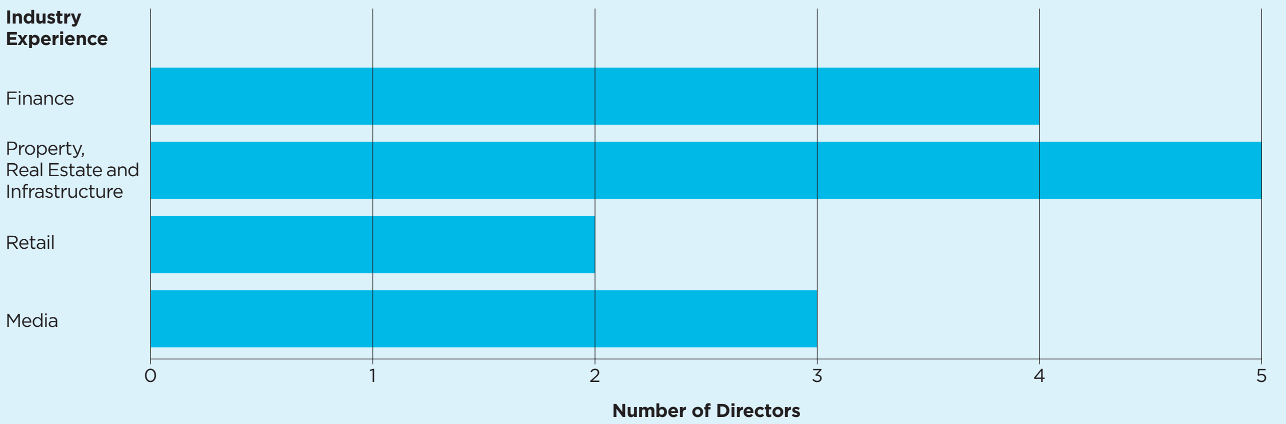


BACKGROUND AND EXPERIENCE OF THE BOARD

The Board currently has eight Directors that bring considerable and diverse experience which enables them to make a valuable contribution to the Group. Their experience, gained from varied commercial backgrounds, enables them to bring specific insights and make valuable contributions to the Company.

The following Table illustrates the collective business experience held by Board Directors, outside that acquired at Workspace Group PLC.

BOARD EXPERIENCE AND SKILLS



The Board is actively considering diversity and believes this to be an important factor when considering appointments to the Board. As part of the recruitment process, the composition of the Board will be kept under review to ensure the best balance of skills and experience is maintained. Further details on our diversity policy can be found on page 44.

ROLES OF THE CHAIRMAN, CHIEF EXECUTIVE OFFICER AND SENIOR INDEPENDENT DIRECTOR

The roles and responsibilities of the Non-Executive Chairman, Chief Executive Officer and Senior Independent Director are separate and the division of responsibilities has been clearly established.

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

During the year the Chairman held a number of meetings with the Non-Executive Directors, without the Executive Directors being present. The discussions largely revolved around succession planning.

The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group and the determination of the strategy and achievement of its objectives.

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

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

Following the 2013 AGM, Bernard Cragg will have served as a Board Director for ten years. The Board recognises that his tenure will have reached a threshold at which his independence could be called into question by some shareholders under the criteria set by the UK Corporate Governance Code.

The Board has considered the independence of all of the Non-Executive Directors, and in particular that of Bernard Cragg. The Board concluded that each of the Non-Executive Directors is considered to be independent of the executive management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. All Non-Executive Directors act in a robustly independent manner and bring constructive challenge to Board discussions and independent decision-making to their Board and Committee duties.

The Board believes that no long-standing relationship which may be deemed to compromise independence has been formed with any of the Executive Directors or senior executives at Workspace. Furthermore, the longest-standing professional relationship between Bernard Cragg and any existing Executive Directors is no more than six years.

The Board accepts that some shareholders take a robust view of independence, in particular the tenure of Non-Executive Directors. The Board is committed to actively refresh its membership and that of its committees in line with its succession planning process which has been evident during the last 12 months with the appointment of Maria Moloney, Chris Girling and Damon Russell as Non-Executive Directors.

As explained last year, Bernard Cragg will remain as a Board Director until the Annual General Meeting in 2014. We have been mindful to ensure that a certain level of continuity is retained given the Board changes last year and of course the experience and skills required in performing the role of Chair of the Audit Committee and Senior Independent Director. However, the intention is that Chris Girling will succeed Bernard Cragg as Chairman of the Audit Committee in due course given his background, knowledge and in-depth experience within finance which are essential in order to perform the role of Chair of the Audit Committee.

We continue to review and monitor Board and Board Committee composition against our skills and experience requirements.

INDUCTION, TRAINING AND DEVELOPMENT

A tailored induction programme is provided for each new Director. Overall, the aim of the induction programme is to introduce new Directors to the Group's business and its governance arrangements. Such inductions typically include meetings with senior management, site visits and presentations of key business areas and other relevant documentation. In addition, Directors are encouraged to update their skills, knowledge and familiarity with the Group by attending external seminars and briefings, through participation at meetings and through visits to estates, meetings with senior management and advisers. We recognise that our Directors have a diverse range of experience, and so we encourage them to attend external seminars and briefings that will assist them individually.

The Directors are regularly updated on new legislation and corporate governance issues as they arise. Directors have access to independent professional advice at the Company's expense where they judge this to be necessary to discharge their responsibilities as Directors. This is in addition to the access that every Director has to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

COMPANY SECRETARY

Carmelina Carfora is the Company Secretary to the Board of Workspace. Her biography can be found on page 31. Carmelina is responsible for ensuring good information flows within the Board and its committees and between senior management and Non-Executive Directors. She is also responsible for advising the Board, through the Chairman on all governance matters.

BOARD PERFORMANCE EVALUATION

The Board annually evaluates its own performance and that of its Committees and Directors. In 2012 the annual evaluation of the Board and Committee performance was conducted through an independent external consultancy.

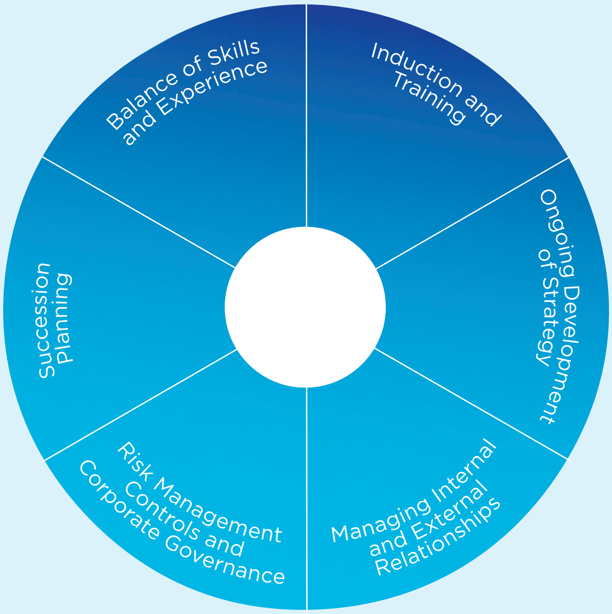
The results of last year's evaluation were positive. A number of actions were identified to improve and maintain the effectiveness of the Board. The actions, together with progress are identified below:

2012 BOARD EVALUATION

Actions	Progress
Strategy and Risk Management	– Annual Board strategy day held. – Actions from strategy day formally recorded in a plan which is monitored and updated by the Board. – Risk Management process reviewed and monitored.
Succession planning and implementation	– Two Non-Executive Directors appointed to the Board during the year under review.
Skills, experience and performance	– Two Non-Executive Directors appointed with diverse skills and experience, one with in-depth financial skills in order to assume the role of Chair of the Audit Committee in due course.
Communication	– Non-Executive Directors have continued their interaction with the Executive Committee members and visited sites to gain an enhanced understanding of the challenges and opportunities they face in the business environment. Additional Board Meetings have also been included in the Board timetable.

For the year under review, the process comprised the Company Secretary issuing detailed questionnaires covering the Board and its Committees to Board members. The questionnaires covered those areas as detailed in the diagram below:

BOARD AND COMMITTEE EVALUATION



The responses to the questionnaires were collated independently by the Company Secretary who prepared reports for the Company Chairman and the Chairman of each committee. These reports were discussed at the relevant Committee meetings and the Board discussed the results at its meeting in March 2013.

The results of this year's evaluation were positive. The following themes were noted for action:

- Ongoing review of Board composition and succession planning;
- Continued focus on testing and development of strategy;
- Conscious of the ever-changing legislation and regulations, presentations and updates will be made during the course of the year on both potential and impending legal and regulatory changes across areas of the Group's operations to ensure the potential impacts on the Group are appropriately addressed on a timely basis.

The review includes the assessment of individual Directors' performance, which in the case of the Executive Directors is undertaken as part of the wider performance appraisal process applied to staff across the Group.

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

ELECTION AND RE-ELECTION OF DIRECTORS

The Articles of Association of the Group require that Directors should submit themselves for election at the first opportunity after their appointment and thereafter for re-election at least every three years. However, at the 2011 AGM the Group had adopted the requirements of the UK Corporate Governance Code (June 2010) in relation to Directors' appointments and in particular the annual re-election of all Directors. Therefore, in accordance with provision B.7.1 of the UK Corporate Governance Code, all the Directors will retire at the AGM and being eligible, offer themselves up for election and re-election.

The Board considers that all of the Directors have the necessary skills and experience needed to effectively lead the business. In addition, the Non-Executive Directors are considered to bring independent objectivity in order to safeguard and promote the interest of shareholders.

The Board has considered the outcome of the Board effectiveness review as well as the performance of each individual Director, including how they operate as a collective in fulfilling their duties on the Board or as members of the Board's Committees. The Board has accepted the recommendations provided by the Nominations Committee and is of the opinion that the Directors seeking re-election at the AGM have continued to give effective counsel and commitment to the Company and accordingly should be reappointed by the Group's shareholders at the upcoming AGM.

Jamie Hopkins and Graham Clemett have service contracts and details can be found on page 49.

None of the Non-Executive Directors have service contracts.

The appointment of Daniel Kitchen may be terminated by either he or the Company giving six months' notice in writing.

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

Maria Moloney's appointment may be terminated by either the Company or by her giving three months' notice in writing.

Chris Girling was appointed as a Non-Executive Director on 7 February 2013 and was invited to join the Remuneration, Audit and Nominations Committees. He therefore stands for election at the forthcoming Annual General Meeting. Mr Girling's appointment may be terminated by either the Company or by him giving three months' notice in writing.

Damon Russell was appointed as a Non-Executive Director on 29 May 2013. He also stands for election at the forthcoming Annual General Meeting. Mr Russell's appointment may also be terminated by either the Company or by him giving three months' notice in writing.

Biographies for the Directors can be found on pages 30 and 31.

ACCOUNTABILITY

AUDIT COMMITTEE

BERNARD CRAGG BSC ACA
Senior Independent
Non-Executive Director

The Audit Committee ensures the integrity of financial reporting and audit processes and the maintenance of a sound internal control and risk management system, details of which are described on pages 43 and 44. The full terms of reference for the Audit Committee are available for inspection on the Company's website at www.workspace.co.uk.

The Committee comprises all the Non-Executive Directors, except the Chairman, and is chaired by Bernard Cragg. The Group audit partner from the external auditor attends the Committee Meeting at least twice a year.

Maria Moloney, was appointed as a member on 31 May 2012. It was stated last year that the Company intended to recruit an additional Non-Executive Director with the necessary skills and experience required to become a member of the Audit Committee. Consequently, Chris Girling was appointed as a Non-Executive Director and member of the Audit Committee. Chris Girling was previously Group Finance Director of Carillion PLC.

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

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

MEETINGS

Meetings of the Audit Committee coincide with key dates in the financial reporting and audit cycle. The Committee Chairman reports the outcome of meetings to the Board. During the year under review the Committee met four times.

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

The Chairman of the Company, the Chief Executive Officer, the Chief Financial Officer and other members of the senior management team together with senior representatives of the external auditor are invited to attend all or part of meetings as appropriate.

REVIEW OF THE YEAR

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

- The interim and annual financial statements;
- The appropriateness of the Group's accounting policies and practices;
- The valuations of the Group's property portfolio;
- The review of the Group's internal control and risk management systems;
- The external auditor's management letter;
- The Group's compliance with REIT legislation;
- The Company's approach to compliance with legislation and regulations, including arrangements for staff to raise concerns in confidence;
- The relationship with the external auditor, the external audit process, the audit and non-audit fee and independence;
- The need and use for an internal audit function; and
- The review of fraud risk.

Due to its size and structure, the Group does not have an internal audit function, a matter which is kept under review by the Committee. However, management instructs the undertaking of a programme of financial, operational and health and safety internal audits at its estates. These are carried out by qualified senior Head Office personnel on a rotational basis. Significant findings are reported to the Audit Committee.

EXTERNAL AUDITORS

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

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

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

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

1. A self review threat – this is where, in providing a service, the PwC audit team could potentially evaluate the results of a previous PwC service.

The Committee specifically will not allow the auditors to:

- Do anything that is a management responsibility (e.g. such as setting performance targets or determining employees' actual compensation).
- Provide accounting or book-keeping services.
- Prepare financial statement disclosure items.

2. A self interest threat – where a financial or other interest (of an individual or PwC) will inappropriately influence an individual's judgement or behaviour.

The Committee will specifically perform the following:

- If the external auditor is to be considered for the provision of non-audit services, their scope of work and fees must be approved in advance by the Chief Financial Officer and the Committee Secretary and, in the case of fees in excess of £50,000 for a single project, by the Committee (or if approval is required before the next meeting, by the Committee Chairman). For larger assignments in excess of £100,000 this would involve a competitive tender process unless there are compelling commercial or timescale reasons to use the external auditor or another specific accountancy firm.
- It does not accept significant contingent fee arrangements with the external auditors.

3. An advocacy threat – this is where PwC or PwC personnel promote an audit client's position to the extent where PwC's objectivity as auditor is compromised.

– The Group will not use PwC in an advocacy role.

4. A familiarity threat – this is where, because of a too long or too close a relationship, the external auditor's independence is affected.

- The Committee will prohibit the hiring of former employees of the external auditor associated with the Group's audit into management roles with significant influence within the Group within two years following their association with the audit, unless the Chairman of the Audit Committee gives prior consent. Annually, the Committee will be advised of any new hires caught by this policy. However, there have been no instances of this occurring. In addition, PwC will rotate their lead audit partner every five years.
- The Committee will monitor on an on-going basis the relationship with the external auditor to ensure its continuing independence, objectivity and effectiveness.

Fees paid to PwC can be found in note 2 on page 71.

ACCOUNTABILITY AND AUDIT

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

- A comprehensive system of financial reporting;
- An organisational and management Board structure with clearly defined levels of authority and division of responsibilities;
- A Risk Committee, which is chaired by the Chief Executive Officer and is attended by representatives from senior management and operational staff. The Risk Committee meets monthly and formally reports to the Audit Committee twice a year;
- A programme of site audit visits, covering a significant proportion of the sites each year. Although the Group does not have a dedicated internal audit function, an operational, finance and health and safety audit are carried out at the estates by qualified Head Office personnel. The results of the audits are reported to and reviewed by the Risk and Audit Committees and appropriate action taken as required.

The Risk Committee reviews and identifies risks facing the Group and ensures that appropriate controls are in place to review each issue raised. Each identified risk is assigned a 'Risk Owner'. The Risk Committee have also devised an annual plan of work where a review is undertaken of particular areas of the business. Depending on the nature of the project, a third party consultant may be appointed to assist in the review.

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

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

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

Further information on the Group's risks is detailed on pages 22 to 25.

WHISTLEBLOWING
The Group has 'whistleblowing procedures' under which staff may report any suspicion of fraud, financial irregularity or other malpractice. There is also a process in place for staff to report operational risks and issues to the Risk Committee.

DIVERSITY
Workspace employs enthusiastic, committed and well-trained people, whose diversity reflects that of London itself. The Board is fully committed to an active Equal Opportunities Policy from recruitment and selection, through training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. Workspace has a good record of promoting and appointing women to senior positions. The employee gender profile is fairly evenly split with a total of 45% female and 55% male employees.

The Board recognises the benefits of diversity of skills, gender, knowledge and independence. Consequently, diversity will form part of considerations afforded to the search and selection process for Directors and staff.

The Board does not consider it appropriate at this time to set quotas for Board representation, but will monitor developments in best practice.

TAKEOVER DIRECTIVE
Share capital structures are included in the Report of the Directors on page 33.

GOING CONCERN
Going Concern disclosures are included in the Report of the Directors on page 32.

RELATIONS WITH SHAREHOLDERS
Communications with shareholders is given a high priority and the Company undertakes a regular dialogue with major shareholders and fund managers. An analyst and investor event was held in October 2012 which provided an overview of the portfolio including, a property breakdown, examples of asset management initiatives and refurbishment and redevelopment schemes, along with appraisals and valuation methodology.

The Executive Directors are the Company's principal representatives with investors, analysts, fund managers, press and other interested parties. Frequent discussions with institutional shareholders are held on a range of issues throughout the year affecting the Group's performance, which include meetings following the announcements of the annual and interim results.

Other ad hoc meetings, presentations and site visits are arranged for shareholders throughout the year.

