Company Number:
02041612

Resilient. Relevant. Ready.

Workspace Group PLC
Annual Report and Accounts 2009

Workspace Group

Performance Highlights

Hi. I'm here to help you fully understand our business.

Workspace is a property-based business. We are the leading brand in the provision of space to small and medium-sized enterprises (SMEs) across London.

Our brand recognition is high, underpinned by our reputation as a good landlord providing a high quality of service. Our leases are flexible and offer good value.

Contents

Despite the economic downturn, we continue to see a strong level of demand for our space...

...with the rent we receive from our customers holding up well.

However, we have seen a drop in the level of underlying occupancy at our properties...

...but this has been offset by an increase in the rent achieved per square foot.

Certain estates have lower occupancy pending their sale or redevelopment.

As a Real Estate Investment Trust the majority of our trading profits are distributed to Shareholders.

We have delivered a resilient level of trading profit and are proposing to pay out a total dividend for the year in line with 2008. However...

...we have seen an unparalleled fall in the valuation of our property portfolio and commercial property in general over the last year which raised concerns over our level of debt and gearing.

In response we have significantly reduced capital expenditure and moved the focus from making acquisitions to property disposals and...

...we successfully completed a Rights Issue raising £87m, before costs, and renegotiated our bank facilities. Our level of debt is now significantly reduced, with term on all our facilities extended out to November 2012.

We now have good headroom on all our bank covenants and are well placed to emerge from the current downturn in good shape.

We have 5.0m sq ft of primarily freehold property in London, 80% of which is within six miles of the London Eye. In addition we have a further 1.2m sq ft of property in our joint venture with Glebe.

We provide flexible, affordable accommodation to some 4,000 customers at our 124 business centres, offices and industrial estates spread across London.

Why London?
London is a world class city acting as a global hub for business and culture.

It has a diverse multi-cultural population with a significant inward migration.

It is the primary engine of future growth in the UK economy with our customers representing the highest concentration of the fastest growing small businesses.

01. Canterbury Court, Kennington, SW9
02. The Leathermarket, SE1
03. View from the top of the E1 Business Centre, E1
04. The Light Box, W4

You can find out more about our business @ workspacegroup.co.uk

Resilient
The SME sector is dynamic and active.

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Our occupational markets have remained robust. Enquiries and conversions, the 'engine room' of our business, have continued at historically high levels.

Our high level of 'churn' includes customers expanding and contracting within the Workspace portfolio together with customers joining and leaving us, from other properties or from home.

You can find out more about our business @ workspacegroup.co.uk

Relevant

Our broad range and clusters of properties across London are attractive to new customers and allow existing customers to up-size or down-size as their business needs change.

flexi

afford

Our focus upon providing a high quality product on flexible terms is highly relevant in these times.

We monitor demand continually and adjust prices to both attract new customers and to retain existing ones.

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Our market research shows our tenants regard us as a good landlord and this hard earned reputation for customer care brings loyalty and attracts new business through recommendations.

You can find out more about our business @ workspacegroup.co.uk

Ready

London is a world class city and entrepreneurs are a vital part of it. We operate in a marketplace that we know and where we are the market leader.

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Having completed the Rights Issue and amended the terms of our debt facilities, the Company is well placed to exit the current recession in good shape.

We believe that our flexible leasing approach is attractive to customers as institutional type leases prove too onerous and capital intensive for new businesses.

We are looking for the opportunities that this environment now presents to use our brand and intensive management skills.

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You can find out more about our business @ workspacegroup.co.uk

This has been a year of extreme events that has required the Board to take quick, decisive action and make tough decisions:

- We were the first property company to launch a Rights Issue in response to the rapid decline in property values.
- We renegotiated the covenants on our debt facilities and extended the terms of our debt to remove any near-term refinancing risk.
- We focused on cash generation, cut costs, including headcount at all levels, scaled back on capital expenditure and accelerated our disposal programme.

As Autumn 2008 progressed, a tightening of credit conditions meant that a deepening economic downturn became inevitable. This was compounded by an abrupt reduction in debt availability and falls in commercial property values at a pace and of a scale unprecedented in modern times. The property valuation at the year end of £662m reflects this and is some 33% below a year ago. It is this which drives the loss for the year of £360m and a year end net asset value per share of 27p. This fall in commercial property values, and concern about the continuing availability of debt and the covenants attached to it dramatically affected the Company's share price.

Having regard to the general banking environment and our level of debt, in March 2009 we raised £87m (gross) through a Rights Issue and amended the terms of our debt facilities. The Company can now withstand further significant falls in valuation and we believe the Company is well placed to exit the current recession in good shape.

I have commented previously about our experience in past downturns, and the fundamental resilience of the overall SME sector being less dependent on bank debt than larger businesses. These results confirm that our occupational markets have remained robust. Enquiries and conversions, the 'engine room' of our business, have continued at historically high levels.

Tony Hales CBE
Chairman

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Although, as you would expect in these more difficult times the level of customer churn has also increased. Arrears and bad debts continue to run at very low levels. Occupancy has reduced, but our rental income is little changed over the year.

The economic environment remains challenging but there is also a sense in these results that the market is stabilising. Perceptions have improved on this even in the last two to three months. As the Chief Executive reports, we continue to let space to new and small businesses in London and are making property disposals at our March valuation. Further falls in valuation may occur but, on these figures, our valuation is now well below the replacement value of the buildings alone for a portfolio with a sustainable income stream in the heart of London. In an environment of low interest rates with a search for income yield this represents good value. In terms of future disposals we are being highly selective about what we put to the market. We do not want to sell future value just to achieve short-term reductions in debt levels.

This has been a challenging year for everyone and I need to thank all of our staff for their efforts. Thanks to them the Company is coming through the present difficult period in a sound position. At this point I would also like to recognise and thank for his contribution to the growth of the Company, Patrick Marples, who has recently resigned from the Board. He leaves with our best wishes.

With cash rental income proving resilient and following reductions made in overheads and capital expenditure we are proposing to maintain our dividend at £7.8m for the full year (a final dividend of 0.50p per share). Over the past 15 years the dividend had increased at a compound rate of some 10% a year. In due course, we aim to re-establish a progressive dividend policy.

Looking to the future, London is a world class city and entrepreneurs are a vital part of it. We operate in a marketplace that we know and where we are the market leader. We have a business model which delivers a strong level of cash income. While small businesses generally are having a tough time at present, they are resilient and resourceful and offer us an attractive market. Our focus upon providing a high quality product on flexible terms is highly relevant in these times. Indeed, as we move forward, I expect it will become even more important for the new businesses of tomorrow.

The early 1990s recession was one of the factors which created the springboard for our subsequent growth and whilst the next recovery will be different, I am confident about our future and look forward to reporting back to you on our progress in a year's time.

Tony Hales

Tony Hales CBE
Chairman

This year we have focused on cash generation.

Well placed to exit the current recession in good shape.

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We have scaled back capital expenditure and accelerated our disposal programme.

In the current economic environment it becomes more important than ever to focus on our customers – to provide good value, excellent service and manage the churn that is a characteristic of the small and medium-sized enterprise (SME) sector. These are at the heart of our business model and the results show that our operational performance has held up well. Our cash rent roll is little changed over the year whilst the reduction in our occupancy is less than many commentators anticipated. This performance has been achieved through the skills and sheer hard work of our people in marketing, selling, customer care and asset management.

The fall in Q1 2009 GDP was the largest since the 1930s; further, the scale and pace of the downturn in commercial property values, driven by yield re-pricing, has been unprecedented in modern times. We had reduced our gearing by making major disposals in 2006 and reducing the level of acquisitions through to 2008. However, along with many others, we had not anticipated the scale of the 'perfect storm' of a credit crunch, the associated economic collapse and the huge uncertainty and dramatic fall in the value of commercial property that took place in late 2008.

Our priorities have been clear: to maintain the income stream and reduce costs while tackling the balance sheet.

1. Keeping Close to Customers:
Our revenues have increased: £70m in 2008/09 compared with £67m in the previous year. There have been over 1,000 lettings to new and existing customers in the year with a consistent run rate of some 20 lettings a week. We have worked closely with our existing customers in what is a very challenging environment for everyone. Our broad range and clusters of properties in London assist in this, allowing customers to up-size or down-size as their business needs change. Our affordable, flexible lease has proved to be particularly relevant. The SME sector is dynamic and active and reflecting this Workspace is always busy responding to enquiries and keeping in contact with existing customers. We are close to our market. This means we monitor demand continually and adjust prices to both attract new customers and to retain existing ones.

2. Focus on Cash and Costs:
Staff costs through 2008/09 and going forward into 2009/10 have been reduced. Regrettably, as part of this, we have made 11 redundancies in our head office staffing and since the year end our Property Director, Patrick Marples has resigned. Furthermore, we have cut capital expenditure for our property portfolio to a much lower level – now running at below £5m p.a. However in cutting costs we have not compromised on estate standards, our marketing/letting activity, or our ability to extract value from our estates.

Harry Platt
Chief Executive

This environment presents us with opportunity to use our brand and intensive management skills.

Going forward we believe our flexible leasing approach will prove even more attractive to customers.

Maximising opportunity

Our realistic rental values are helping to conclude deals.

3. Balance Sheet:
Banking facilities have been renegotiated and terms extended to November 2012. £87m (gross) was raised from shareholders in a Rights Issue in March 2009. In addition, since November 2008, we have completed or contracted on £37m disposals, some 10 separate deals at an overall income yield of 6%.

Since our peak valuation in June 2007, values in our portfolio have fallen by some 40% to March 2009. The measures we have taken allow the Company to withstand a further 25% fall in our overall property values before banking covenants (loan to value) are potentially breached. This gives us resilience against further falls in valuations, especially when the market is now expecting a peak to trough fall of the order of 50% or so. We do expect further valuation declines in forthcoming months but even so our current valuation, supported by disposals, is looking increasingly good value.

4. Glebe Joint Venture:
Taking the opportunity to de-gear the core business we sold 11 properties for £146m, at an exit yield of 4.9%, into the Glebe Joint Venture in June 2006. This is a highly leveraged vehicle with non-recourse debt facilities provided by HBOS. We hope to have concluded negotiations on the future of the joint venture shortly, ensuring that our management, brand and any future equity contributions are appropriately rewarded.

As the Chairman has noted in his statement, our results reflect the current environment. We are, of course, primarily affected by the substantial fall in property values. Our properties were valued at £662m in March 2009, a fall of some 33% during the year broadly in line with the decline in the IPD index. Net asset value per share, following this fall in valuation and the Rights Issue, is now 27p. Disposals achieved or under contract since November 2008 are in line with these values. Even in these difficult times this is evidence that there is a market for smaller lot-sizes in London, which have immediate income and/or redevelopment potential, where there are occupiers or adjacent landowners willing to buy, investors seeking cash income, or specialist operators seeking representation.

Whilst there remains downward pressure on values the rate of decline has slowed. We are also beginning to approach fundamental values for a portfolio that now has:

- a resilient current income stream off low average rents (£12.64 per sq ft)
- a low density with many opportunities for intensification and change of use
- a replacement capital value of £150 per sq ft, compared to a valuation of £132 per sq ft.
- some 140 acres of land, 80% of which is within six miles of the centre of London.