ANNUAL GENERAL MEETING
The Annual General Meeting provides the Board with an opportunity to communicate with, and answer questions from, private and institutional shareholders and the whole Board is available after the meeting, in particular, for shareholders to meet new Directors. Details of the resolutions to be proposed at the Annual General Meeting on 25 July 2013 can be found in the Notice of Meeting.

The Chairmen of the Audit, Remuneration and Nominations Committees normally attend the Annual General Meeting and are available to answer any questions. All Directors normally attend the meeting.

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

By order of the Board

CARMELINA CARFORA
COMPANY SECRETARY
11 June 2013

OVERVIEW FROM JOHN BYWATER, CHAIRMAN OF THE REMUNERATION COMMITTEE

JOHN BYWATER
Chairman of the Remuneration Committee

"Transformational year drives performance."

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2013.

While the new regulations governing the shareholder approval and reporting of executive reward do not come into force until Workspace's 2014 financial year, we have incorporated a number of changes this year in both content and structure of this report. Section A outlines Workspace's forward-looking remuneration policy, sets out the components of pay, how they are linked to the business strategy, and potential reward opportunities for the Executive Directors. Section B reviews how the policy was implemented for the year under review and includes changes to existing executive remuneration arrangements and a table showing a single figure of total remuneration for each Executive Director and their outstanding share awards.

During the year the Committee reviewed the remuneration structure in place at Workspace to ensure it remains aligned with our business strategy and helps reinforce success. As part of its review, the Committee identified some modifications for future long-term incentive arrangements aimed at providing improved performance measurement and extended time horizons for long-term incentives. We have also taken the opportunity to increase the shareholding requirement for Executive Directors and introduce a minimum time horizon to achieve these. The outcomes of the review are listed on page 53 and these were discussed with the Company's largest shareholders.

I am also delighted to report that, during the year, all employees were able to participate in the Approved Share Incentive Plan ('SIP'). This is an exciting opportunity for all employees to share in the future success of the Company.

Remuneration for Executive Directors for 2013 reflects a year of strong results, as shown in the table below:

ACTUAL PERFORMANCE OF STRATEGIC AND FINANCIAL MEASURES

2013	2012
+13% **Net Asset Value per share** Up 13% to £3.48	**+8%** **Net Asset Value per share** Up 8% to £3.08
Capital Return of 13.8% vs 3.2% for IPD quarterly Universe	**Capital Return of 13.4% vs 6.4% for IPD quarterly Universe**
+12% **Trading Profit after interest** Up 12% to £17.9m	**+13%** **Trading Profit after interest** Up 13% to £16.0m
+10% **Dividend per share for full year** Up 10% to 9.67p	**+10%** **Dividend per share for full year** Up 10% to 8.79p
82% **Customer Satisfaction**	**84%** **Customer Satisfaction**
51.1% **Total Shareholder Return**	**-7.6%** **Total Shareholder Return**

We continually keep all aspects of remuneration under review and listen to the views of shareholders. We believe our current approach to remuneration is responsible and appropriate as it:

- Is structured to drive execution of our business strategy;
- Aligns reward with the creation of shareholder value;
- Allows the Company to recruit and retain talent; and
- Incentivises the delivery of long-term, sustainable business growth and shareholder value.

The Committee recognises that the business has been through a transitional year with the delivery of a strong set of results. The focus has remained on driving value by growing income through increased rent and occupancy while adding to the value of our assets through focused refurbishment and redevelopment. We have been delighted with the performance of the management team through this period of transition. We are pleased to be able to reward them for both the shareholder return which they have delivered and in the way they have developed the Company creating a platform for further sustainable growth.

To conclude, the Committee believes that the structure of remuneration remains appropriate. Incentives are weighted towards long-term variable pay; executive share ownership is strongly encouraged; management incentives have stretching performance targets; the annual bonus focuses on our annual business priorities, and the LTIP aligns the interests of participants with those of our shareholders. Details of the remuneration policy can be found in the policy table on page 47.

JOHN BYWATER
CHAIRMAN OF THE REMUNERATION COMMITTEE
11 June 2013

COMPLIANCE STATEMENT

This Remuneration Report has been prepared on behalf of the Board by the Remuneration Committee (the 'Committee'). The Committee adopts the principles of good governance as set out in the UK Corporate Governance Code and complies with the UKLA Listing Rules and relevant requirements of Section 421 to the Companies Act 2006. The structure of this report has been modified from previous years based on the proposed regulations put forward by the Department for Business, Innovation and Skills (BIS).

REMUNERATION COMMITTEE

THE MEMBERS OF THE REMUNERATION COMMITTEE

The Remuneration Committee is composed of four independent Non-Executive Directors, together with the Chairman of the Company. The Remuneration Committee met seven times during the year. Attendance at meetings by individual members is detailed in the Corporate Governance Report on page 37. The Committee consulted with the Chief Executive Officer and Chief Financial Officer and invited them to attend meetings when appropriate. No Director is present when their own remuneration is being discussed.

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

John Bywater (Chairman)
Bernard Cragg
Daniel Kitchen
Maria Moloney (from 22 May 2012)
Chris Girling (from 7 February 2013)

The Committee's principal function is to determine Workspace's policy on executive remuneration and to approve specific remuneration packages for its Executive Directors and members of the Executive Committee. It also considers the remuneration of senior managers.

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

The key responsibilities of the Committee are summarised as follows:

- Recommending the Company policy on remuneration for the Executive Directors and senior managers that ensures talented people are recruited, retained and motivated to deliver results;
- Reviewing the effectiveness of remuneration policy with regard to its impact and compatibility with the policy and arrangements throughout the rest of the organisation;
- Determining the terms of employment and remuneration for Executive Directors including recruitment and termination terms;
- Reviewing incentive plans annually to ensure they remain appropriate to the Company's current circumstances and prospects and that, in particular, the policies adopted are aligned and based on the creation of value for shareholders and provide appropriate incentives for management to achieve this objective;
- Reviewing the subsequent achievement of the performance targets relating to any share incentive plan;
- Making a recommendation to the Board in respect of the remuneration of the Company Chairman; and
- Reviewing the overall remuneration levels of the broader employee population.

A) POLICY REPORT

PRINCIPLES OF OUR EXECUTIVE REMUNERATION POLICY

It is intended that the remuneration policy framework as set out to the right, which has applied throughout the reporting year, will continue to apply for FY 2014.

REMUNERATION POLICY

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

REMUNERATION PACKAGE DESIGN

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

PERFORMANCE LINKED

A significant part of executive remuneration is variable and is determined by the Group's success and directly links reward with Group and individual performance.

SHAREHOLDERS' INTERESTS

The Committee strives to ensure that shareholders' interests are served by creating an appropriate balance between fixed and performance-related pay. A considerable part of the reward package is linked to share price performance, is delivered in shares that have to be retained until minimum shareholding requirements have been met, and requires Executives to invest their own funds in Company shares.

SUMMARY OF WORKSPACE'S REMUNERATION POLICY FOR EXECUTIVE DIRECTORS AND EXECUTIVE COMMITTEE MEMBERS

THIS SECTION OF OUR REPORT SUMMARISES THE KEY COMPONENTS OF REMUNERATION FOR EXECUTIVE DIRECTORS

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Changes for 2013/14
Base salary To reflect market value of the role and individual's performance and contribution.	Reviewed on an annual basis, with any increase taking effect from 1 April. The Committee reviews base salaries with reference to: – the individual's role, performance and experience; – business performance and the external economic environment; – salary levels for similar roles at relevant comparators; and – salary increases across the Group. Payable in cash.	Base salary increases are applied in line with the outcome of the review.	Business and individual performance are considerations in setting base salary.	No change to the process. Salaries effective from 1 April 2013 are set out on page 51.
Pension and other benefits To provide market competitive benefits.	Executives participate in a defined contribution pension scheme. Other benefits include car allowance, private health insurance, and death in service cover. Executives may also participate in the SAYE scheme.	Company contribution of 15% of salary for the CEO and 16.5% for the CFO. Other benefits values vary by role and are reviewed periodically.	Not performance related.	No change.
Annual Bonus To reinforce and reward delivery of annual strategic business priorities, based on a scorecard of KPIs relating to both Group and individual performance. Bonus deferral and LTIP investment provide further alignment with shareholder interests.	KPIs are reviewed prior to the start of the year to ensure they remain appropriate and reinforce the business strategy. Stretching targets are set. At the end of the year the Committee determines the extent to which these were achieved. The Committee may vary the mix of cash and deferred bonus shares from year to year. For 2013, the minimum deferral requirement has been set at 25% of bonus earned. The Committee retains the discretion to mandate deferral of a percentage of bonus earned (which will normally vest after two years, subject to continued employment) or allow Executives to make an equivalent investment in the LTIP.	The maximum bonus for Executive Directors is 120% of salary. Up to 90% of salary can be earned on Group performance. The Group outcome can then be adjusted by a factor in the range 0.67 to 1.33 based on individual performance. In the event there is no bonus for Group performance, the Committee has discretion to award a bonus of up to 20% of salary for exceptional individual performance. Non Pensionable.	KPIs selected and their respective weightings may vary from year to year depending on strategic priorities. The Group performance measures used for 2013 annual bonuses were: – Trading profit before tax; – Capital return from the portfolio versus a defined comparator index compiled by IPD; – Customer satisfaction which is based on survey results. The Group performance outcome can then be adjusted based on individual performance as described opposite.	No change.
LTIP To reinforce delivery of sustained long-term sector out-performance, and align the interests of participants with those of shareholders.	The Committee may grant awards of performance shares and matching shares (subject to participant investment). The award levels and performance conditions are reviewed in advance of grant to ensure they remain appropriate. Awards are in the form of nominal priced options which vest after three years, subject to performance conditions. Non pensionable.	Plan provides for annual awards of: – performance shares of up to 100% of salary (200% in exceptional circumstances); and – matching share awards of up to 2 for 1 on investments in Workspace shares of up to 50% of net salary.	Awards usually vest after 3 years, subject to Company performance and continued employment. Measures for 2012 awards were relative Net Asset Value growth (1/3), relative TSR (1/3) and absolute TSR (1/3). TSR is underpinned by Committee discretion; absolute TSR is subject to a relative TSR underpin.	For 2013 LTIP awards, changes to the performance conditions and introduction of a holding period are described on page 53 of the implementation report.

THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

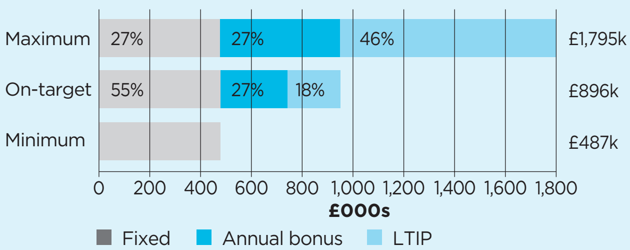
The Board determines the remuneration policy and level of fees for the Non-Executive Directors, within the limits set out in the Articles of Association. The Remuneration Committee recommends the remuneration policy and level of fees for the Chairman of the Board. Remuneration comprises an annual fee for acting as a Chairman or Non-Executive Director of the Company. Additional fees are paid to Non-Executive Directors in respect of service as Chairman of the Audit and Remuneration Committees. When setting these fees, reference is made to information provided by remuneration surveys, the extent of the duties performed, and the size of the Company. The Chairman and Non-Executive Directors are not eligible for bonuses, retirement benefits or to participate in any share scheme operated by the Company. The current fees are:

Role	Fee
Chairman fee	£125,000
Non-Executive Director base fee	£40,000
Committee Chairman additional fee	£5,000

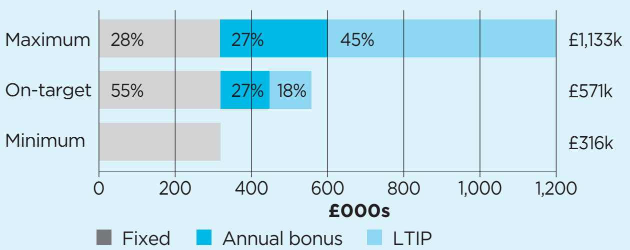
PERFORMANCE SCENARIOS

The graphs below provide estimates of the potential future reward opportunity for each of the two current Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On Target' and 'Maximum'.

CEO



CFO



Potential reward opportunities illustrated above are based on the remuneration policy, applied to the base salary as at 1 April 2013. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for 2013/14. For the LTIP, the award opportunities are based on those LTIP awards which are expected to be granted in June 2013. It should be noted that LTIP awards granted in a year normally vest on the third anniversary of the date of grant. The projected value of LTIP amounts excludes the impact of share price movement.

In illustrating potential reward opportunities the following assumptions have been made:

	Component	'Minimum'	'On-target'	'Maximum'
Fixed	Base salary	Latest known salary		
	Pension	Contribution rate applied to latest known salary		
	Other benefits	Benefits as provided in the single figure table on page 51		
Annual Bonus		No bonus payable	Target bonus (50% of max)	Maximum bonus
LTIP		No LTIP vesting	Assumes full take-up of investment opportunity, and Threshold vesting (20% of max)	Maximum vesting

WIDER GROUP REMUNERATION

The Group's wider people policies are reported separately on page 33. Following probationary periods, all staff in the Company are eligible to participate in the Company's bonus scheme, SAYE, SIP, pension scheme, life assurance arrangements and medical insurance benefits. Some senior staff are also eligible to participate in the Company's long-term incentive plan together with all members of the Executive Committee.

Workspace operates a number of share schemes available to all employees, the details of which are provided on pages 86 to 88.

In making remuneration decisions, the Committee also considers the pay and employment conditions elsewhere in the Group. In particular, the Committee considers the range of base pay increases across the Company as a factor in determining the base salary increases for Executives.

The increase to the base salaries of the Chief Executive Officer and Chief Financial Officer with effect from 1 April 2013 of 2.2% is in line with the average salary increase across the Group.

The Remuneration Committee does not specifically consult with employees over the effectiveness and appropriateness of the remuneration policy and framework, although as members of the Board they receive updates from the Executive Directors on their discussions and consultations with employees.

DETAILS OF EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The Executive Directors are employed under contracts of employment with Workspace Group PLC. The principal terms of the Executive Directors' service contracts are as follows:

			Notice Period	
Executive Director	Position	Effective date of contract	From Company	From Director
Jamie Hopkins	Chief Executive Officer	3 February 2012	12 months	12 months
Graham Clemett	Chief Financial Officer	31 July 2007	12 months	12 months

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

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

Name	Date of Letter	Unexpired term as at 31 March 2013	Date of Appointment/Last reappointment at AGM	Notice Period
Daniel Kitchen	6 June 2011	15 months	2012	6 months
Bernard Cragg	22 May 2012	16 months	2012	6 months
John Bywater	27 July 2010	4 months	2012	6 months
Maria Moloney[1]	22 May 2012	26 months	2012	3 months
Chris Girling[2]	7 February 2013	34 months	–	3 months
Damon Russell[3]	29 May 2013	–	–	3 months

1. Maria Moloney was appointed on 22 May 2012.
2. Chris Girling was appointed on 7 February 2013.
3. Damon Russell was appointed on 29 May 2013.

The Directors are subject to annual re-election at the AGM.

EXIT PAYMENTS POLICY

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

In the event of termination of any Director, the Company reserves the right to make phased payments which are paid in monthly instalments and subject to mitigation.

In the event that an Executive Director leaves, LTIP awards will normally lapse, unless the individual is considered a 'good leaver'. Good leavers retain an interest in LTIP grants and awards are normally pro-rated for time based on the proportion of the vesting period served and for performance to the end of the relevant three-year performance period. An individual would normally be considered a good leaver if they leave for reasons of death, ill-health, injury, redundancy, retirement with the agreement of the Company, or such event as the Remuneration Committee determines.

Similarly, in respect of Annual Bonus, if an Executive leaves he would normally lose any entitlement for bonus, unless a good leaver. Good leavers retain an interest in the bonus and the award is normally pro-rated for time and performance.

EXTERNAL APPOINTMENTS

It is the Board's policy to allow Executive Directors to take up one Non-Executive position on the Boards of other companies, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. No such positions were taken and no fees were paid during the financial year.

CONSIDERATION OF SHAREHOLDER VIEWS

The Committee is committed to on-going dialogue with shareholders and welcomes feedback on Directors' remuneration. It is the Remuneration Committee's policy to consult with major shareholders prior to any major changes to its Executive remuneration structure.

B) IMPLEMENTATION REPORT

The following section provides details of how the remuneration policy was implemented during the year.

The Committee met seven times during the year under review. Attendance by individual Committee members at meetings is detailed in the Corporate Governance Report on page 37.

AGENDA DURING 2012/13

- Approval of the Directors' Remuneration Report for 2011/12 and review of the outcome of AGM voting for the report;
- Annual review of all Executive Directors' and senior managers' remuneration arrangements. For Executive Directors, salaries and total remuneration were benchmarked against a comparator group of other UK-listed property companies and companies of similar market capitalisation;
- Review of annual bonus outcomes for 2011/12 and approval of the performance conditions for 2012/13 annual bonuses;
- Approval of vesting levels for the 2009 Long Term Incentive Plan Awards ('LTIP') or (the 'Plan');
- Review of share plan performance measures;
- Review and approval of all awards under the LTIP, taking into account the total value of all awards under this Plan;
- Review and approval of 2012 LTIP award for CEO;
- Review of the LTIP performance conditions in advance of making 2013 awards in June;
- Consulted major shareholders on potential changes to 2013 LTIP awards;
- Review and approval of the Approved Share Incentive Plan;
- Review of developments in Corporate Governance and the proposals issued by the Business Secretary to the UK Government;
- Review of Executive Director shareholding guidelines;
- Agreement to propose the renewal of the Savings Related Share Option Plan at the 2012 AGM;
- Review of Committee Performance in 2012/13; and
- Review of Committee Terms of Reference.

During the year, the Committee sought internal support from the Chief Executive Officer and Chief Financial Officer who attended Committee meetings by invitation from the Chairman, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers. The Chief Executive Officer and Chief Financial Officer were not present for any discussions that related directly to their own remuneration. The Company Secretary attended each meeting as Secretary to the Committee.

ADVISERS

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. To this end, for the year under review, the Committee continued to retain the services of Kepler Associates as the principal external advisers to the Committee. During the year, Kepler Associates provided independent advice on a wide range of remuneration matters including current market practice, benchmarking of executive pay and incentive design and provides no other services to the Company. Grant Thornton was engaged by the Company Secretary to advise the Committee and the Company generally on the administration of the Company's share plans. Slaughter and May LLP was also engaged by the Company Secretary to provide legal advice to the Committee and employment law advice concerning senior executives of the Company.

The Company continually assesses on-going advice provided by its advisers on remuneration matters.

The fees paid to advisers in respect of work carried out for the year under review are shown in the table below:

	Kepler Associates	Grant Thornton	Slaughter and May LLP
Remuneration Committee Support	£86,832	–	–
Other Support	–	£60,360	£14,500

SUMMARY OF REMUNERATION FOR YEAR ENDED 31 MARCH 2013

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 March 2013 and the prior year:

	Jamie Hopkins[1]		Graham Clemett	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Salary[1]	**400.0**	23.1	**250.0**	221.6
Fees[1]	**–**	37.7	**–**	–
Benefits[2]	**17.1**	0.9	**18.1**	17.8
Pension	**60.0**	3.4	**41.2**	36.6
Annual bonus[3]	**480.0**	–	**300.0**	249.4
Total	**957.1**	**65.1**	**609.3**	**525.4**
LTIP				
2009 Award[4,5]	**–**	–	**–**	475.1
2010 Award[4]	**–**	–	**645.4**	–

Notes:
1. Jamie Hopkins was appointed as an Executive Director with effect from 12 March 2012. The remuneration reported is that received for qualifying services as an Executive Director (and, fees for services as a Non-Executive Director up to 12 March 2012). Jamie Hopkins served as an Executive Director for only part of 2012 and therefore figures reported for 2012 do not reflect a 12-month period in this role.

The figures have been calculated as follows:

2. Taxable value of benefits received in the year which includes items such as car allowance and private health insurance.
3. Annual bonus: this is the total bonus earned in respect of performance during the relevant year. For 2013 the Committee set a minimum deferral requirement of 25% of the bonus earned, equivalent to £120,000 for Jamie Hopkins and £75,000 for Graham Clemett.
4. LTIP: this is the market value of shares that vested on performance to 31 March of the relevant year. (2013: 98.9% of the 2010 LTIP grant vested on performance, 2012: 66.5% of the 2009 LTIP grant vested on performance). The share price is the trailing three month average on 31 March 2013 of 333p for the 2010 LTIP and the share price at vesting of 2009 LTIP awards on 12 June 2012 was 226.5p.
5. Pursuant to the Workspace Long Term Equity Incentive Plan, share awards (conditional on three separate performance conditions for a period of three years from grant) were made to the Directors on 12 June 2009. Prior to the vesting date of 12 June 2012, these were converted to nil cost options to ease administration. This does not increase the overall cost to the Company. The period in which the nil cost option may normally be exercised started on the vesting date 12 June 2012 and will end on 12 June 2017, which is five years after the date of vesting of the award.

REMUNERATION COMPONENTS FOR EXECUTIVES

BASE SALARY AND BENEFITS

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

In April 2013, the Committee reviewed the base salary of the Chief Executive Officer and the Chief Financial Officer. The Committee considered it appropriate that an increase of 2.2% be made to the Executive salaries which is in line with the average salary increase across the Group.

The next salary review date for Executives will be 1 April 2014.

All Executive Directors are provided with a Company mobile phone, a car allowance, private health insurance, death in service cover and an employer's contribution to a defined contribution (money purchase) scheme. Executives may also join the SAYE scheme.

Jamie Hopkins and Graham Clemett receive an employer's pension contribution equal to 15% and 16.5% of basic salary respectively, which is made to a defined contribution (money purchase) scheme.

ANNUAL BONUS SCHEME

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

The Committee sets a minimum deferral or investment each year into Workspace shares. For 2012/13 the Committee set a minimum deferral requirement of 25% of the bonus earned.

The preferred mechanism for meeting this requirement is participant investment in the LTIP. However, the Committee will retain the discretion to mandate deferral of 25% of bonus earned (which will vest after two years, subject to continued employment) or allow executives to make an equivalent investment in the LTIP. For 2012/13 the Committee has allowed Executives to make an equivalent investment in the LTIP.

The Corporate performance measures and their weightings for 2012/13 Executive Director annual bonuses are illustrated below.

1. Trading profit before tax (50%)
2. Capital Return from portfolio versus a defined comparator index compiled by IPD (30%)
3. Customer satisfaction (10%)
4. Personal objectives

The performance measures applicable for the year ended 31 March 2013 and performance against them are detailed below:

Measure	Proportion	Bonus Performance Targets		Performance Achieved (% of bonus earned)	
				Jamie Hopkins	Graham Clemett
Corporate	50%	Trading profit before tax		50%	50%
	30%	Capital return from the portfolio versus a defined comparator index compiled by IPD		30%	30%
	10%	Customer satisfaction (based on survey results)		10%	10%
Personal	Corporate performance bonus may be adjusted by a factor in the range of 0.67 to 1.33 (with factors greater than 1.0 reflecting superior performance)			1.33	1.33
Maximum Bonus (% of salary)	120%		Total Bonus Earned (% of salary)	120%	120%

Against each measure the bonus starts to be paid on the achievement of a threshold performance, increasing on a straight line basis until stretch performance is achieved, at which point the full bonus potential for that measure is earned.

The Committee assessed performance and was pleased to note that during the year the Company outperformed on every measure. The results of the quantitative measures were:

FINANCIAL AND CORPORATE

- Trading profit after interest up 12% to £17.9m.
- The Company delivered a capital return of 13.8%, significantly outperforming the relevant IPD benchmark which had a capital return of 3.2%.
- Customer satisfaction survey confirming 82%.

The Committee considered performance during the year against personal and strategic objectives and noted the following achievements in particular:

- An increased focus on improving the quality of our investor relations and clear communication of our strategy.
- Successful launch of Retail Bond in October 2012.
- Successful execution of targeted acquisitions and disposals.
- Good progress made on development projects with £29m invested on capital expenditure projects for significant income and capital growth.
- Good performance against key operational and financial metrics:
  - Rental Income growth. Underlying net rental income, excluding disposals, up 6% to £46.5m.
  - Underlying property valuation excluding disposals and capital expenditure up 7.7% to £830m.
  - Dividend for year up 10% to 9.67p per share.
  - Net asset value per share up 13% to £3.48.

Following consideration of the above, the Committee awarded Jamie Hopkins and Graham Clemett a bonus of 120% of salary.

For 2013/14, the structure of the Annual Bonus will remain as described above.

LONG-TERM EQUITY INCENTIVE PLAN ('LTIP')

The Plan provides for annual awards of performance shares of up to 100% of salary (200% in exceptional circumstances) and matching share awards of up to 2 for 1 on investments in Workspace of up to 50% of net salary. The maximum matching share award that may be granted to the Executive Directors is 100% of their annual basic salary. The Company awards matching shares in respect of an amount equivalent to two times the grossed up (for income tax and National Insurance) amount invested by the participant in Invested Shares.

Vesting of performance shares and matching shares is based 1/3, 1/3, 1/3 on three-year relative NAV growth, relative TSR and absolute TSR. Relative performance is measured against the constituents of the FTSE 350 Real Estate Index. In addition, for any shares to vest on TSR, the Committee must satisfy itself that the recorded TSR is a genuine reflection of the underlying business performance of Workspace. For awards granted in 2010, 2011 and 2012, for any shares to vest on absolute TSR, the Company's TSR must exceed the median TSR of the Comparator group by over +1.5% p.a. over the performance period.

The TSR and NAV performance conditions have been selected to ensure a balanced portfolio of measures which are well aligned with shareholder interests. The Committee believes a blend of relative and absolute performance is most appropriate for Workspace and that use of absolute TSR underpinned by relative TSR provides transparency for executives and shareholder alignment (as this element will only vest if there is outperformance of sector peers).

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

Participation in the Plan extends to members of the Executive Committee and the Group's senior managers. Full details of the awards made to the Executive Directors under the Plan are shown on page 59.

As part of its review of remuneration arrangements during the year, the Committee identified some modifications for the Company's long-term incentive arrangements which are summarised below. The Committee consulted with the Company's largest shareholders, the ABI and RREV on the proposals during Spring 2013. In total, the holders of more than 50% of Workspace's shares were consulted on the changes as part of the review. The Committee believes that the changes are in the interests of shareholders and will assist the Company in continuing to motivate and retain the talent it needs to reinforce long-term success.

2013 LTIP AWARD

Summary of changes to LTIP grants for 2013:

- Calibrate relative TSR performance under the LTIP using a simple ranking (rather than % outperformance) to provide a more consistent level of stretch for future cycles. Under this approach, the relative TSR element of LTIP awards will start to vest if Workspace's three year TSR percentile rank is 51st centile (20% vesting), rising on a straight-line basis to full vesting at upper quartile.
- Extend the LTIP time horizon by introducing a 1-year holding period, with clawback. The Committee reviewed whether the time horizon of the LTIP should be lengthened to reflect current thinking on best practice. The Committee concluded that at this time it would be appropriate to retain the three year performance period, in line with our closest peers to aid the recruitment of senior hires. However, the Committee decided to require net vested LTIP shares to be held for one year, with clawback, before the shares can be sold to provide additional alignment with shareholders.
- Modify the LTIP absolute TSR performance zone for future awards to a range of 8% p.a. to 17% p.a. These remain above the targets originally approved by shareholders. The Committee believes the resulting targets will be appropriately stretching for the next three years. Vesting of the absolute TSR element of 2013 LTIP awards will continue to be underpinned by relative TSR to ensure this element can only vest if Workspace outperforms its sector peers (as well as Committee discretion).
- To further encourage share ownership and strengthen alignment with shareholders, the Committee increased the share ownership guideline for Executive Directors from 100% to 150% of salary and introduced a time horizon of five years from appointment by which to attain the guideline.

In summary, the 2013 LTIP grant will be subject to the following performance conditions:

	One-third		**One-third**		**One-third**	
Performance condition	Growth in Net Asset Value plus dividends relative to companies in the FTSE 350 Real Estate Index		Relative TSR (share price growth plus reinvested dividends) relative to companies in the FTSE 350 Real Estate Index		Absolute TSR[1]	
Level of performance	Company's percentile rank	% of award vesting	Company's percentile rank	% of award vesting	Company's performance	% of award vesting
Awards to be made in June 2013[1,2]						
Threshold	51st percentile	20%	51st percentile	20%	8% p.a.	20%
Maximum	75th percentile	100%	75th percentile	100%	17% p.a.	100%

Net vested LTIP shares are required to be held for a one-year holding period before the shares can be sold.

1. For any shares to vest on absolute TSR, the Company's TSR must exceed the median TSR of the comparator group over the performance period.
2. There is straight line vesting between the threshold and maximum performance levels.

For the Executive Directors, the Committee intends to make the awards following the release of the Company's preliminary results announcement on 11 June 2013 and the anticipated size of awards is detailed below.

Director	Performance Award	Maximum potential Matching Award
CEO	100% of salary	100% of salary
CFO	100% of salary	100% of salary

In order to participate in the matching element of the plan, the Director must use his own funds to purchase ordinary shares, up to a maximum of 50% of net annual basic salary.

RECAP OF PERFORMANCE CONDITIONS FOR EXISTING AWARDS

	One-third		**One-third**		**One-third**	
Performance condition:	Growth in Net Asset Value relative to companies in the FTSE 350 Real Estate Index		TSR (share price growth plus reinvested dividends) relative to companies in the FTSE 350 Real Estate Index		Absolute TSR[1]	
Level of performance	Company's percentile rank	% of award vesting	Company's performance	% of award vesting	Company's performance	% of award vesting
Awards made in 2010, 2011 and 2012[1,2]						
Threshold	51st percentile	20%	Median	20%	11% p.a.	20%
Maximum	75th percentile	100%	Median + 7.5% p.a.	100%	20% p.a.	100%

1. For any shares to vest on absolute TSR, the Company's TSR must exceed the median TSR of the comparator group by +1.5% p.a. over the performance period.
2. There is straight-line vesting between the 'threshold' and 'maximum' performance levels.

CEO 2012 LTIP AWARD

As described in last year's Remuneration Report, the Company granted its new CEO a special one-off award to enable his recruitment. Jamie Hopkins then went on to invest £300k from his own funds, acquiring 112,525 Workspace shares, following which the Company granted Jamie Hopkins a one-off award of 112,525 restricted shares (based on 1x the number of shares acquired), which may vest subject to the achievement of an absolute TSR underpin of 4% p.a. The Company also granted the new CEO an award under the current LTIP of 164,117 in performance shares (equal to 125% of salary), which will vest subject to the same performance conditions as for other executives, i.e. 1/3, 1/3, 1/3, on three year relative NAV, relative TSR and absolute TSR (subject to a relative TSR underpin). These awards were necessary to secure the services of the new CEO, and have been structured to require the new CEO to make a substantial investment in Workspace shares, as well as provide alignment with shareholder interests from the outset.

The performance period is the three years to 31 March 2015, and the awards may vest three years from the date of grant, namely 19 November 2015.

2010 LTIP VESTING
The three year performance period of 2010 LTIP awards ended on 31 March 2013. Workspace's three-year NAV growth (plus dividends) of 12.9% p.a. was 79th percentile against the FTSE 350 Real Estate which warranted 100% of this element vesting (equivalent to 33.3% of LTIP shares awarded). Over the three years from 1 April 2010 to 31 March 2013, Workspace's TSR outperformed the median TSR of the FTSE 350 Real Estate by 8.1% p.a. which warranted 100% of this element vesting (equivalent to 33.3% of LTIP shares awarded). Workspace's absolute TSR of 19.6% p.a., warranted 96.5% of the absolute TSR element vesting (equivalent to 32.2% of LTIP shares awarded).

The Committee considered this together with the underlying business performance of Workspace, and concluded that 98.9% of the 2010 LTIP shares awarded to Executives would vest.

JOINTLY HELD LTIP AWARDS
In 2009 the Company offered participants the opportunity to restructure their 2009 LTIP awards and future awards so that they acquired shares jointly with the Company's Employee Share Ownership Trust ('ESOT'), with the effect that the growth in value of the shares creates a capital gain (taxed currently at 18%). Individuals were required to pay appropriate income tax and National Insurance as part of their upfront acquisition. If the awards vest, the participants keep their part-interest in the shares and the ESOT also transfers its part-interest to the participant at that stage, so that they receive the full value of the shares as intended under the terms of the Plan. This restructuring has generated ongoing savings for the Company and participants.

For the 2009 and 2010 awards Graham Clemett accepted the joint ownership awards as part of his total awards, taking half of his awards as joint ownership awards, with the remainder in the original conditional shares structure.

For the 2011 and 2012 awards the Executive Directors did not participate in joint ownership awards.

EXECUTIVE SHARE OPTIONS
Details of outstanding grants made to the Executive Directors under the Executive Share Option Scheme and the performance targets that have to be satisfied for the options to become exercisable are shown on pages 59 and 60. No grants of options were made during the year under the Executive Share Option Scheme and no further grants will be made.

SAVINGS RELATED SHARE OPTION PLAN
Executive Directors can participate in the Savings Related Share Option Plan (the 'SAYE Scheme') which is open to all employees.

The scheme is subject to HMRC rules which limit the maximum monthly savings to £250. Under the SAYE Scheme, options are granted to acquire the number of shares that the total savings will buy when the contract matures, at a discounted price set at the start of the scheme. The details of the options granted to Executive Directors are shown on page 59.

Under the rules of the SAYE Scheme, a requirement exists to renew the terms of the scheme every 10 years. At the Annual General Meeting in 2012, shareholders authorised the Company to amend the SAYE Scheme to allow options to continue to be granted until the 20th anniversary of the original date of adoption of the SAYE Scheme by the Company on 29 July 2003.

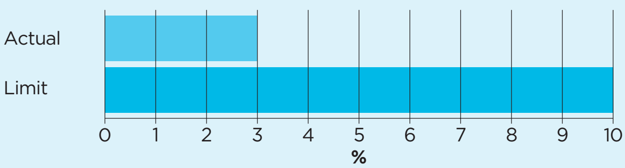
SHARE INCENTIVE PLAN (SIP)
The Company implemented a SIP in March 2013. The SIP is an all employee share plan that is tax approved by HM Revenue & Customs. The share awards granted under the SIP constituted a one-off offer to employees in 2013 (although the SIP rules are flexible enough to accommodate subsequent offers) where up to £1,000 of free shares were granted per employee.