In terms of any further disposals we will continue to review the portfolio and seek opportunities where value can be created especially for intensification and change of use of part of our estates. However, we will seek not to forego future value just to reduce debt levels. Rather, we are looking to the opportunities that this environment now presents to use our brand and intensive management skills.

Workspace remains a property-based business – an operating company providing flexible and affordable space to new and small businesses in London. We work closely with our customers. Our market research shows our tenants regard us as a good landlord and this hard earned reputation for customer care brings loyalty and attracts new business through recommendation. Our brand recognition continues to grow and in this environment our commitment to high standards of corporate responsibility becomes even more important. We also work with properties that demand intensive management, with the attention to detail that this requires. In summary, our customers and our properties demand a hands-on direct approach.

As an operating company these results show that despite the severity of the current downturn, to date our trading performance has held up remarkably well. Overall occupancy at March 2009 was 80% compared to 86% a year earlier, whilst like-for-like occupancy reduced from 90% to 83%. We have found during the year that our average size of lettings has reduced and that larger units have also been taking longer to let. It is these features that impact on our figures. Certain estates also have lower occupancy pending their sale or redevelopment.

The cash rent roll at March 2009 was £50.8m with contracted rents mostly due within the next year some £2.2m in excess of this at £53.0m. This contracted rent roll has changed little over the year. In achieving this, we have not focused on unrealistic rental values and are flexible in concluding deals to secure lettings. Nor do we give rent free periods up-front. Our practice is to take a deposit and rent, with negotiations around the lock-in period and stepped rentals. In this climate our flexible, affordable product is particularly relevant to those customers who are just establishing themselves as they move from home, to those who are seeking to downsize and reduce costs from elsewhere in London, and to those customers who wish to contract or expand within our stock.

Workspace is weathering the storm and now we look to our future again. We have an operational business model which is proving itself resilient even in this severe downturn. Indeed, we believe that over time, our flexible leasing approach will prove even more attractive to customers as institutional type leases prove too onerous and capital intensive for new businesses. The model is scalable and we need to expand the foot-print for our business and reach more potential tenants. This will be achieved by working with partners, leveraging our brand and, at the right time, acquisitions. As the slowdown unwinds, I also have no doubt that the market for properties with alternative use potential will also see a recovery. Our income-earning land bank has unrealised potential to be released as London's growth and intensification continues. We will use this opportunity, selling properties, reinvesting in the core business and creating value.

The next period for Workspace will continue to be demanding but, we are confident that our brand and model will deliver value to shareholders.

H. Platt.

Harry Platt
Chief Executive

Our strategy remains unchanged:

- To be a hotelier of space to small and medium-sized enterprises (SMEs) providing our customers with flexible, affordable leases;
- To deliver superior returns by active management and giving a high quality of service;
- To focus on the London region within the M25;
- To maximise the alternative use value of the portfolio;
- To acquire and directly manage properties where the Workspace brand and business model can make a difference.

Delivering on our priorities

Priority

First point of contact for any business looking for space in London

Broad range of properties and locations close to transport links

Sustainable business model

Flexible, customer friendly leases

High quality customer service

Investment to improve the quality of space and maximise usage

Delivering superior returns to shareholders

Short-term	Medium-term
• 10,000 sq ft of billboards on our sites across London • 10,500 enquiries in the year • 85% of customers surveyed would recommend Workspace to a friend or colleague	• Raise profile as the London SME specialist • Increased reach of our advertising
• 89% of customers surveyed think that their location is ideal for business	• Increase footprint across London – through management contracts, joint ventures and acquisitions
• Obtained Energy Performance Certificates for the majority of our properties • 26% of waste recycled	• Encourage more responsible business practices amongst our suppliers • Finalise our preparations for the introduction of the Carbon Reduction Commitment
• Standard lease four pages, with three month customer break • 78% of customers surveyed think Workspace offers a competitive package	• Further streamlining of product offering where possible
• 80% of customers surveyed think that service from centre staff is excellent • 81% of customers surveyed believe Workspace is committed to high standards of service	• Rolling customer satisfaction surveys • Exit customer interviews • Maintenance of overall high customer satisfaction rating
• Refurbishment of E1 Business Centre, Littleton House and Mare Street completed • Completion and return to us of a new waterfront development, Wenlock Business Centre, which opened in October 2008	• 20 sites identified for planning consent and intensification in next five years • 50% of sites have redevelopment potential over the next 10 years
• Difficulties in the global financial markets and the economy have dramatically impacted on property values this year • Like-for-like occupancy level 83% • Dividend maintained	• Increase earnings and net asset value per share • Increase like-for-like occupancy level to around 90% • Return to progressive dividend policy

Our customers underpin the operating performance of our business. The SME sector has shown a great resilience over the last year and our intensive asset management skills have enabled us to react quickly in response to their changing demands.

The level of customer enquiries and completed deals has remained robust despite the challenging economic conditions. We have let some 250,000 sq ft of space per quarter during the year.

Our high level of churn includes both customers expanding and contracting within the Workspace portfolio together with customers joining and leaving us from other properties or occasionally from home.

Our typical customer is a service-based business, owner managed with less than 20 employees. Our mix of customers is little changed over the year reflecting the broad range of industries that make up the London economy.

The strength of our brand underpins our operating performance. We market in a number of ways including word of mouth from 35,000 people who work at our properties across London - their recommendation is invaluable.

Ensuring that we meet the needs of our customers is vital. We conduct regular customer satisfaction surveys and the results of our latest survey at March 2009 indicate an overall satisfaction score of some 80%.