51,800 ordinary shares were purchased by the Company on the market to grant the free shares and are held in a UK resident trust. The free shares are to be held in the Trust for a minimum period of three years before they can be withdrawn by the employees.

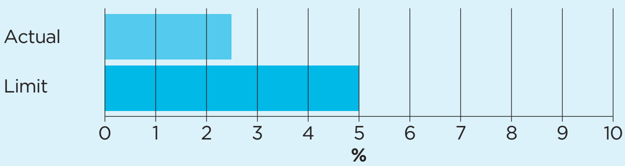
SHARE-BASED AWARDS AND DILUTION
The Company's share schemes are funded through a combination of shares purchased in the market and new-issue shares, as appropriate. The Company monitors the number of shares issued under these schemes and their impact on dilution limits. The Company's usage of shares compared to the relevant dilution limits set by the Association of British Insurers (ABI) in respect of all shares plans (10% in any rolling ten-year period) and executive share plans (5% in any rolling ten-year period) as at 31 March 2013 is detailed below.

As of 31 March 2013, around 4.3m (3.0%) and 3.6m (2.5%) shares have been, or may be, issued to settle awards made in the previous 10 years in connection with all share schemes and executive share schemes respectively. Awards that are made but then lapse or are forfeited are excluded from the calculations.

ALL SHARE PLANS



EXECUTIVE SHARE PLANS



EXIT PAYMENTS DURING THE YEAR

Harry Platt retired from office as Chief Executive on 31 March 2012 but remained employed by the Company until the end of June 2012 to facilitate an orderly handover. Salary and other benefits (cash in lieu of pension and private health insurance), were paid to Harry Platt until the end of June 2012 totalling £105,428. As described in last year's Remuneration Report, Harry Platt did not participate in FY 2013 annual bonus and did not receive an LTIP award. He received 2009 LTIP shares which vested in June 2012. He also retained an interest in the 2010 and 2011 LTIP grants, although awards are pro-rated for time based on the proportion of the vesting period served and for performance to the end of the relevant three-year performance period.

No termination payments were made to Harry Platt in respect of his notice period upon his retirement from the Board.

EXECUTIVE DIRECTOR SHARE OWNERSHIP

The Committee has adopted guidelines for Executive Directors and other senior executives to encourage substantial long-term share ownership. During the year, the minimum guideline was 100% of salary for the Executive Directors. However, as part of the review of remuneration policy, the Remuneration Committee agreed that shareholding guidelines would be increased to 150% of salary to be achieved within five years of appointment from 1 April 2013.

The table below shows the Executive Directors' interests in shares and the extent to which Workspace's shareholding guidelines are achieved.

	Number of shares held as at 31 March 2013	Value of shares held at 31 March 2013[1]	Current shareholding (% salary)	Shareholding guideline (as % of salary)	Guideline met
Graham Clemett	120,823	£414,664	166%	100%	Yes
Jamie Hopkins	117,706	£403,966	101%	100%	Yes

Notes:
1. Value of shares is based on a price of £3.432 as at 28 March 2013.

The table below shows the Executive Directors' interests in shares which includes all shares owned beneficially together with those interests in shares which have vested and are no longer subject to deferral or performance conditions and may be included as an interest in shares under Workspace's shareholding guidelines.

Executive Director	Type	Owned or vested outright	Unvested and subject to deferral	Subject to performance[3]	Total
Graham Clemett	Shares	120,823	Nil	542,046	662,869
	Nil cost options[1]	226,869	Nil	Nil	226,869
	Market value options[2]	Nil	4,663	Nil	4,663
Jamie Hopkins	Shares	117,706	Nil	276,642	394,348
	Nil-cost options[1]	Nil	Nil	Nil	Nil
	Market value options[2]	Nil	4,663	Nil	4,663

1. Interests in shares under awards made in the form of nil-cost options and market value options are stated before the operation of any applicable withholdings for tax and social security which would typically arise when a vested award is exercised. Further details can be found on page 60 of this report.
2. Market value options include SAYE options outstanding and not yet matured as at 31 March 2013. The exercise price of these was set at 80% of the market value of a share at the invitation date.
3. For Graham Clemett, the interest in shares of 542,046 consists of the total LTIP awards made in 2010, 2011 and 2012, details of which can be found on page 59 of this report. Similarly, for Jamie Hopkins, the interest in shares of 276,642 consists of the performance and matching share awards made under the LTIP Plan in November 2012 details of which can be found on page 59 of this report.

PERFORMANCE REVIEW

Figure 1: **Value of £100 invested on 31 March 2008**

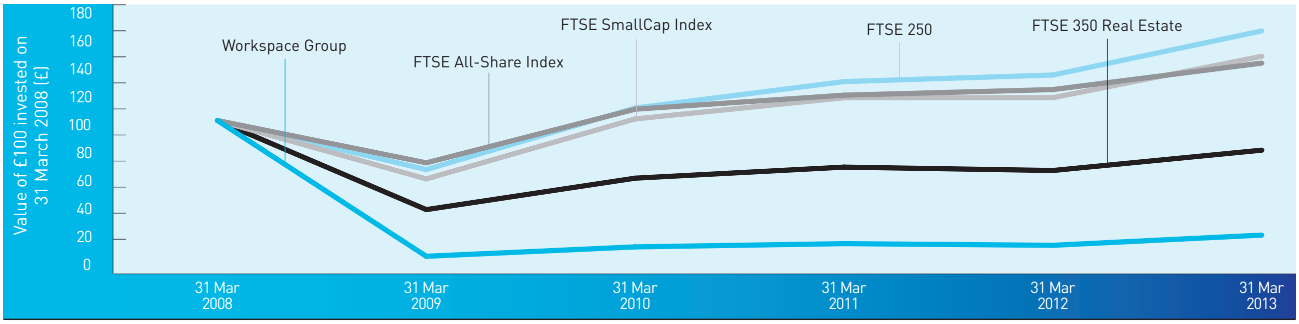


Figure 2: **Value of £100 invested on 31 March 2009**

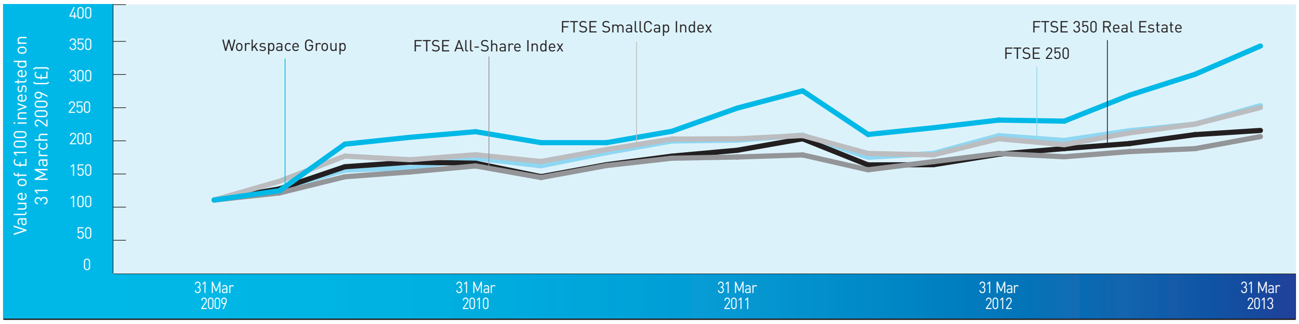


Figure 3: **Value of £100 invested on 31 March 2010**

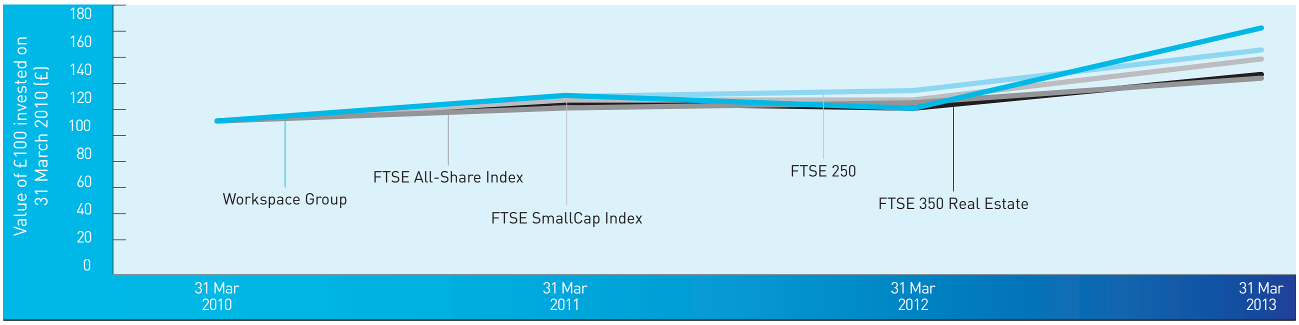


Figure 1 above compares the total shareholder return performance (TSR) of the Group with benchmark indices over the last five years. Given the differing benchmarks used for such performance measurement your Board has decided to undertake this comparison against all of the FTSE 250, FTSE All Share, FTSE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

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

Figure 3 above compares the TSR performance of the Group against benchmark indices over the last three years.

THE FOLLOWING SECTIONS OF THE REMUNERATION REPORT ARE SUBJECT TO AUDIT:

DIRECTORS' EMOLUMENTS

	Fees 2013 £000	Base salary 2013 £000	Performance bonus 2013 £000	Other benefits 2013 £000	**Total emoluments 2013 £000**	**Pension scheme contributions 2013 £000**	Total emoluments 2012 £000	Pension scheme contributions 2012 £000
Executive Directors								
Jamie Hopkins[1,4] Chief Executive Officer	–	400.0	480.0	17.1	**897.1**	**60.0**	24.0	3.4
Graham Clemett[2,4] Chief Financial Officer	–	250.0	300.0	18.1	**568.1**	**41.2**	488.8	36.6
Prior Executive Directors								
Harry Platt[5]	–	–	–	–	**–**	**–**	716.7	–
	–	650.0	780.0	35.2	**1,465.2**	**101.2**	1,229.5	40.0
Non-Executive Directors								
Daniel Kitchen (Chairman)	125.0	–	–	–	**125.0**	**–**	98.8	–
Bernard Cragg[3]	45.0	–	–	–	**45.0**	**–**	45.0	–
John Bywater[3]	45.0	–	–	–	**45.0**	**–**	45.0	–
Maria Moloney	34.6	–	–	–	**34.6**	**–**	–	–
Chris Girling	5.8	–	–	–	**5.8**	**–**	–	–
Prior Non-Executive Directors								
Jamie Hopkins[1]	–	–	–	–	**–**	**–**	37.7	–
Antony Hales	–	–	–	–	**–**	**–**	32.7	–
	255.4	–	–	–	**255.4**	**–**	259.2	–
	255.4	650.0	780.0	35.2	**1,720.6**	**101.2**	1,488.7	40.0

Notes:
1. Jamie Hopkins was appointed as an Executive Director with effect from 12 March 2012. Consequently, he received a fee for services as a Non-Executive Director up to 12 March 2012 and then a salary from this date.
2. During the year, Graham Clemett sacrificed part of his basic pay so that pension contributions equal to the amount sacrificed were made into a pension plan for the benefit of his dependants.
3. Messrs Cragg and Bywater received a fee of £5,000 for acting as Chairman of the Audit and Remuneration Committee respectively.
4. For 2012/13 the Committee set a minimum deferral requirement of 25% of the bonus earned. Equivalent to £75,000 for Graham Clemett and £120,000 for Jamie Hopkins.
5. Harry Platt retired from office as Chief Executive on 31 March 2012. No employer pension contributions were made to Harry Platt, but he received, instead, a cash allowance of £55,600 per annum in lieu of pension at no additional cost to the Company.

DIRECTOR INTERESTS IN SHARES AT 31 MARCH 2013

The following table shows the beneficial interests of the Directors in the shares of the Company as required by the listing rules:

	31 March 2013	31 March 2012
Daniel Kitchen[1]	**37,500**	37,500
Jamie Hopkins	**117,706**	4,889
Graham Clemett	**120,823**	99,464
John Bywater	**3,899**	3,899
Bernard Cragg	**66,590**	66,590
Maria Moloney[2]	**Nil**	Nil
Chris Girling[3]	**Nil**	Nil

1. Daniel Kitchen acquired 1,000 6% sterling Bonds on 2 October 2012 at a price of £100 per Bond.
2. Maria Moloney was appointed to the Board on 22 May 2012.
3. Chris Girling was appointed to the Board on 7 February 2013.

Damon Russell did not hold any shares on date of appointment on 29 May 2013.

Directors' interests in Incentive Plans and Share Options are disclosed on pages 59 and 60.
There have been no changes in the interests in the period between 31 March 2013 and 11 June 2013.

SUPPLEMENTARY INFORMATION ON DIRECTORS' REMUNERATION
LONG-TERM EQUITY INCENTIVE PLAN 2008

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

	at 1 April 2012			Lapsed during the year		Vested during the year			at 31 March 2013		
	Performance	Invested	Matching	Performance	Matching	Performance	Invested	Matching	Performance	Invested	Matching
Jamie Hopkins											
19/11/2012	–	–	–	–	–	–	–	–	164,117	112,525	112,525
Graham Clemett											
12/06/2009	175,175	40,064	140,139	(58,624)	(46,900)	(116,551)	(40,064)	(93,239)	–	–	–
06/07/2010	98,057	23,282	98,057	–	–	–	–	–	98,057	23,282	98,057
04/08/2011	73,882	17,732	73,882	–	–	–	–	–	73,882	17,732	73,882
18/06/2012	–	–	–	–	–	–	–	–	99,084	23,780	99,084
Harry Platt											
12/06/2009	213,306	60,982	213,306	(71,386)	(71,386)	(141,920)	(60,982)	(141,920)	–	–	–
06/07/2010	149,252	35,438	149,252	(49,750)	(49,750)	–	–	–	99,502	35,438	99,502
04/08/2011	112,455	26,989	112,455	(74,970)	(74,970)	–	–	–	37,485	26,989	37,485

Notes:

1. Awards will vest subject to the satisfaction of performance conditions detailed on page 54 over the three-year performance period.
2. Performance Awards were made to the Executive Directors: In June 2009 in respect of 100% and 125% of annual salary for Harry Platt and Graham Clemett respectively based on a share price at date of award of 16 pence. In July 2010 in respect of 90% of annual salary based on a share price at date of award of 20.58 pence; In July 2011 in respect of 90% of annual salary based on a share price at date of award of 27 pence. In June 2012 in respect of 90% of annual salary for Graham Clemett based on a share price at date of award of £2.2708. No LTIP awards were made to Harry Platt in 2012. For Jamie Hopkins, Performance Share Awards were made in respect of 125% of gross salary in November 2012 based on a share price of £3.0466 and Matching Share Awards of 112,525 (subject to overall cap of 1x salary at grant) made in November 2012 based on a share price of £3.0466.
3. Any shares purchased by the Executive Directors during and since the Rights Issue were allowed to count towards investments for the Invested Shares subject to the normal cap on individual participation of 50% of net salary.
4. Matching Awards were granted to participants who purchased Invested Shares or who used shares acquired during and since the Rights Issue as Invested Shares. In 2010, 2011 and 2012, Executive Directors invested an amount equal to 45% of their net annual basic salary in invested shares. Matching awards were granted to participants who purchased invested shares.
5. Participants are entitled to dividends payable on the Invested Shares. The Invested Shares which are beneficially owned by participants are included in the table detailing Ordinary Shares held by Directors on page 58 of this Report.
6. 2009 awards were initially granted as conditional award of shares. On 8 December 2009 the Executive Directors elected to convert part of the awards into a combination of interest in shares beneficially held, and linked options over the same total value. Whilst the 2009 conditional share awards vested on 12 June 2012, Graham Clemett elected to convert his awards of 209,789 into nil cost options prior to the date of vesting.
7. For the 2010 awards, the Executive Directors elected to convert part of the awards into a combination of interest in shares beneficially held, and linked options over the same total value.

SHARE OPTIONS (AUDITED)

The following table shows the interests of the Directors who served during the year in Savings Related Share Option Plan which is subject to HMRC rules.

							Normal exercise date	
Director	At 01/04/2012	Granted during the year	Lapsed during the year	Exercised in year	At 31/03/2013	Exercise price	From	To
Jamie Hopkins	–	4,663[1]	–	–	4,663	£1.93	01.09.2015	01.03.2016
Graham Clemett								
	7,869[1]	–	–	(7,869)	–	£1.15	01.09.2012	01.03.2013
		4,663[1]	–		4,663	£1.93	01.09.2015	01.03.2016
Total	**7,869**	**9,326**	**–**	**(7,869)**	**9,326**			

1. Relate to options granted under the rules of the SAYE Scheme and exercised in full in accordance with SAYE Scheme rules.

The table below shows the interests of Harry Platt, a former Executive Director in the Savings Related Share Option Plan and the 2000 Approved Executive Share Option Plan.

Director	At 01/04/2012	Granted during the year	Lapsed during the year	Exercised in year	At 31/03/2013	Exercise price	Normal exercise date From	Normal exercise date To
Harry Platt								
	56,299[1]	–	(56,299)	–	–	£8.66	29.07.2005	29.07.2012
	37,486[1]	–	(37,486)	–	–	£8.25	30.06.2006	30.06.2013
	18,949[1]	–	(18,949)	–	–	£13.16	30.06.2007	30.06.2014
	11,277[1]	–	(11,277)	–	–	£17.81	17.06.2008	17.06.2015
	7,869[2]	–	–	(7,869)	–	£1.15	01.09.2012	01.03.2013
Total	**131,880**	**–**	**(124,011)**	**(7,869)**	**–**			

Notes:
1. Under the rules of the Executive Share Option Plan, if an option holder ceases to be a Director or employee of the Company on account of injury, ill health, disability, redundancy or retirement the Option may be exercised within a period of six months after cessation. Given that the exercise price of all options that potentially could have been exercised were greater than the mid-market closing share price of Workspace ordinary shares on 31 December 2012 (six months from date of cessation of Harry Platt) no profit would have arisen upon exercise of any of these options. Consequently, these Options have been lapsed in full.

   The closing mid-market price of Workspace Group PLC ordinary shares at 31 December 2012 was £3.02 and 28 March 2013 was £3.432. During the year, the price of the Company's shares varied between £2.13 and £3.63.

2. Relate to Options granted under the rules of the SAYE Scheme and exercised in full in accordance with the SAYE Scheme rules.

There have been no changes in Directors' interests over options in the period between the balance sheet date and 11 June 2013.

NIL COST OPTIONS

Graham Clemett holds the following nil cost options.

Name	Number of nil cost options
Graham Clemett	226,869

Pursuant to the Workspace Long Term Equity Incentive Plan 2008, share awards (conditional on three separate performance conditions for a period of three years from grant) were made to the Directors on 12 June 2009. Prior to the vesting date, 12 June 2012, these were converted to nil cost options to ease administration. This does not increase the overall expected cost to the Company. The period in which the 209,789 nil cost options may normally be exercised commenced on the vesting date, 12 June 2012 and will end on 12 June 2017, which is five years after the date of vesting of the award.

As part of the bonus arrangements, share awards (conditional on continuous employment for a period of two years from grant) were made to Mr Clemett on 12 June 2009. Prior to the vesting date, 12 June 2011, these were converted into nil cost options. The period in which the 17,080 nil cost options may normally be exercised commenced on the vesting date, 12 June 2011 and will end on 12 June 2019, which is 10 years after the date of the original award.

By Order of the Board

JOHN BYWATER
CHAIRMAN OF THE REMUNERATION COMMITTEE
11 June 2013

DIRECTORS' RESPONSIBILITIES

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

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- State whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively.

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the current Directors, whose names and functions are listed on pages 30 and 31 and 35 to 44 of the Annual Report, confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Business Review on pages 16 to 25 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC

We have audited the Group financial statements of Workspace Group PLC for the year ended 31 March 2013 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 61, 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 2013 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

Under the Listing Rules we are required to review:
- the Directors' statement, set out on page 32, 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 MATTER

We have reported separately on the Parent Company financial statements of Workspace Group PLC for the year ended 31 March 2013 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 2013

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH

	Notes	2013 £m	2012 £m
Revenue	1	**69.5**	67.3
Direct costs	1	**(22.4)**	(22.5)
Net rental income	1	**47.1**	44.8
Administrative expenses	2	**(11.0)**	(10.2)
		36.1	34.6
(Loss)/profit on disposal of investment properties	3	**(2.2)**	0.9
Loss on disposal of property, plant and equipment		**–**	(0.1)
Change in fair value of investment properties	10	**59.0**	35.6
Operating profit	2	**92.9**	71.0
Finance income	4	**0.2**	0.2
Finance costs	4	**(19.5)**	(19.3)
Change in fair value of derivative financial instruments	4	**1.1**	(4.6)
Gains from share in joint ventures	12	**1.7**	1.2
Profit before tax		**76.4**	48.5
Taxation	6	**–**	0.5
Profit for the year after tax and attributable to owners of the parent		**76.4**	49.0
Basic earnings per share (pence)	8	**53.3p**	36.3p
Diluted earnings per share (pence)	8	**52.1p**	35.5p
EPRA earnings per share (pence)	8	**12.2p**	11.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH

	2013 £m	2012 £m
Profit for the financial year	**76.4**	49.0
Total comprehensive income attributable to owners of the parent	**76.4**	49.0

The notes on pages 67 to 90 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH

	Notes	2013 £m	2012 £m
Non-current assets			
Investment properties	10	**825.9**	759.3
Intangible assets		**0.5**	0.3
Property, plant and equipment	11	**1.7**	1.1
Investment in joint ventures	12	**20.7**	12.3
Trade and other receivables	13	**6.1**	4.6
		854.9	777.6
Current assets			
Trade and other receivables	13	**13.0**	10.6
Cash and cash equivalents	14	**11.8**	26.5
Corporation tax asset		**0.8**	0.6
		25.6	37.7
Current liabilities			
Derivative financial instruments	16(d) & (e)	**(11.1)**	(14.2)
Trade and other payables	15	**(31.3)**	(27.5)
		(42.4)	(41.7)
Net current liabilities		**(16.8)**	(4.0)
Non-current liabilities			
Borrowings	16(a)	**(337.7)**	(337.3)
Other non-current liabilities	20	**–**	(0.9)
		(337.7)	(338.2)
Net assets		**500.4**	435.4
Shareholders' equity			
Ordinary shares	21	**144.9**	144.1
Share premium		**58.8**	59.2
Investment in own shares	23	**(8.9)**	(8.7)
Other reserves	22	**15.3**	13.9
Retained earnings		**290.3**	226.9
Total shareholders' equity		**500.4**	435.4
EPRA net asset value per share	9	**£3.48**	£3.08

The notes on pages 67 to 90 form part of these financial statements.

The financial statements on pages 63 to 90 were approved and authorised for issue by the Board of Directors on 11 June 2013 and signed on its behalf by:

J HOPKINS
G CLEMETT
Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total £m
		Attributable to owners of the Parent					
Balance at 1 April 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	22	–	–	–	(1.9)	1.9	–
Total comprehensive income		–	–	–	(1.9)	50.9	49.0
Transactions with owners:							
Share issues	21	28.8	34.2	–	–	–	63.0
Own shares purchase	23	–	–	(0.7)	–	–	(0.7)
Dividends paid	7	–	–	–	–	(10.5)	(10.5)
Share based payments	24	–	–	–	0.8	–	0.8
Balance at 31 March 2012		144.1	59.2	(8.7)	13.9	226.9	435.4
Profit for the year		**–**	**–**	**–**	**–**	**76.4**	**76.4**
Total comprehensive income		**–**	**–**	**–**	**–**	**76.4**	**76.4**
Transactions with owners:							
Share issues	21	**0.8**	**(0.4)**	**–**	**–**	**–**	**0.4**
Own shares purchase	23	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Dividends paid	7	**–**	**–**	**–**	**–**	**(13.0)**	**(13.0)**
Share based payments	24	**–**	**–**	**–**	**1.4**	**–**	**1.4**
Balance at 31 March 2013		**144.9**	**58.8**	**(8.9)**	**15.3**	**290.3**	**500.4**

The notes on pages 67 to 90 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH

	Notes	2013 £m	2012 £m
Cash flows from operating activities			
Cash generated from operations	18	**38.6**	35.8
Interest received		**0.3**	0.1
Interest paid		**(16.6)**	(18.5)
Tax paid		**(0.2)**	(0.1)
Net cash inflow from operating activities		**22.1**	17.3
Cash flows from investing activities			
Capital expenditure on investment properties		**(27.3)**	(18.3)
Proceeds from disposal of investment properties (net of sale costs)		**16.7**	8.8
Purchase of intangible assets		**(0.3)**	(0.1)
Purchase of property, plant and equipment		**(1.0)**	(0.7)
Proceeds from disposal of property, plant and equipment (net of sale costs)		**–**	3.8
Investment in joint ventures	12	**(7.7)**	(4.8)
Movement in short-term funding balances with joint ventures		**–**	(0.1)
Distributions received from joint ventures	12	**0.9**	0.4
Net cash outflow from investing activities		**(18.7)**	(11.0)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**0.4**	66.3
Fees paid on share issue		**–**	(3.3)
Finance costs for new/amended borrowing facilities	19	**(1.1)**	(2.2)
Settlement and re-couponing of derivative financial instruments		**(2.1)**	(1.3)
Repayment of bank borrowings		**(68.0)**	(25.5)
Drawdown of bank borrowings		**10.0**	–
Retail Bond issue	19	**57.5**	–
Payment of priority fee		**(0.9)**	–
Outflow on bank facility rental income accounts		**(0.7)**	(1.7)
Own shares purchase		**(0.2)**	(0.7)
Dividends paid	7	**(13.0)**	(10.5)
Net cash (outflow)/inflow from financing activities		**(18.1)**	21.1
Net (decrease)/increase in cash and cash equivalents		**(14.7)**	27.4
Cash and cash equivalents at start of year	18	**26.5**	(0.9)
Cash and cash equivalents at end of year	18	**11.8**	26.5

The notes on pages 67 to 90 form part of these 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 presentation currency and have been prepared on a going concern basis, 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 and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

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 2013. 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.

INVESTMENT PROPERTIES

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

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 an independent professional external valuer at each reporting date. Changes in fair value of investment property at each reporting date are recorded in the income statement.

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 investment properties acquired under finance leases are subsequently carried at fair value. 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.

Properties are treated as acquired at the point the Group assumes the significant risks and rewards of ownership and are treated as disposed when these are transferred outside of the Group's control. Existing investment properties which undergo redevelopment and refurbishment for continued future use remain in investment property where the purpose of holding the property continues to meet the definition of investment property as defined above.

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.

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 from 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. In the case of a part disposal agreement, the part of the asset being disposed will be derecognised from investment property when completion is reached or when a finance lease agreement is signed. Any profit or loss on disposal is taken to other operating income/expense. Where part of the consideration is in the form of the return to Workspace of a new commercial building, this element is fair valued and included in investment property. Where any aspect of consideration is conditional then the revenue associated with that conditional item is valued and included as deferred consideration. The fair value of deferred consideration is assessed at each period end and changes in fair value are taken to other operating income/expense.

INTANGIBLE ASSETS

Intangible assets are stated at historical cost, less accumulated amortisation. 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 five years on a straight line basis.

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 last 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.

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.

Deferred consideration on the disposal of investment properties is included within trade and other receivables. It is fair valued on recognition and at each year end with any movement taken to other operating income and expense.

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

TRADE AND OTHER PAYABLES
Trade and other payables are initially recognised at fair value and subsequently held at amortised cost.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash in hand, restricted cash in the form of tenants' deposits and deposits held on call with banks. Bank overdrafts are included in current liabilities but 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.

Transaction costs are amortised over the effective life of the amounts borrowed.

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) and a trust for the Share Incentive Plan (SIP). When the Group funds these trusts 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.

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. Rent received in advance is deferred in the balance sheet and recognised in the period to which it relates to. 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 on an accruals basis by reference to the stage of completion of the relevant service or transactions at the reporting date. These services generally related to a 12 month period.

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 PAYMENTS

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

The fair value of the employee services received in exchange for the grant of share awards and 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 2013 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
Amendment: IFRS 7	Financial instruments: disclosures on transfers of financial assets

b) The following accounting standards and guidance are not yet effective or not yet endorsed by the EU, and are either not expected to have a significant impact on the Group's financial statements or will result in changes to presentation and disclosure only. They have not been adopted early by the Group:

Standard or interpretation	Content
IFRS 9	Financial instruments: classification and measurement
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
Amendment: IFRS 10, 11 and 12	On transition guidance
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
Annual improvements 2011	Changes to IFRS 1/IAS 1/ IAS 16/IAS 32/IAS 34

1. ANALYSIS OF NET RENTAL INCOME AND SEGMENTAL INFORMATION

	2013			2012		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**51.4**	**(0.2)**	**51.2**	50.2	(0.1)	50.1
Service charges	**14.1**	**(16.0)**	**(1.9)**	13.7	(16.2)	(2.5)
Empty rates and other non recoverables	**0.4**	**(3.4)**	**(3.0)**	0.6	(4.1)	(3.5)
Services, fees, commissions and sundry income	**3.6**	**(2.8)**	**0.8**	2.8	(2.1)	0.7
	69.5	**(22.4)**	**47.1**	67.3	(22.5)	44.8

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.

2. OPERATING PROFIT

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

	2013 £m	2012 £m
Depreciation[1,2]	**0.4**	0.4
Staff costs (including share based costs)[1,2]	**11.9**	10.7
Repairs and maintenance expenditure on investment properties[1]	**3.3**	3.2
Trade receivables impairment	**0.3**	0.4
Amortisation of intangibles[2]	**0.1**	0.1
Operating lease rentals payable[1]	**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.

Auditor's remuneration: **Services provided by the Company's auditors and its associates**	**2013 £000**	2012 £000
Audit fees:		
Audit of parent company and consolidated financial statements	**129**	125
Audit of subsidiary financial statements	**29**	28
	158	153
Non-audit fees:		
Audit related assurance services	**33**	32
Reporting work on Rights Issue	**–**	200
Reporting work on Retail Bond issue	**30**	–
Tax advisory, tax compliance and legal services	**78**	158
Other services	**31**	70
	172	460

Total administrative expenses are analysed below:	**2013 £m**	2012 £m
Staff costs	**6.0**	5.8
Cash settled share based costs	**0.4**	0.2
Equity settled share based costs	**1.4**	0.8
Other	**3.2**	3.4
	11.0	10.2

3. (LOSS)/PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

	2013 £m	2012 £m
Proceeds from sale of investment properties (net of sale costs)	**19.6**	8.8
Book value at time of sale (note 10)	**(21.7)**	(7.6)
	(2.1)	1.2
Unrealised profit on sale of properties to joint ventures	**(0.1)**	–
Revaluation of deferred consideration	**–**	(0.3)
Pre-tax (loss)/profit on sale	**(2.2)**	0.9

£6.2m (2012: £nil) of the proceeds for the year were in the form of deferred consideration, of which £2.9m is outstanding at 31 March 2013 and is included in the Consolidated Balance Sheet under non-current and current trade and other receivables.

4. FINANCE INCOME AND COSTS

	2013 £m	2012 £m
Interest income on bank deposits	**0.2**	0.2
Finance income	**0.2**	0.2
Interest payable on bank loans and overdrafts	**(17.9)**	(18.3)
Amortisation of issue costs of bank loans	**(2.0)**	(1.2)
Interest payable on finance leases	**(0.2)**	(0.2)
Capitalised interest on property refurbishments (note 10)	**0.6**	0.4
Finance costs	**(19.5)**	(19.3)
Change in fair value of financial instruments through the income statement	**1.1**	(4.6)
Net finance costs	**(18.2)**	(23.7)

5. EMPLOYEES AND DIRECTORS

Staff costs for the Group during the year were:	2013 £m	2012 £m
Wages and salaries	**8.6**	8.3
Social security costs	**1.0**	1.0
Defined contribution pension plan costs (see note 29)	**0.5**	0.4
Cash settled share based costs (see note 24)	**0.4**	0.2
Equity settled share based costs (see note 24)	**1.4**	0.8
	11.9	10.7

The monthly average number of people (including Executive Directors) employed during the year was:	2013 Number	2012 Number
Executive Directors	**2**	2
Head office staff	**68**	66
Estates and property management staff	**100**	96
	170	164

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 45 to 60. These form part of the financial statements.

6. TAXATION

	2013 £m	2012 £m
Current tax:		
UK corporation tax	**(0.2)**	(0.5)
Adjustments to tax in respect of previous periods	**0.2**	–
Total taxation charge/(credit)	**–**	(0.5)

The tax on the Group's profit for the period differs from the standard applicable corporation tax rate in the UK (24%). The differences are explained below:

	2013 £m	2012 £m
Profit on ordinary activities before taxation	**76.4**	48.5
Adjust gains from share in joint ventures	**(1.7)**	(1.2)
	74.7	47.3
Tax at standard rate of corporation tax in the UK of 24% (2012: 26%)	**17.9**	12.3
Effects of:		
REIT exempt income	**(2.8)**	(3.8)
Changes in fair value not subject to tax as a REIT	**(14.4)**	(8.0)
Chargeable gains adjustments	**–**	0.8
Share scheme adjustments	**(0.1)**	0.2
Contaminated land relief	**(0.3)**	(0.5)
Adjustments to tax in respect of previous periods	**0.2**	–
Losses brought forward	**(0.5)**	(1.5)
Total taxation charge/(credit)	**–**	(0.5)

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 £4.2m (2012: £4.4m) of tax losses carried forward calculated at a corporation tax rate of 23% (2012: 24%) which is the rate substantively enacted at the Balance Sheet date. These have not been recognised as an asset as they are unlikely to be utilised in the foreseeable future. Further reductions, already announced, in the main rate of corporation tax to 21% by 1 April 2014 and 20% by 1 April 2015 are expected to be enacted in the future. If the 20% rate had been applied to tax losses at the Balance Sheet date it would have reduced losses by £0.5m.