There has been considerable activity across our property portfolio during the year:

We have achieved planning consent on six properties.

We have opened three new business centres – The E1 Business Centre E1, The Wenlock Building N1 and Q West TW8.

We have contracted for sale ten properties for £37m.

Whilst economic conditions remain challenging we are continuing to pursue a number of initiatives to add value:

Extending or intensifying uses
On selective sites we have achieved planning consent for extensions to, or replacements of, existing properties.

Repositioning the product
We have managed the transformation of lower value industrial space into higher value business accommodation on a number of properties.

Alternative uses
Planning applications have been made for a range of different uses generating higher values than the existing investment value. These uses include student housing, budget hotels, self storage, affordable housing and housing for sale.

Creating potential

Our properties fall into four categories:

1. Core like-for-like properties
   95 properties
   Existing use value: £531m

2. Core added value
   13 of the 95 core properties
   have a total of £28m added value

3. Recently refurbished properties
   6 properties
   Value: £78m

4. Properties held for redevelopment/sale
   5 properties
   Value: £25m

Core properties
We have 95 core properties with an existing use value of £531m. These make up the bulk of our portfolio and comprise 56 business centres/offices and 39 industrial estates spread across London.

We are confident that over time 50% of our core properties have significant potential for added value. We are currently progressing initiatives for 450,000 sq ft of property for which no added value is included in the property valuation. Some examples below:

01. **Hatton Square Business Centre, EC1**
At our Hatton Square Business Centre we have made a planning application to increase the net lettable area from 43,000 to 62,000 sq ft. A new café and more efficient small business units will be created. These proposals will reposition the business centre to higher value commercial uses which will complement the other business centres in our Clerkenwell cluster of properties.

02. **Whitechapel Technology Centre, E1**
At Whitechapel Technology Centre we are progressing a 200 bed student housing scheme on part of the large car park to the rear of the building. Student housing will generate the highest value use for this location in current market conditions. Pre-application discussions have been held with the planning authority.

Core added value:
Thirteen of our core properties have £28m of added value included in the valuation over and above their existing use value. This has only been added where a planning consent has been achieved, a sale has been contracted or successful discussions are well advanced with the relevant planning authority. Some examples:

01. **Bounds Green, N11**
A disposal has been agreed, subject to planning, of a redundant vehicle storage area on the site. Contracts have been exchanged for £2.55m with a self storage operator who has made a planning application for an 80,000 sq ft facility. A planning application has also been made for an additional 30,000 sq ft of light industrial units on the land retained by Workspace.

02. **Canalot Studios, W10**
A disposal has been agreed, subject to planning consent, of a secondary part of the site comprising 11,000 sq ft of low grade industrial space. Contracts have been exchanged with a student housing operator for £6.25m. The purchaser is funding all the planning application costs. Workspace will also be handed back 5,000 sq ft of high quality business space and planning consent for a 10,000 sq ft rooftop extension.

Recently refurbished properties
Six of our properties have been recently refurbished, of which Q West and Wenlock opened in the last six months.

03. **Q West, TW8**
The Q West Business Centre comprises 21,000 sq ft of commercial space and is part of a larger mixed use development adjacent to the Great West Road (A4) in West London.

04. **The Wenlock Building, N1**
A 29,000 sq ft Business Centre overlooking the Grand Union canal in Islington.

Recently refurbished properties
continued

05-06. **Canterbury Court, SW9**
At our six acre site at Kennington (Kennington Business Park) we completed the refurbishment of Canterbury Court in January 2008. This was a repositioning of the building from low value industrial and storage use to 88,000 sq ft of high grade business space. We have made good progress in letting up this scheme with occupancy now in excess of 70%. Building on this, further initiatives are being actively progressed across the site – these include retail, leisure and residential uses and the possible introduction of an open market.

Properties held for redevelopment/sale
Six properties are currently held either for strategic reasons where we see medium-term repositioning and development opportunities – but where we are not going to progress these in the shorter term – or properties where we are running down occupancy ahead of sale. One example below:

07. **Thurston Road, SE13**
An industrial estate for which planning consent has been obtained for 406 apartments and 40,000 sq ft commercial uses. Currently under offer.

Our intensive hands on management style requires a dedicated team of individuals working together to serve our customers.

We currently have 183 employees, 111 located at our centres and 72 head office staff.

We do everything in house
Our centre staff are our ambassadors in the market. They have direct contact with our customers and are essential for winning new business. Our Head Office colleagues support our centre management staff providing marketing, letting, development, property management and financial accounting.

How do we manage our people?
We recognise the importance of retaining and attracting motivated individuals who are able to deliver our strategy by:

- Paying competitive London salaries together with a range of benefits, including pension and healthcare
- Training and development of all staff
- Actively promoting diversity
- Regular communication with employees including an annual staff survey
- Encouraging and assisting employees to contribute to their local communities

Remuneration
In addition to basic salary, all staff are offered a range of benefits and incentives, including the right to participate in our employee share option scheme.

Training and development of staff
Training and development of staff is essential for the successful growth of our business.

We aim to assist all of our employees in developing both their professional and their personal skills and believe that this will assist us with our core business objectives, including improving our customer care, whilst encouraging employees to reach their full potential. Training needs are identified and discussed with employees during their reviews. During the year employees attended a range of training programmes including business related topics, key risk areas and personal skills development. We encourage our employees to obtain relevant professional qualifications and support this by a combination of funding and study leave.

During 2008/09 training included:
- Online health and safety training for all staff
- Developing, coaching and mentoring
- Sales training
- Customer care

We spent £44,890 on training during the year (2008: £133,000), conducting more in house sessions than in previous years.