7. DIVIDENDS

Ordinary dividends paid	Payment date	Per share	**2013 £m**	2012 £m
For the year ended 31 March 2011:				
Final dividend	August 2011	5.33p	**–**	6.3
For the year ended 31 March 2012:				
Interim dividend	February 2012	2.93p	**–**	4.2
Final dividend	August 2012	5.86p	**8.4**	–
For the year ended 31 March 2013:				
Interim dividend	February 2013	3.22p	**4.6**	–
Dividends for the year			**13.0**	10.5

In addition the Directors are proposing a final dividend in respect of the financial year ended 31 March 2013 of 6.45p per ordinary share which will absorb an estimated £9.3m of revenue reserves and cash. If approved by the shareholders at the AGM, it will be paid on 2 August 2013 to shareholders who are on the register of members on 12 July 2013. The dividend will be paid as a normal distribution (non-PiD).

8. EARNINGS PER SHARE

Earnings used for calculating earnings per share:	2013 £m	2012 £m
Basic and diluted earnings	76.4	49.0
Change in fair value of investment property	(59.0)	(35.6)
Loss/(profit) on disposal of investment properties	2.2	(0.9)
Loss on disposal of property, plant and equipment	–	0.1
Movement in fair value of derivative financial instruments	(1.1)	4.6
Group's share of EPRA adjustments of joint ventures	(0.6)	(0.7)
EPRA adjusted earnings	17.9	16.5

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).

Number of shares used for calculating earnings per share:	2013 Number	2012 Number
Weighted average number of shares (excluding own shares held in trust)	143,404,929	134,902,483
Dilution due to share option schemes	3,351,045	3,183,215
Weighted average number of shares for diluted earnings per share	146,755,974	138,085,698

In pence:	2013	2012
Basic earnings per share	53.3p	36.3p
Diluted earnings per share	52.1p	35.5p
EPRA earnings per share	12.2p	11.9p

9. NET ASSETS PER SHARE

Net assets used for calculating net assets per share:	2013 £m	2012 £m
Net assets at end of year (basic)	500.4	435.4
Derivative financial instruments at fair value	11.1	14.2
EPRA net assets	511.5	449.6

Number of shares used for calculating net assets per share:	2013 Number	2012 Number
Shares in issue at year-end	144,936,155	144,091,418
Less own shares held in trust at year-end	(1,270,602)	(1,218,802)
Number of shares for calculating basic net assets per share	143,665,553	142,872,616
Dilution due to share option schemes	3,448,522	3,304,176
Number of shares for calculating diluted adjusted net assets per share	147,114,075	146,176,792

	2013	2012
EPRA net assets per share	£3.48	£3.08

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.

10. INVESTMENT PROPERTIES

	2013 £m	2012 £m
Balance at 1 April	**759.3**	713.4
Capital expenditure	**28.7**	17.5
Capitalised interest on refurbishments (note 4)	**0.6**	0.4
Disposals during the year	**(21.7)**	(7.6)
Change in fair value of investment properties	**59.0**	35.6
Balance at 31 March	**825.9**	759.3

Capitalised interest is included at a rate of capitalisation of 5.0% (2012: 5.2%). The total amount of capitalised interest included in investment properties is £4.2m (2012: £3.6m).

Investment property includes buildings under finance leases of which the carrying amount is £3.5m (2012: £3.5m). Investment property finance lease commitment details are shown in note 16(f).

VALUATION

The Group's investment properties were revalued at 31 March 2013 by the external valuer, CBRE Limited, a firm of independent qualified valuers. The valuation is on the basis of market value, by reference to recent market evidence of transactions for similar properties and is 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:

	2013 £m	2012 £m
Total per CBRE valuation report	**829.9**	760.4
Deferred consideration on sale of property (note 13)	**(7.5)**	(4.6)
Head leases treated as finance leases under IAS 17	**3.5**	3.5
Total investment properties per balance sheet	**825.9**	759.3

11. PROPERTY, PLANT AND EQUIPMENT

Cost or valuation	Owner occupied land £m	Owner occupied buildings £m	Equipment and fixtures £m	Total £m
Balance at 1 April 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
Additions during the year	–	–	1.0	1.0
Balance at 31 March 2013	**–**	**–**	**6.3**	**6.3**
Accumulated depreciation				
Balance at 1 April 2011	–	–	3.8	3.8
Charge for the year	–	–	0.4	0.4
Balance at 31 March 2012	–	–	4.2	4.2
Charge for the year	–	–	0.4	0.4
Balance at 31 March 2013	**–**	**–**	**4.6**	**4.6**
Net book amount at 31 March 2013	**–**	**–**	**1.7**	**1.7**
Net book amount at 31 March 2012	–	–	1.1	1.1

12. JOINT VENTURES

The Group's investment in joint ventures represents:

	31 March 2013 £m	31 March 2012 £m
Balance at 1 April	**12.3**	6.7
Cash investment	**7.7**	4.8
Unrealised surplus on sale of properties to joint venture	**(0.1)**	–
Share of gains	**1.7**	1.2
Distributions received	**(0.9)**	(0.4)
Balance at 31 March	**20.7**	12.3

The Group has the following joint ventures:

	Partner	Established	Ownership
BlackRock Workspace Property Trust	BlackRock UK Property Fund	February 2011	20.1%
Enterprise House Investments LLP	Polar Properties Ltd	April 2012	50%

BlackRock Workspace Property Trust is a Jersey property unit trust whose aim is to build a £100m fund of office and industrial property in and around London. The Group holds a 20.1% interest but is property manager with significant delegated powers including responsibility for asset management and recommending acquisitions and disposals. As a result there is shared control and so the joint venture has been equity accounted in the consolidated financial statements.

Enterprise House Investments LLP has been established to obtain mixed use planning consent and redevelop Enterprise House, Hayes, UB3 for new residential and commercial space. The Group sold this property to the joint venture in April 2012.

The Group's share of the joint ventures' assets and liabilities is shown below:

	31 March 2013 £m	31 March 2012 £m
Investment properties	**20.8**	12.4
Current assets	**1.2**	0.7
Current liabilities	**(0.8)**	(0.4)
Net assets	**21.2**	12.7
Unrealised surplus on sale of properties to joint venture	**(0.5)**	(0.4)
Investment in joint venture	**20.7**	12.3

The Group's share of the joint ventures' revenues and expenses is shown below:

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Revenue	**1.7**	0.9
Direct costs	**(0.5)**	(0.3)
Net rental income	**1.2**	0.6
Administrative expenses	**(0.1)**	(0.1)
Change in fair value of investment properties	**0.6**	0.7
Profit before tax	**1.7**	1.2
Taxation	**–**	–
Profit after tax	**1.7**	1.2

13. TRADE AND OTHER RECEIVABLES

Non-current trade and other receivables	2013 £m	2012 £m
Deferred consideration on sale of investment property	**6.1**	4.6

The non-current receivable relates to deferred consideration arising on the sale of investment properties. The value of this receivable has been fair valued by CBRE Limited on the basis of market value as at 31 March 2013, using appropriate discount rates, and will be revalued on a regular basis. The change in value is charged/credited to operating profit in the income statement.

Current trade and other receivables	2013 £m	2012 £m
Trade receivables	**2.5**	2.5
Less provision for impairment of receivables	**(0.4)**	(0.6)
Trade receivables – net	**2.1**	1.9
Prepayments and accrued income	**2.1**	2.0
Bank facility rental income accounts	**7.4**	6.7
Deferred consideration on sale of investment property	**1.4**	–
	13.0	10.6

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:

	2013 £m	2012 £m
Balance at 1 April	**0.6**	0.5
Provision for receivables impairment	**0.3**	0.4
Receivables written off during the year	**(0.5)**	(0.3)
Balance at 31 March	**0.4**	0.6

As at 31 March 2013, the ageing of trade receivables past due but not impaired was as follows:

	Total 2013 £m	Impaired 2013 £m	Not impaired 2013 £m	Total 2012 £m	Impaired 2012 £m	Not impaired 2012 £m
Up to 3 months past due	**2.1**	**(0.1)**	**2.0**	1.8	(0.2)	1.6
3 to 6 months past due	**0.1**	**(0.1)**	**–**	0.3	(0.1)	0.2
Over 6 months past due	**0.3**	**(0.2)**	**0.1**	0.4	(0.3)	0.1
	2.5	**(0.4)**	**2.1**	2.5	(0.6)	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.

14. CASH AND CASH EQUIVALENTS

	2013 £m	2012 £m
Cash at bank and in hand	**10.1**	24.5
Restricted cash – tenants' deposit deeds	**1.7**	2.0
	11.8	26.5

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.

15. TRADE AND OTHER PAYABLES

	2013 £m	2012 £m
Trade payables	**2.1**	1.9
Other tax and social security payable	**1.5**	1.5
Tenants' deposit deeds (see note 14)	**1.7**	2.0
Tenants' deposits	**8.7**	8.0
Accrued expenses and deferred income	**14.0**	10.4
Amounts due to related parties	**0.5**	0.5
Deferred income – rent and service charges	**2.8**	3.2
	31.3	27.5

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

16. BORROWINGS

(A) BALANCES

	2013 £m	2012 £m
Current		
Bank loans and overdrafts due within one year or on demand (secured)	**–**	–
	–	–
Non-current		
Bank loans (secured)	**277.8**	333.8
6% Retail Bond (unsecured)	**56.4**	–
Finance lease obligations (part secured)	**3.5**	3.5
	337.7	337.3
	337.7	337.3

The secured loans and overdraft facility are secured on investment properties with balance sheet values totalling £652.4m (2012: £741.1m).

(B) MATURITY

	2013 £m	2012 £m
Repayable between two years and three years	**280.0**	68.0
Repayable between three years and four years	**–**	270.0
Repayable in five years or more	**57.5**	–
	337.5	338.0
Less cost of raising finance	**(3.3)**	(4.2)
	334.2	333.8
Finance leases		
Repayable in five years or more	**3.5**	3.5
	337.7	337.3

(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)	80.0	LIBOR +2.5%	Quarterly	June 2015
6% Retail Bond	57.5	6%	Half Yearly	October 2019

(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*	140.0	3.23%	3 month LIBOR	June 2015
Interest rate swap	40.0	2.46%	3 month LIBOR	June 2015
Interest rate swap	30.0	2.03%	3 month LIBOR	June 2015
Interest rate cap	7.0	5.00%	–	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

	2013 Book Value £m	**2013 Fair Value £m**	2012 Book Value £m	2012 Fair Value £m
Financial liabilities not at fair value through profit or loss				
Bank loans	**277.8**	**277.8**	333.8	333.8
6% Retail Bond	**56.4**	**59.0**	–	–
Finance lease obligations	**3.5**	**3.5**	3.5	3.5
	337.7	**340.3**	337.3	337.3
Financial liabilities at fair value through profit or loss				
Derivative financial instruments:				
Liabilities	**11.1**	**11.1**	14.2	14.2

The total change in fair value of derivative financial instruments recorded in the income statement was a profit of £1.1m (2012: loss of £4.6m). This is net of £2.1m (2012: £1.3m) paid in the year to settle/re-coupon some instruments.

16. BORROWINGS continued

The fair value of the Retail Bond has been established from the quoted market price at 28 March 2013 and is thus a Level 1 valuation as defined by IFRS7.

The fair values of all the Group's financial derivatives have been determined by reference to market prices and discounted expected cash flows at prevailing interest rates and are Level 2 valuations as defined by IFRS 7. The total fair value calculated equates to 7.5p per share (31 March 2012: 9.7p).

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.

(F) FINANCE LEASES

Finance lease liabilities are in respect of leased investment property.

Minimum lease payments under finance leases fall due as follows:	2013 £m	2012 £m
Within one year	**0.2**	0.2
Between two and five years	**0.9**	0.9
Beyond five years	**21.5**	21.5
	22.6	22.6
Future finance charges on finance leases	**(19.1)**	(19.1)
Present value of finance lease liabilities	**3.5**	3.5

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

The Group has identified exposure to the following financial risks:
Market risk
Credit risk
Liquidity risk
Capital risk

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

(A) MARKET RISK

Market risk is the risk that changes in market conditions 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 2013 79% (2012: 77%) 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 (2012: £0.4m).

(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, deferred consideration on the sale of investment property 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 over approximately 100 properties. The largest 10 single tenants generate around 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 £10.4m (2012: £10.0m). The Group monitors aged debt balances and any potential bad debts every week, the information being reported to the Executive Committee every month as part of the performance monitoring process. The Group's debtor recovery is consistently high and as such is deemed a low risk area.

Deferred consideration on the sale of investment property is contractual and valued regularly by the external valuer based on current and future market factors.

Cash and cash equivalents and financial derivatives are held with major UK high street banks or building societies and strict counterparty limits are operated on deposits.

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

	2013 £m	2012 £m
Cash and cash equivalents (note 14)	**11.8**	26.5
Trade receivables – current (note 13)	**2.4**	2.5
Deferred consideration – current (note 13)	**1.4**	–
Deferred consideration – non current (note 13)	**6.1**	4.6
	21.7	33.6

(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 2013 headroom excluding overdraft was £45m (31 March 2012: £55m).

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.

17. 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 2013	Carrying Amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial Liabilities						
Secured bank loans (note 16b)	**280.0**	**–**	**–**	**280.0**	**–**	**280.0**
6% Retail Bond	**57.5**	**–**	**–**	**–**	**57.5**	**57.5**
Interest payable on secured bank loans	**–**	**7.9**	**7.9**	**1.6**	**–**	**17.4**
Interest payable on 6% Retail Bond	**–**	**3.5**	**3.5**	**3.5**	**12.0**	**22.5**
Derivative financial instruments	**11.1**	**5.0**	**5.0**	**1.1**	**–**	**11.1**
Finance lease liabilities	**3.5**	**0.2**	**0.4**	**0.5**	**21.5**	**22.6**
Trade and other payables	**27.0**	**27.0**	**–**	**–**	**–**	**27.0**
	379.1	**43.6**	**16.8**	**286.7**	**91.0**	**438.1**

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						
Secured bank loans (note 16b)	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	22.8	22.8	–	–	–	22.8
Bank priority fee	0.9	–	–	0.9	–	0.9
	379.4	40.9	18.2	85.6	297.8	442.5

(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, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. Debt comprises drawings against revolving and term loan facilities from banks, the Retail Bond less cash at bank and in hand.

At 31 March 2013 Group equity was £500.4m (2012: £435.4m), and Group net borrowings (debt less cash at bank and in hand) were £327.6m (2012: £312.8m). Group gearing at 31 March 2013 was 65% (2012: 72%).

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 75%.

18. NOTES TO CASH FLOW STATEMENT

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

	2013 £m	2012 £m
Profit before tax	**76.4**	48.5
Depreciation	**0.4**	0.4
Amortisation of intangibles	**0.1**	0.1
Loss/(profit) on disposal of investment properties	**2.2**	(0.9)
Loss on disposal of property, plant and equipment	**–**	0.1
Net gain from change in fair value of investment property	**(59.0)**	(35.6)
Equity settled share based payments	**1.4**	0.8
Change in fair value of financial instruments	**(1.1)**	4.6
Finance income	**(0.2)**	(0.2)
Finance expense	**19.5**	19.3
Gains from share in joint ventures	**(1.7)**	(1.2)
Changes in working capital:		
(Increase) in trade and other receivables	**(0.5)**	(0.7)
Increase in trade and other payables	**1.1**	0.6
Cash generated from operations	**38.6**	35.8

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

	2013 £m	2012 £m
Cash at bank and in hand	**10.1**	24.5
Restricted cash – tenants' deposit deeds	**1.7**	2.0
	11.8	26.5

19. ANALYSIS OF MOVEMENT IN CASH AND CASH EQUIVALENTS AND BORROWINGS

	At 1 April 2012 £m	Cash flow £m	Non-cash items £m	**At 31 March 2013 £m**
Cash at bank and in hand	24.5	(14.4)	–	**10.1**
Restricted cash – tenants' deposit deeds	2.0	(0.3)	–	**1.7**
	26.5	(14.7)	–	**11.8**
Bank loans	(338.0)	58.0	–	**(280.0)**
6% Retail Bond	–	(57.5)	–	**(57.5)**
Less cost of raising finance	4.2	1.1	(2.0)	**3.3**
Finance lease obligations	(3.5)	–	–	**(3.5)**
	(337.3)	1.6	(2.0)	**(337.7)**
Total	(310.8)	(13.1)	(2.0)	**(325.9)**

20. OTHER NON-CURRENT LIABILITIES

	2013 £m	2012 £m
Bank priority fee	–	0.9

This fee was paid to Bank of Scotland in March 2013 on the repayment of the associated loan.

21. SHARE CAPITAL

	2013 Number	2012 Number
Issued: Fully paid ordinary shares of £1 each	**144,936,155**	144,091,418

	2013 £m	2012 £m
Issued: Fully paid ordinary shares of £1 each	**144.9**	144.1

Movements in share capital were as follows:	2013 Number	2012 Number
Number of shares at 1 April	**144,091,418**	1,152,731,338
Issue of shares	**844,737**	288,182,842
Share consolidation	**–**	(1,296,822,762)
Number of shares at 31 March	**144,936,155**	144,091,418

	£m	£m
Balance at 1 April	**144.1**	115.3
Issue of shares	**0.8**	28.8
Balance at 31 March	**144.9**	144.1

22. OTHER RESERVES

	Owner occupied property £m	Equity settled share based payments £m	Merger reserve £m	Total £m
Balance at 1 April 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
Share based payments	–	1.4	–	1.4
Balance at 31 March 2013	**–**	**6.6**	**8.7**	**15.3**

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

23. INVESTMENT IN OWN SHARES

The Company has 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 Executive Share Option Scheme 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. No shares were purchased for the Trust during the year. At 31 March 2013 the number of shares held by the Trust totalled 1,218,802 (2012: 1,218,802). At 31 March 2013 the market value of these shares was £4.2m (2012: £2.9m) compared to a nominal value of £1.2m (2012: £1.2m).