Actively promoting diversity
The Group works in an ethnically diverse cosmopolitan city which is reflected both in our customer base and staff – 36% of whom are from ethnic backgrounds. The Group is an equal opportunities employer and seeks to avoid any discrimination on the grounds of gender, sexual orientation, race, religion, age or disability and to actively promote diversity.

Communicating with our employees
We hold regular meetings with our staff both informally and formally, through a staff conference held yearly and quarterly staff forums chaired by the Chief Executive. The Directors and senior management also spend a significant amount of time visiting our properties, meeting staff and customers. Our monthly staff newsletter is a valuable source of information keeping all staff up to date on activities within the Company.

Assisting local communities
Our employees are encouraged to contribute to the communities in which they work and they are entitled to take two days paid leave per year to contribute to a community project or volunteer to help one of our chosen charities. This building of relationships with the communities in which we work provides an informal platform for our staff to develop core skills such as team work. Furthermore, the activities provide us with an informal way to strengthen relationships between our staff, in particular our centre and head office staff. They also help to motivate some of our staff and provide an opportunity for them to further develop their generic skills.

Active management and excellent service:

I've been the centre manager at Great Guildford for three and a half years. We are always busy doing viewings with prospective customers. We also produce monthly newsletters which keep our customers informed about what's going on in-and-around the centre, and also any company-wide issues they need to know about.

I've worked for Workspace for nearly four years, managing eight of our non-central business centres that stretch from Surbiton to Southall and over to Maidenhead. I am responsible for on-site tenant management and the physical fabric of the building.

I work across the Group to ensure that we recruit, train and develop; motivate and reward our staff in order that we have the highest calibre of individuals within our teams. I ensure we provide excellent customer service through the teams we employ and monitor service levels.

As Development Executive I have a diverse range of activities that add value to the existing portfolio. I have recently obtained planning consents at Westminster Business Square and at Bounds Green.

To deliver as many quality leads as possible we use signage, billboards, radio advertising, customer rewards and our ever more significant online presence to keep as visible as possible when a prospect starts their search.

Sustainability as a core business driver Our business model is based upon providing flexible, affordable workspace close to public transport for London's small and medium-sized businesses. This provides the foundations for our approach to sustainability, which is at the very core of our business values and our objectives to:

- Make the communities in which we invest better places to live and do business.
- Revitalise local economies by building long-term relationships with our stakeholders.
- Reduce resource use by recycling redundant buildings, intensifying their use and managing them efficiently in partnership with our customers.
- Be a good landlord, employer and corporate citizen.

In a wider context, these objectives mean that we also contribute to the vision of London as a sustainable city as outlined in the London Plan.

We seek to adopt best practice wherever practicable and to demonstrate accountability for our impacts through open and transparent reporting. More extensive information on our progress and performance can be found on our website www.workspacegroup.co.uk.

The Third Dimension Report
We continue to monitor our sustainability performance in the Third Dimension Report which covers 44 individual funds, some 1,500 individual properties, from 12 investors with their total value at March 2008 exceeding £30bn. The high sustainability score of the Workspace Group fund out of the 44 funds analysed, is shown on **Fig 1** above.

Refocusing the sustainability strategy
The legislative, regulatory, operational and reputational drivers to address sustainability issues continue to increase and we know that our customers, employees, suppliers and local communities all value our approach to sustainability. We believe that taking a proactive approach to the management of our environmental, social and economic impacts will ultimately help us to deliver value to our shareholders. Workspace remains as a constituent of the FTSE-4 Good Index. Furthermore, in these challenging and unprecedented economic conditions sustainability issues become, in our view, even more important. However, they need to be focused around core business objectives, where they have an immediate and measurable input, and where performance can be monitored effectively. A review during the year has reset our priorities, both immediately and within the next three years. The most 'material' impacts are listed below and the full review can be found on our website www.workspacegroup.co.uk.

Priorities within the the next year	Priorities within the next three years
Accessibility	**Economic Regeneration**
Health and Safety	**Design Quality**
Security	**Employees: Development and Satisfaction**
Business Ethics	**Employees: Equality and Diversity**
Customer Satisfaction	**Construction Waste**
Investor Relations	
Carbon Emissions	
Energy Efficiency	
Transport	
Occupier Waste	
Water Efficiency	

Progress during 2008/09
In 2008 we set a number of targets covering a wide range of sustainability impacts. Following the review of our impacts early in 2009, we prioritised 12 targets that we considered would provide the most direct links to our business objectives and therefore would be of the greatest benefit to the business. Progress towards these priority targets is shown above (**Fig 2**). A more detailed summary of progress towards all of our targets can be found on our website.

Some of our key achievements during the past year are also highlighted below.

Accessibility
- Streetcar – Streetcar is an online self-service car rental company that allows users to pay as they drive. At March 2009 we had 21 Streetcars at 19 of our centres. Our customers can travel to work without using cars, yet know they have the immediate flexibility to use one on site. Our customers also get significant concessions from Streetcar and we will look to expand our partnership next year.

Counting the carbon

- We have continued to gather information for the Landlord Energy Statement[1] energy monitoring tool.
- Our metering policy ensures that SMART meters are installed into all new developments and major refurbishment projects as we recognise that good energy monitoring is the key to good energy management.
- We have obtained Energy Performance Certificates (EPCs) for the large majority of our portfolio.
- Workspace Group won the Better Buildings Partnership (BBP) Gold Portfolio Award at the recent awards ceremony held by the Mayor of London. This award is given to members of the BBP whose property portfolios' CO_2 performance meets the gold benchmark for 2008. The target was set by the BBP Sustainable Benchmarks Working Group, which includes industry experts.