The Company has also established in the year an employee Share Incentive Plan (SIP) which is governed by HMRC rules. 51,800 shares were purchased for the Plan at a cost of £0.2m. These are being held in a separate trust.

	2013 £m	2012 £m
Balance at 1 April	**8.7**	8.0
Acquisition of ordinary shares	**0.2**	0.7
Balance at 31 March	**8.9**	8.7

24. 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

The shares are issued at nil consideration provided the performance conditions are met.

Under the 2012 LTIP scheme 886,774 performance and matching shares were awarded in June 2012 and 276,642 in November 2012 to Directors and senior management (2011 LTIP scheme: 953,009).

Details of the movements for the LTIP scheme during the year were as follows:

	LTIP Number
At 1 April 2011	6,127,951
Granted	953,009
Lapsed	(3,216,493)
At 31 March 2012	3,864,467
Granted	1,163,416
Exercised	(515,866)
Lapsed	(875,177)
At 31 March 2013	**3,636,840**

The weighted average share price at the date of exercise of shares exercised during the year was £2.48 (2012: no exercises).

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:

	2013 (Nov 2012)	**2013 (June 2012)**	2012
Share price at grant	**306p**	**227p**	270p
Exercise price (pence)	**Nil**	**Nil**	Nil
Average expected life (years)	**3**	**3**	3
Risk free rate	**0.5%**	**0.5%**	2%
Expected dividend yield	**4%**	**4%**	4%
Average share price volatility	**41%**	**41%**	55%
Fair value per option – Absolute TSR element	**249p**	**125p**	177p
Fair value per option – Relative TSR element	**172p**	**128p**	183p

The relative NAV is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 229p (18 June 2012) and 305p (19 November 2012). 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.

24. 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 OPTION 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 were 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 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 ESOS and SAYE schemes during the year were as follows:

	ESOS		SAYE	
Options outstanding	Number	Weighted exercise price	Number	Weighted exercise price
At 1 April 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
Options granted	–	–	193,992	£1.93
Options exercised	–	–	(328,871)	£1.15
Options lapsed	(139,656)	£10.34	(15,394)	£1.55
At 31 March 2013	**51,515**	**£12.97**	**333,328**	**£1.74**

The exercise of all options, other than those obtained under the Group's Save As You Earn scheme, was dependent upon the Group achieving specified performance targets.

The weighted average share price at the date of exercise for the SAYE options exercised during the year was £2.63 (2012: no exercises).

193,992 SAYE share options were granted in the year.

The fair value has been calculated using the Black-Scholes model. Inputs to the model are summarised as follows:

	2013 SAYE 3 year	**2013 SAYE 5 year**	2012 SAYE 3 year	2012 SAYE 5 year
Weighted average share price at grant	**230p**	**230p**	229p	–
Exercise price	**193p**	**193p**	191p	–
Expected volatility	**41%**	**41%**	58%	–
Average expected life (years)	**3**	**5**	3	–
Risk free rate	**0.5%**	**0.5%**	2%	–
Expected dividend yield	**4%**	**4%**	4%	–
Possibility of ceasing employment before vesting	**25%**	**25%**	25%	–

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

Fair values per share of these options were:

	2013 Grant date	**2013** Fair value of award	2012 Grant date	2012 Fair value of award
SAYE – 3 year	**30 July 2012**	**68p**	14 December 2011	85p
SAYE – 5 year	**30 July 2012**	**74p**	–	–

III) SHARE INCENTIVE PLAN (SIP)

On 22 March 2013 all staff were granted £1,000 worth of shares. These shares are held in trust under an HMRC approved SIP. The shares can be exercised following three years of employment but must be held for a further 2 years in order to qualify for tax advantages. 51,800 shares were granted in the year.

The fair value of the SIP shares granted during the year has been calculated using the Black-Scholes model. Inputs to the model for the grants during the year are summarised as follows:

	2013	2012
Weighted average share price at grant	**344p**	–
Exercise price	**Nil**	–
Expected volatility	**41%**	–
Average expected life (years)	**3**	–
Risk free rate	**0.5%**	–
Expected dividend yield	**4%**	–
Possibility of ceasing employment before vesting	**25%**	–
Fair value of award (per share)	**79p**	–

IV) YEAR END SUMMARY

At 31 March 2013 in total there were 4,073,483 (2012: 4,539,239) share awards/options exercisable on the Company's ordinary share capital. These are analysed below:

Date of grant LTIP	Exercise Price	Ordinary shares Number	Vested and exercisable	Exercisable between	
12 June 2009	–	657,783	657,783	12.06.2012	12.06.2017*
06 July 2010	–	1,035,461	–	06.06.2013	–
04 August 2011	–	780,180	–	04.08.2014	–
18 June 2012	–	886,774	–	18.06.2015	–
19 November 2012	–	276,642	–	19.11.2015	–
ESOS				Exercisable between	
30 June 2003	£8.25	18,950	18,950	30.06.2006	30.06.2013
30 June 2004	£13.16	14,624	14,624	30.06.2007	30.06.2014
17 June 2005	£17.81	9,681	9,681	17.06.2008	17.06.2015
1 September 2005	£19.37	8,260	8,260	01.09.2008	01.09.2015
SAYE				Exercisable between	
22 July 2008	£8.89	366	–	01.09.2013	01.03.2014
21 July 2009	£1.15	72,272	–	01.09.2014	01.03.2015
20 July 2010	£1.66	30,883	–	01.09.2013	01.03.2014
20 July 2010	£1.66	2,983	–	01.09.2015	01.03.2016
14 December 2011	£1.91	37,026	–	01.02.2015	01.08.2015
30 July 2012	£1.93	163,374	–	01.09.2015	01.03.2016
30 July 2012	£1.93	26,424	–	01.09.2017	01.03.2018
SIP				Exercisable between	
22 March 2013	–	51,800	–	22.03.2016	22.03.2018
Total		**4,073,483**	**709,298**		

* These shares were converted to nil cost options on 12 June 2012 and can be exercised at any time up to 12 June 2017.

24. SHARE-BASED PAYMENTS continued

The weighted average exercise price for vested and exercisable shares at 31 March 2013 is: LTIP – £nil (2012: £nil), ESOS – £13.22 (2012: £11.05).

The share awards/options outstanding at 31 March 2013 had a weighted average remaining contractual life of: LTIP – 1.1 years (2012: 1 year), ESOS – nil years (2012: nil years), SAYE – 2.2 years (2012: 1.1 years), SIP – 3 years.

V) CASH SETTLED SHARE BASED PAYMENTS

National Insurance payments due on the exercise of non-approved ESOS options and shares from the LTIP 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.

VI) SHARE BASED PAYMENT CHARGES

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

	2013 £m	2012 £m
Equity settled share based payments	**1.4**	0.8
Cash settled share based payments	**0.4**	0.2
	1.8	1.0

The total liability at the end of the period in respect of cash-settled share based schemes was £0.9m (2012: £0.6m).

25. RELATED PARTY TRANSACTIONS

	2013 £m	2012 £m
Transactions year ended 31 March:		
Net investment into joint ventures (note 12)	**7.7**	4.8
Sale of property to joint ventures	**3.2**	–
Fee income and recharges to joint ventures	**0.9**	0.5
Distributions received from joint ventures (note 12)	**0.9**	0.4
Balances with joint ventures at 31 March:		
Amounts payable to joint ventures (note 15)	**(0.5)**	(0.5)

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:	2013 £m	2012 £m
Salaries and short-term employee benefits	**2.9**	2.5
Pensions and other post-employment benefits	**0.2**	0.1
Share-based payments	**0.7**	0.4
	3.8	3.0

26. CAPITAL COMMITMENTS

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

	2013 £m	2012 £m
Funding of joint venture	**1.7**	7.9
Purchases, construction or redevelopment of investment property	**18.2**	5.9

27. CONTINGENT LIABILITY

In December 2009 Workspace acquired full control of its former Workspace Glebe joint venture. The purchase was satisfied by a cash payment of £15m and a debt facility of £68m provided by the former lenders to the joint venture, with further amounts potentially payable under a proceed share arrangement.

The proceed share provides for the former lenders to Workspace Glebe to share in net cash proceeds from disposals from the Glebe property portfolio once Workspace has received its priority return. The priority return at 31 March 2013 is £92m. For proceeds up to £170m the lenders share is 50%, from £170m up to £200m it is 30% and nil thereafter. The maximum payable under this proceed share is £48m. All disposals are at the option of Workspace and there are no time limits. Cumulative cash proceeds from disposals to date are £nil.

The total valuation of the Glebe portfolio at 31 March 2013 was £164m (March 2012: £136m). While a number of the assets have residential redevelopment potential a substantial part of the portfolio is comprised of investment properties that Workspace has no current plans to sell. These are currently valued at £81m. Properties with redevelopment potential are currently valued at £83m. If the redevelopment properties were sold for cash at the March 2013 valuation, there would be no liability under the proceed share. In the unlikely scenario that all the properties in the Glebe portfolio were sold there would be a potential liability net of costs of £32m (31 March 2012: £22m).

28. PRINCIPAL SUBSIDIARY UNDERTAKINGS

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

Name	Nature of business
Workspace 11 Limited	Property Investment
Workspace 12 Limited*	Property Investment
Workspace 13 Limited	Property Investment
Workspace 14 Limited*	Property Investment
Workspace 15 Limited	Property Investment
Workspace 16 (Jersey) Limited†	Investor in joint venture
Workspace Glebe Limited	Holding Company
Glebe Three Limited*	Property Investment
Workspace Holdings Limited	Holding Company
LI Property Services Limited	Insurance Agents
Workspace Management Limited	Property Management
Anyspacedirect.co.uk Limited	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 2013 will be appended to the Company's next annual return.

29. PENSION COMMITMENTS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for this scheme in the year was £0.5m (2012: £0.4m) 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 15%. 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 91 (2012: 98).

30. OPERATING LEASES

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

Motor vehicles and office equipment:	2013 £m	2012 £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:

	2013 £m	2012 £m
Within one year	**21.2**	18.0
Between two and five years	**1.5**	1.1
Beyond five years	**0.6**	0.9
	23.3	20.0

31. POST BALANCE SHEET EVENTS

In April 2013 the Group completed the sale of Phase 1 of the redevelopment of Bow Enterprise Park to Peabody Enterprises for consideration comprising £11.5m in cash, 15,000 sq. ft. of new industrial space and overage on the residential component.

In May 2013 the Group secured two major mixed use planning permissions at Faircharm, Creekside and Tower Bridge Business Complex. The former is for a mixed use redevelopment of 148 apartments and 52,000 sq. ft. of new business space and the latter is for 800 residential units and 60,000 sq. ft. of new business space.

On 10 June 2013 the Group agreed the refinancing of £325m of bank debt currently provided by the RBS and Bayern Clubs. On 1 July 2013 the existing secured bank debt will be replaced by £352.5m of unsecured debt provided by the issue of £157.5m private placement notes, £45m provided by a UK Fund and £150m of new bank debt.

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 2013 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 61, 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 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 2013;
- 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 2013.

BOWKER ANDREWS
(SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 June 2013

PARENT COMPANY BALANCE SHEET
AS AT 31 MARCH

	Notes	2013 £m	2012 £m
Fixed assets			
Investments	C	**268.5**	263.3
		268.5	263.3
Current assets			
Debtors	D	**207.1**	142.0
Cash at bank and in hand		**1.2**	23.0
		208.3	165.0
Creditors: amounts falling due within one year	E	**(88.2)**	(89.2)
Net current assets		**120.1**	75.8
Total assets less current liabilities		**388.6**	339.1
Creditors: amounts falling due after more than one year	F	**(56.4)**	–
		332.2	339.1
Capital and reserves			
Called up share capital	G	**144.9**	144.1
Share premium account	G	**58.8**	59.2
Investment in own shares	G	**(8.9)**	(8.7)
Merger reserve	G	**8.7**	8.7
Share based payment reserve	G	**6.6**	5.2
Profit and loss account	G	**122.1**	130.6
Total shareholders' funds	H	**332.2**	339.1

The notes on pages 93 and 94 form part of these financial statements.

The financial statements on pages 92 to 94 were approved by the Board of Directors on 11 June 2013 and signed on its behalf by:

J HOPKINS
G CLEMETT
Directors

Workspace Group PLC
Registered number 2041612

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 17 of the Group financial statements.

(B) CASH FLOW STATEMENT

The Company has taken advantage of the convention not to produce a cash flow statement as one is prepared for the Group financial statements.

(C) INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Interests in subsidiary undertakings are carried in the Company's balance sheet at cost less impairment. Impairment reviews are performed by the Directors when there has been an indication of potential 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 also established in the year an employee Share Incentive Plan (SIP) which is governed by HMRC rules.

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.

The disclosure requirements of FRS 20 Share-based payment are met in note 24 of the Group financial statements.

(E) BORROWINGS

Details of borrowings are described in note F to the Parent Company financial statements. Costs associated with the raising of finance are capitalised, amortised over the life of the instrument and charged as part of interest costs.

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 £4.5m (2012: £2.7m).

Auditors' remuneration of £10,000 (2012: £10,000) has been borne by a subsidiary undertaking.

Proposed dividends are disclosed in note 7 to the consolidated financial statements.

C. INVESTMENTS

INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Cost	£m
Balance at 1 April 2012	310.4
Additions in the year	3.0
Balance at 31 March 2013	313.4

Impairment	£m
Balance at 1 April 2012	47.1
Reversal of impairment loss	(2.2)
Balance at 31 March 2013	44.9

Net book value at 31 March 2013	**268.5**
Net book value at 31 March 2012	263.3

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

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

D. DEBTORS

	2013 £m	2012 £m
Amounts owed by subsidiary undertakings	**206.3**	141.5
Prepayments and accrued income	**–**	0.2
Corporation tax asset	**0.8**	0.3
	207.1	142.0

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

	2013 £m	2012 £m
Amounts owed to subsidiary undertakings	**86.2**	88.8
Taxation and social security	**0.4**	0.4
Accruals and deferred income	**1.6**	–
	88.2	89.2

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

F. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £m	2012 £m
6% Retail Bond	**57.5**	–
Less cost of raising finance	**(1.1)**	–
	56.4	–

The 6% Retail Bond was issued on 9 October 2012. It is unsecured and repayable on 9 October 2019.

G. CAPITAL AND RESERVES

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

Profit and loss account:	£m
Balance at 1 April 2012	130.6
Profit for the year	4.5
Dividends paid	(13.0)
Balance at 31 March 2013	**122.1**

H. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £m	2012 £m
Profit for the financial year	**4.5**	2.7
Dividends paid	**(13.0)**	(10.5)
Issue of shares (net of costs)	**0.4**	63.0
Investment in own shares	**(0.2)**	(0.7)
Share based payments	**1.4**	0.8
Net movement in shareholders' funds	**(6.9)**	55.3
Opening shareholders' funds	**339.1**	283.8
Closing shareholders' funds	**332.2**	339.1

I. RELATED PARTY TRANSACTIONS

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

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

FIVE-YEAR PERFORMANCE 2009 – 2013

	31 March 2013 £m	31 March 2012 £m	31 March 2011 £m	31 March 2010 £m	31 March 2009 £m
Rents receivable	**51.4**	50.2	52.0	49.8	54.2
Service charges and other income	**18.1**	17.1	16.8	16.7	15.6
Revenue	**69.5**	67.3	68.8	66.5	69.8
Profit before interest including share of BWPT	**37.2**	35.1	36.3	35.3	38.4
Net interest payable^	**(19.3)**	(19.1)	(22.1)	(24.5)	(28.4)
Trading profit after interest	**17.9**	16.0	14.2	10.8	10.0
Profit/(loss) before taxation	**76.4**	48.5	52.8	26.0	(360.4)
Profit/(loss) after taxation	**76.4**	49.0	53.5	24.2	(360.4)
Basic earnings per share*	**53.3p**	36.3p	45.4p	21.8p	(1,304.5)p
Dividends per share*	**9.67p**	8.79p	7.99p	7.27p	15.92p
Dividends (total)	**13.9**	12.6	9.5	8.6	7.8
Investment properties	**825.9**	759.3	713.4	713.2	664.1
Other assets less liabilities	**2.1**	(11.1)	(12.8)	(39.5)	(54.1)
Net borrowings	**(327.6)**	(312.8)	(366.8)	(386.4)	(358.1)
Net assets	**500.4**	435.4	333.8	287.3	251.9
Gearing	**65%**	72%	110%	134%	142%
Gearing on EPRA net assets	**64%**	70%	106%	125%	129%
Basic NAV per share*	**£3.48**	£3.05	£2.83	£2.43	£2.34
EPRA NAV per share*	**£3.48**	£3.08	£2.86	£2.59	£2.58

* 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.

^ Excludes exceptional items.