Recycling/waste

We have improved our waste management across the portfolio, and have seen significant successes.

The average recycling rate across the portfolio where we manage waste has increased from 23% in 2007/08 to 26.3% in 2008/09. This was just short of our target of 27%. However, the rates have been increasing each quarter, and we achieved a 31% recycling rate in Q4. **(Fig 3)**.

- 42 of our sites individually saw increases in recycling rates, with 18 sites seeing increases of over 5%. This is principally because we have installed more recycling bins and increased the frequency of recycling collections. **(Fig 4)**.
- We saw a 12.5% reduction in the total amount of waste produced from our sites, down from 9,616 tonnes in 2007/08 to 8,414 tonnes in 2008/09. **(Fig 5)**.
- We have also updated and re-launched our 'Recyclopedia' this year. This is a guide for centre managers and customers on common materials and goods and how they can be best recycled. The updated version is an online version to reduce the environmental and cost impacts of printing.

Further details of waste recycling initiatives that we have undertaken during the year are detailed on our website at www.workspacegroup.co.uk

Our priorities and challenges

In 2009/10 we will target those issues and initiatives that will add value for all of our stakeholders, but especially those that can provide a demonstrable and immediate benefit to our shareholders. Key areas of focus include:

Carbon Management:

With the government's Carbon Reduction Commitment just around the corner we need to prepare for the carbon trading scheme. We will be required to account for the majority of the energy we purchase on our customers' behalf and purchase carbon allowances accordingly. Our initial challenge is to continue our progress on energy data gathering in order to ensure we have an accurate and complete carbon footprint for our portfolio.

Customer Satisfaction:

Customer satisfaction is at the core of our business model and remains a top priority for us. We will continue to run a series of initiatives to maintain our existing strong relationships with our customers.

Waste Management:

We have a strong track record in the area of sustainable waste management yet want to improve our performance further. We will engage with customers at targeted sites, alongside our waste managers to achieve even higher levels of waste diverted from landfill.

Customer Safety and Security:

We will continue to explore ways to further improve in this area. In itself, this is desirable – it also improves the attractiveness of our buildings to our customers.

More detailed information on our targets can be found on our website www.workspacegroup.co.uk

[1] The Landlord Energy Statement is part of the LES-TER initiative which is a set of tools and a process designed to enable landlords and tenants to measure, understand and reduce their emissions, see: http://www.les-ter.org/page/home

The Group views effective risk management as integral to the delivering of superior returns to shareholders.

The Board regularly reviews the Group's risk management activities with a view to confirming that, to the extent reasonably possible, all principal sources of risk are identified and are being managed.

The principal risks and uncertainties facing the business and the controls and processes in place by which the Group aims to manage these risks are set out in the table right.

Risk description

Operational

Property valuation and transactional

Property development

Treasury

Regulations

Business continuity

Mitigation

Falling occupancy levels and dependency on the SME sector
- Weekly monitoring of occupancy levels and update of pricing at each estate.
- Quarterly customer satisfaction surveys.
- Weekly monitoring of reasons for customers vacating 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.
- External research conducted on the SME sector to understand trends in demand.

Economic and market factors adversely impact on valuation
- Independent valuations conducted quarterly by CB Richard Ellis.
- Alternative use opportunities pursued across the portfolio and planning consent progressed.
- Market yields and pricing of property transactions monitored closely across the London market.

Disposals do not achieve fair value
- Independent valuations conducted quarterly by CB Richard Ellis.
- Market yields and pricing of property transactions monitored closely across the London market.
- Marketing by external agents as appropriate.
- Tendering for competitive bids as appropriate.

Properties acquired do not meet performance expectations
- Thorough due diligence conducted ahead of any property acquisitions.
- Regular monitoring of acquisition performance against target returns.

Changes to policy and/or procedures increase time to get planning consent
- Regular monitoring of government announcements and active involvement on industry responses.
- Good working relationships developed with the Mayor of London and local London authorities.
- Alignment of our regeneration proposals with the London Plan and local strategic plans.

Changes in economic environment impacts the viability or returns from planned developments
- Timing of actual developments can be deferred with properties retained for existing rental use.
- Vacant possession not obtained until exchange achieved for properties being sold for alternative use.

Breach of borrowing covenants triggering default
- Financial ratios and covenant headroom monitored and regularly reported to the Board.
- Working capital forecasts stress tested and regularly reported to the Board.

Insufficient liquidity to progress business plans
- Funding requirements for business plans regularly reviewed.
- Regular dialogue with main lenders.
- Options for alternative sources of funding monitored.

Non-compliance with REIT legislation resulting in loss of REIT status or tax penalties incurred
- REIT conditions monitored and tested on a regular basis and reported to the Board.
- Eligibility of shareholders to receive PIDs clarified prior to payment.
- Close working relationship maintained with HMRC and all relevant issues openly disclosed.

Failure to recruit and retain key staff with appropriate skills
- Succession plans for key positions.

Business interruption including no access to Head Office
- Business Continuity plan in place.
- Back-up systems at remote locations.
- Remote working capabilities.

We have seen a good level of demand for space from SMEs through the year with the level of activity maintained in the first two months of the current financial year.

Although the level of new lettings has been high, the level of customer churn also increased during the year as the economic outlook deteriorated. In this environment a key focus for us has been to retain customers where possible by enabling them to upsize and downsize while still staying within the portfolio. This has successfully reduced the rate of decline in occupancy that we might otherwise have seen over the last six months.

Graham Clemett
Finance Director

A Rights Issue raised additional equity from our shareholders to avoid potential breach of some of our valuation-related covenants.

A pro-active approach

We have amended the covenants associated with our debt facilities to provide additional headroom and extended all our facilities out to November 2012.

Since November 2008 we have exchanged on 10 disposals for a total of £37.2m.

Occupancy	No. of Properties	March 2009	March 2008
Like-for-like properties	**95**	**83.4%**	**89.6%**
Refurbished properties	**6**	**69.5%**	**68.7%**
Held for redevelopment/sale	**5**	**53.5%**	**66.5%**
Total	**106**	**80.3%**	**85.8%**

Like-for-like occupancy at our business centres/offices and industrial estates has fallen by similar levels of around 6% over the year. At March 2009 the occupancy at our 56 business centres/offices was 84.7% and for the 39 industrial estates it was 82.1%.

Refurbished properties being let up includes two new properties which were opened in the year, The Wenlock Business Centre (opened in October 2008) and Q West (opened in October 2008). Excluding these two properties the occupancy at our other recently completed refurbishment schemes at Greville Street, Lombard House, Kennington and E1 has improved to 74%.

Total cash rent roll at the end of March 2009 was £50.8m down 3.3% in the year, with the fall in occupancy levels moderated by an increase in the average rent per square foot that is up by 6.4% to £12.64 in the year.

Rent Roll	Total £m	Full Year Growth
Like-for-like properties	**45.0**	**-3.5%**
Refurbished properties	**5.2**	**+15.6%**
Held for redevelopment/sale	**0.6**	**-55.5%**
Total	**50.8**	**-3.3%**
Average rent per sq ft	**£12.64**	**+6.4%**

The increase in rent per square foot reflects a change in the mix of lettings with stronger demand for smaller higher priced units but larger-sized (generally lower priced) units being slower to relet when falling vacant.

The contracted rent roll at the end of March 2009, which includes an increased number of deals where the rents are contracted to increase in the second year of the lease, is £2.2m higher than the cash rent roll at £53.0m (2008: £53.9m).

Financial results

Overall the Group has delivered a resilient trading performance in the face of very challenging market conditions, particularly during the second half of the year as the UK moved into recession.

The decline in property valuations, which accelerated rapidly in the second half of the year, required us to announce a Rights Issue to raise additional equity from our shareholders to avoid potential breach of some of our valuation-related covenants. We also amended the covenants associated with our debt facilities to provide additional headroom and extend all our facilities out to November 2012 to remove any near-term refinancing concerns.

Income statement

£m	2009	2008	Growth
Revenue	**69.8**	**66.9**	**+4.3%**
Trading Profit (before empty rates)	**40.2**	**37.2**	**+8.1%**
Empty rates	**(1.8)**	**(0.2)**	
Net interest cost	**(28.4)**	**(28.1)**	**+1.1%**
Trading Profit after interest	**10.0**	**8.9**	**+12.3%**
Property valuation deficit	**(325.3)**	**(47.5)**	
Interest-rate swap valuation	**(26.1)**	**-**	
Joint venture losses	**(23.9)**	**(2.8)**	
Refinancing costs	**(5.9)**	**-**	
Other items and profit on property disposals	**10.8**	**4.4**	
Net loss for the year before tax	**(360.4)**	**(37.0)**	

Despite an increase of £1.6m in our empty rates charge our trading profit after interest is up 12.3% (£1.1m) in the year; excluding empty rates the increase in trading profits would be 29.7%. The main components of the £1.1m increase in trading profits are set out above **(Fig 2)**.

Revenue growth of £2.9m (4.3%) came from the full year impact of the strong increases in rents that had been achieved during 2007/08. In the current year the focus has moved away from growing rents to maintaining high levels of occupancy. As a result we have seen a flattening of revenue growth in the second half of the year.

The change to the empty rates legislation has had a significant impact on our trading profit with the cost increasing to £1.8m in the year. We will receive some benefit in 2009/10 from the empty rates relief for smaller-sized units announced in the recent Budget but this cost continues to be a significant additional, unwelcome burden for the Group at a time when we are already facing very challenging trading conditions.

The increase in other direct costs of £1m (5.1%) was primarily the impact of inflationary increases on our service charge costs, most notably energy and refuse costs.

The reduction in overheads reflects reduced bonus levels together with the impact of our cost reduction programme on discretionary costs. Growth in salary costs in the year from the increases in headcount in 2007/08 were offset by the redundancies made in October 2008. We will see the full year effect of these savings in 2009/10. A more detailed analysis of our overheads is set out below:

	2009 £m	2008 £m
Salary costs (including redundancy costs)	5.7	6.1
Cash settled share-based costs	(0.6)	(0.8)
Equity settled share-based costs	0.6	0.7
Other costs	3.3	4.1
Total	9.0	10.1

Interest cost and hedging
The average interest cost on our debt during the year was 6.5% compared to 6.7% in the prior year. The Group's borrowings are hedged by £250m of interest rate swaps fixed out to October and November 2012 at an average rate of 5.3%. The remaining interest exposure is currently hedged by way of caps and collars which mature in July 2009 and October 2010. The overall interest cost in the year was adversely impacted by the high LIBOR rates we saw in the first six months, but then benefited in the second half of the year as rates fell markedly.

Looking forward, while the margins on our renegotiated bank facilities have increased significantly this has been largely offset by the fall in LIBOR. We aim to keep the total cost of debt at or below 7.0% and may look to take advantage of the lower rates currently available to reduce the cost associated with our existing hedges.

At 31 March 2009 the significant differential between current LIBOR rates and the interest rates at which we put our hedging in place gave rise to a mark-to-market revaluation deficit of £26.1m, which has been charged to the income statement.