KEY PERFORMANCE INDICATORS

Workspace Group:	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Number of estates[1]	**86**	92	96	105	106
Lettable floorspace (m sq. ft.)■ [1]	**4.7**	5.0	5.1	5.5	5.0
Number of lettable units[1]	**4,626**	4,668	4,856	5,156	4,546
Average unit size (sq. ft.)[1]	**1,011**	1,070	1,049	1,067	1,099
Rent roll of occupied units[1]	**£52.7m**	£50.2m	£48.9m	£50.7m	£50.8m
Average rent per sq. ft.[1]	**£12.98**	£11.79	£11.47	£11.22	£12.64
Overall occupancy[1]	**87.0%**	85.3%	83.6%	81.9%	80.3%
Enquiries (number)[*]	**12,440**	12,103	11,535	12,109	10,515
Lettings (number)[*]	**1,014**	981	1,051	1,203	1,035

BlackRock Workspace Property Trust (BWPT):	31 March 2013	31 March 2012	31 March 2011
Number of estates	**16**	11	8
Lettable floorspace (m sq. ft.)■	**0.5**	0.4	0.3
Number of lettable units	**435**	313	281
Average unit size (sq. ft.)	**1,260**	1,407	1,147
Rent roll of occupied units	**£7.0m**	£4.7m	£3.1m
Average rent per sq. ft.	**£14.20**	£11.82	£10.57
Overall occupancy	**90.4%**	89.8%	92.1%

■ Excludes storage space

1 Excluding BWPT which is shown separately

* Including BWPT

PROPERTY PORTFOLIO 2013

SOUTH AND WEST LONDON

Property Name	Postcode	Category	Lettable floor area sq. ft.†	Net Rent Roll of occupied units £000s	ERV £000s
South					
Canterbury Estate	SE15 1NP	Like for like	18,893	199	195
Faircharm	SE8 3DX	Redevelopment	106,663	399	641
Hamilton Road	SE27 9SF	Like for like	23,531	141	210
Havelock Terrace	SW8 4AS	Like for like	58,343	698	783
Kennington Park – Investment	SW9 6DE	Like for like	336,854	4,631	5,048
Kennington Park – Refurbishment	SW9 6DE	Refurbishment	36,384	735	1,026
Lombard	CR0 3JP	Like for like	67,248	459	598
Mahatma Ghandi	SE24 0JF	Like for like	16,750	154	189
Michael Manley	SW8 4TU	Like for like	5,800	73	76
Morie Street	SW18 1SL	Like for like	21,696	310	333
Parkhall	SE21 8EN	Like for like	119,105	801	1,013
Pensbury	SW8 4TL	Like for like	19,971	257	278
Rainbow	SW20 0JK	Like for like	1,000	410	411
Riverside	SW18 4UQ	Like for like	99,341	956	1,001
Sundial Court	KT5 9RN	Like for like	26,107	241	261
T Marchant	SE16 3DH	Like for like	51,984	332	305
Thurston Road	SE13 7SH	Redevelopment	0	0	561
The Biscuit Factory	SE16 4DG	Like for like	276,249	1,944	2,619
The Biscuit Factory (including Tower Bridge Block F)	SE16 4DG	Redevelopment	276,158	1,163	1,269
Wandsworth	SW18 4JQ	Redevelopment	0	0	1,320
Zennor Road	SW12 0PS	Like for like	66,054	454	537
			1,628,131	**14,357**	**18,674**

Property Name	Postcode	Category	Lettable floor area sq. ft.†	Net Rent Roll of occupied units £000s	ERV £000s
West					
2 Cullen Way	NW10 6JZ	Like for like	1,562	17	15
10 Cullen Way	NW10 7JF	Like for like	10,304	21	59
Acton Centre	NW10 6TD	Like for like	50,361	540	623
Arches	UB2 4AU	Like for like	40,725	310	307
Artesian Close	NW10 8RW	Like for like	15,815	196	197
Artesian Land	NW10 8JP	Like for like	4,500	20	0
Barratt Way	HA3 5TJ	Like for like	47,294	338	395
Canalot Studios	W10 5BN	Refurbishment	48,970	575	1,491
Chiswick Studios	W4 5PY	Like for like	14,253	185	167
Grand Union Centre	W10 5AS	Redevelopment	47,621	244	632
Ladbroke Hall	W10 6AZ	Like for like	15,219	238	250
Littleton House	TW15 1UU	Like for like	41,716	288	317
Maple	TW13 7AW	Like for like	18,210	233	241
Pall Mall Deposit	W10 6BL	Like for like	49,360	954	1,002
Park Royal	NW10 7LQ	Like for like	30,347	300	357
Park Royal House	NW10 7JH	Redevelopment	0	0	89
Q West	TW8 0GP	Like for like	39,980	247	378
The Barley Mow Centre	W4 4PH	Like for like	75,377	1,393	1,492
The Light Box	W4 5PY	Like for like	70,958	850	1,060
The Shaftesbury Centre	W10 6BN	Like for like	12,608	227	235
Westbourne Studios	W10 5JJ	Like for like	55,758	1,797	1,857
			690,938	**8,973**	**11,164**

CENTRAL LONDON

Property Name	Postcode	Category	Lettable floor area sq. ft.†	Net Rent Roll of occupied units £000s	ERV £000s
Central					
Greville Street	EC1N 8SB	Like for like	10,961	318	489
Archer Street	W1D 7AZ	Like for like	14,984	678	722
Baldwins Gardens	EC1N 7RJ	Like for like	43,396	885	901
Clerkenwell Workshops	EC1R 0AT	Like for like	53,127	2,461	2,827
E1 Business Centre	E1 6TD	Like for like	40,184	672	727
Enterprise House	SE1 9PG	Like for like	72,870	2,291	2,352
Exmouth House	EC1R 0JH	Refurbishment	52,907	994	1,627
Metal Box Factory	SE1 0HS	Refurbishment	62,641	867	1,539
Holywell Centre	EC2A 4PS	Like for like	21,796	408	486
Linton House	SE1 0LH	Like for like	34,783	767	780
Quality Court	WC2A 1HR	Like for like	16,981	744	847
Southbank House	SE1 7SJ	Like for like	62,403	1,391	1,584
The Leathermarket	SE1 3ER	Like for like	125,291	3,145	3,305
Westminster	SE11 5JH	Refurbishment	61,714	762	856
Whitechapel	E1 1DU	Refurbishment	38,424	474	803
			712,462	**16,857**	**19,845**

NORTH AND EAST LONDON

Property Name	Postcode	Category	Lettable floor area sq. ft.†	Net Rent Roll of occupied units £000s	ERV £000s
North					
Atlas	NW2 7HJ	Like for like	152,412	952	1,142
Belgravia Workshops	N19 4NF	Like for like	32,324	311	362
Bounds Green	N11 2UL	Like for like	123,272	664	838
ScreenWorks	N5 2EA	Redevelopment	0	0	1,550
Leroy House	N1 3QP	Like for like	46,685	809	905
Mallard Place	N22 6TS	Like for like	10,150	83	83
Parma House	N22 6XF	Like for like	35,040	280	343
Quicksilver Place	N22 6XH	Like for like	27,810	135	177
Spectrum House	NW5 1LP	Like for like	46,489	586	564
The Chocolate Factory	N22 6XJ	Like for like	119,256	853	1,109
The Ivories	N1 2HY	Like for like	24,811	346	469
The Wenlock	N1 7EU	Like for like	27,950	641	686
			646,199	**5,660**	**8,228**

Property Name	Postcode	Category	Lettable floor area sq. ft.†	Net Rent Roll of occupied units £000s	ERV £000s
East					
Stratford Office Village	E15 4EA	Like for like	52,055	570	875
Bow Enterprise Park	E3 3QY	Redevelopment	67,178	269	626
Bow Exchange	E3 3QP	Like for like	36,962	262	289
Buzzard Creek	IG11 0EL	Like for like	45,000	285	317
Cremer	E2 8HD	Like for like	41,364	562	609
Fairways	E10 7QT	Like for like	47,091	292	362
The Pill Box	E2 6JL	Refurbishment	0	0	1,030
Highway	E1 9HR	Like for like	19,969	255	273
Leyton	E10 7QP	Refurbishment	87,930	449	551
Mare Street Studios	E8 3QE	Like for like	39,442	392	443
Marshgate Centre	E15 2NH	Redevelopment	92,673	215	478
Poplar	E14 9RL	Like for like	74,775	1,072	1,271
Redbridge Enterprise Centre	IG1 1TY	Like for like	20,020	146	227
Uplands	E17 5QN	Like for like	280,497	1,551	1,580
			904,956	**6,320**	**8,931**

OUTSIDE LONDON

Property Name	Postcode	Category	Lettable floor area sq. ft.†	Net Rent Roll of occupied units £000s	ERV £000s
Outside London					
Clyde House	SL6 8BR	Like for like	29,654	192	245
Harlow Enterprise Centre	CM20 2HS	Like for like	51,851	327	315
			81,505	**519**	**560**

BLACKROCK WORKSPACE JOINT VENTURE

Baden Place	SE1 1YH	Like for like	25,472	477	645
Burford Road	E15 2ST	Like for like	21,296	258	289
Cam Road	E15 2SN	Like for like	38,502	733	534
Charles House	UB2 4BD	Like for like	72,097	1,002	1,093
Chandelier Building	NW10 6RB	Like for like	46,175	429	515
City Road	EC1V 1JN	Like for like	31,292	390	618
Europa	NW10 6ND	Like for like	25,826	336	341
Horton Road	UB7 8JD	Like for like	38,720	246	220
Kingsmill	KT1 3AP	Like for like	40,151	361	401
Little London	SE1 2BA	Like for like	31,101	527	631
Lloyds Avenue	EC3N 3AX	Like for like	34,764	793	961
Progress Park	CR0 4XD	Like for like	31,002	242	277
Rudolph Place	SW8 1RP	Like for like	14,712	243	314
Toplin House	SW9 6BB	Redevelopment	3,133	85	486
Union Court	SW4 6JP	Like for like	67,711	673	802
Windmill Place	UB2 4NJ	Like for like	26,171	241	287
			548,125	**7,036**	**8,414**

ENTERPRISE HOUSE INVESTMENTS LLP JOINT VENTURE

Enterprise House, Hayes	UB3 1DD		79,518	191	86
			79,518	**191**	**86**

† Excludes storage area

Property statistics as at 31 March 2013

INVESTOR INFORMATION

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

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The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: +44 (0) 870 707 1413

Alternatively, shareholders can contact Computershare online via their free Investor Centre facility. Shareholders have the ability to set up or amend bank details for direct credit of dividend payments, amend address details, view payment history and access information on the Company's share price. For more information or to register please visit www.investorcentre.co.uk

WEBSITE
The Company has a corporate website, which holds, amongst other information, a copy of our latest annual report and accounts, a list of properties held by the Group and copies of all press announcements. The site can be found at www.workspace.co.uk.

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COMPANY SECRETARY
Carmelina Carfora

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GLOSSARY OF TERMS

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

Cash rent roll is the current net rents receivable for occupied units.

Earnings per share (EPS) is the profit after taxation divided by the weighted average number of shares in issue during the period.

Employee Share Ownership Trust (ESOT) is the trust created by the Group to hold shares pending exercise of employee share options.

EPRA NAV is a definition of net asset value as set out by the European Public Real Estate Association. It represents net assets after excluding mark to market adjustments of effective cash flow hedges (financial derivatives) and deferred tax relating to revaluation movements, capital allowances and derivatives.

Equivalent Yield is a weighted average of the initial yield and reversionary yield and represents the return a property will produce based upon the timing of the occupancy of the property and timing of the income receivable. This is approximated by the reversionary yield multiplied by the Group trend occupancy of 90%.

Estimated rental value (ERV) or market rental value is the Group's external valuers' opinion as to the open market rent, which on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review.

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

Gearing is the Group's net debt as a percentage of net assets.

Gearing on adjusted net assets is the Group's net debt as a percentage of net assets excluding mark to market derivative adjustments.

Initial yield is the net rents generated by a property or by the portfolio as a whole expressed as a percentage of its valuation.

Interest cover is the number of times net interest payable is covered by operating profit.

IPD is the Investment Property Databank Ltd, a company that produces an independent benchmark of property returns.

IPD Universe is the IPD quarterly universe property fund benchmark of approximately 250 (£50bn) UK domestic property funds.

LIBOR is the British Bankers' Association London Interbank Offer Rate.

Like-for-like are those properties that have been held throughout a 12 month period and have not been subject to a refurbishment or redevelopment programme in the last 24 months.

Loan to value is the current loan balance divided by the current value of properties secured on the loan.

Market rental values (see ERV).

Net asset value per share (NAV) is net assets divided by the number of shares at the period end.

Net bank debt is the amount drawn on bank facilities, including overdrafts, less cash deposits.

Net rents are rents excluding any contracted increases and after deduction of inclusive service charge revenue.

Occupancy percentage is the area of space let divided by the total net lettable area (excluding land used for open storage).

Open market value is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external valuers).

Profit/(loss) before tax (PBT) is income less all expenditure other than taxation.

Property Income Distribution (PID) a dividend generally subject to withholding tax that a UK REIT is required to pay from its tax-exempted property rental business and which is taxable for UK resident shareholders at their marginal tax rate.

REIT is a Real Estate Investment Trust as set out in the UK Finance Act 2006 Sections 106 and 107. REITs pay no corporation tax on profits derived from their property rental business.

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

Rent roll (see cash rent roll).

Reversion/reversionary income is the increase in rent estimated by the Group's external valuers, where the net rent is below the current estimated rental value. The increases to rent arise on rent reviews, letting of vacant space, expiry of rent free periods or rental increase steps.

Reversionary yield is the anticipated yield, which the initial yield will rise to once the rent reaches the estimated rental value. It is calculated by dividing the ERV by the valuation.

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

Total Shareholder Return (TSR) is the return obtained by a shareholder calculated by combining both share price movements and dividend receipts.

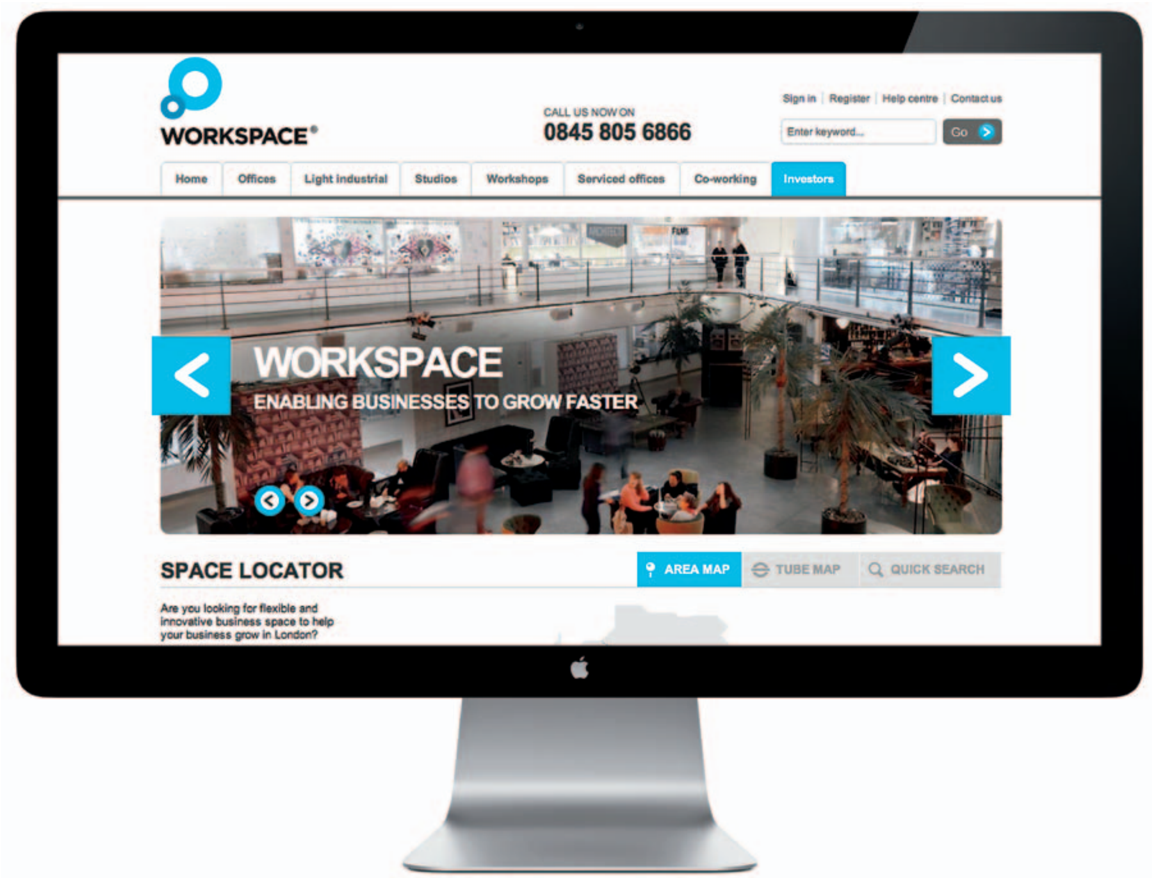
Trading profit after interest is net rental income, joint venture trading income and finance income, less administrative expenses, less finance costs.

Unique web visits is the number of unduplicated (counted only once) visitors to a website over the course of a specified time period.

WORKSPACE GROUP ONLINE

Workspace's comprehensive website gives you fast, direct access to a wide range of Company information.

To find out more go to www.workspace.co.uk



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