Valuation
The valuation of our property portfolio has fallen by 33% (deficit of £326m) during the last year which is broadly in line with the wider commercial property sector. The most notable quarterly decline in the valuation was in the quarter to December 2008, when the value of our portfolio dropped by some 15%. The rate of decline has slowed in the fourth quarter to 10%. A summary of the movements through the year is set out as follows:

		£m
Portfolio valuation at 31 March 2008		993
Property acquisitions		4
Property disposals		(12)
Other expenditure on properties		8
Property valuation deficit		
- quarter to June 2008	(46)	
- quarter to September 2008	(80)	
- quarter to December 2008	(130)	
- quarter to March 2009	(70)	
		(326)
Valuation deficit on disposals		(5)
Portfolio valuation at 31 March 2009		662

The reversionary income and yields associated with the overall property portfolio of 106 estates are set out below:

	March 2009	March 2008
Estimated rental value (ERV)	£70.5m	£76.1m
Equivalent yield (at 90% occupancy)	9.6%	6.9%
Existing use income yield (like-for-like)	8.5%	5.9%
Income yield (total)	7.7%	5.3%

In this environment where the focus has been on maintaining occupancy and good cashflow rather than trying to achieve unrealistic pricing levels there has inevitably been some loss of reversion, with a 7.5% decline in ERV in the year.

The equivalent and income yields quoted above are internally calculated based on reported ERV and rent roll respectively. The total net initial yield on our portfolio as calculated by CBRE is 7.4% and the equivalent yield is 9.6%. A more detailed analysis of the yields at March 2009 for our property portfolio is set out below:

	No. of properties	Value £m	Rent Roll £m	Income Yield	Equivalent Yield
Like-for-like Properties					
Existing use value	95	531	45.0	8.5%	10.1%
Added value (13 properties)		28			
Other Properties					
Refurbished	6	78	5.2	6.7%	9.7%
Held for redevelopment/sale	5	25	0.6	2.5%	7.8%
Total	106	662	50.8	7.7%	9.6%

The core existing use valuation of £531m includes a broad range of properties spread across London. A split of this valuation by geography and estate type is set out below.

	Central	North	South	East	West	Other	Total
Business Centres/Offices							
No. of Properties	18	9	8	3	17	1	56
Value £m	184	46	29	15	91	2	367
Income Yield %	8.4	9.3	8.5	10.2	8.4	14.1	8.6
Industrial Estates							
No. of Properties	-	4	11	10	12	2	39
Value £m	-	21	30	66	38	9	164
Income Yield %	-	8.8	8.7	7.4	8.4	9.8	8.2

The like-for-like properties have an average lot size of £5.5m (44,000 sq ft), an immediate cash income yield of 8.5% and a capital value of £127 per sq ft.

The added value of £28m attached to the like-for-like properties reflects 13 sites where we are well progressed on exploiting alternative use potential. Over time we would expect that around half of the total property portfolio has the potential to generate additional value. The most significant of the schemes where our valuers have attached redevelopment value are:

Poplar, E14: Currently a 75,000 sq ft office and light industrial site. Agreement has been reached with the Local Authority to submit a mixed use planning application for a 375,000 sq ft workspace, residential and hotel scheme.

Canalot Studios, W10: We have exchanged on the disposal of an old single storey extension to the business centre for redevelopment for a student housing scheme subject to planning consent.

Aberdeen Centre, N5: An existing 65,000 sq ft office and studio site. Planning consent has been granted for 74 residential units and 65,000 sq ft of new workspace. The site is currently being operated to maintain income until commencement of development/partial sale.

Westminster, SE11: An existing 1950s 63,000 sq ft business centre. Planning consent has been granted for 60,000 sq ft new office space on vacant land. The scheme is currently being marketed for pre-let or sale.

Leyton Industrial Estate, E10: Planning consent has been granted for a 65,000 sq ft industrial scheme on an open storage area of the site.

Since November 2008 we have exchanged on 10 disposals for a total of £37.2m. Of these disposals eight were the sale of entire properties and two are sales of part of our sites for alternative use, namely Canalot Studios (student housing) and Bounds Green (self-storage). Seven of the property disposals had completed by the end of May for £26.9m, with one (£1.5m) due to complete in June 2009. The two alternative use sales (£8.8m) are subject to planning permission which we would expect to receive in the next three months. All of the disposals are at or ahead of the March 2009 property valuation. A summary of the disposals and associated yields are set out as follows:

	No. of Properties	Value £m	Income Yield
Property sales	**8**	**28.4**	**7.7%**
Alternative use schemes	**2**	**8.8**	**1.8%**

Refurbished properties currently being let up comprises Greville Street (opened June 2007), Lombard House (opened June 2007), Kennington Canterbury Court (opened January 2008), E1 (opened July 2008), Q West (opened October 2008) and The Wenlock Business Centre (opened October 2008). We are making good progress with letting these schemes up and at our targeted occupancy level of 90% these sites would generate an additional £1.5m of rent roll (based on current rental values) which would give an income yield of 8.8%.

Properties on hold for redevelopment includes two properties where planned redevelopment looked attractive when market conditions were better but which have been put on hold in the current environment. These are at Hayes, Middlesex which is located close to the Heathrow terminal of the Crossrail link and at Greenheath where the redevelopment of the main building will be progressed alongside the proposed sale of part of the site for social housing. We also have a site at Lewisham with planning permission for residential and retail development where occupancy has been reduced ahead of its planned sale. For these sites the current income yields do not reflect their market value.

Glebe joint venture

We have written down the value of our interest in the joint venture in Workspace Group's balance sheet to nil (2008: £15.7m). Workspace Group also provided for a tax indemnity on formation of the joint venture, which represented the capital gains tax associated with the valuation at which the properties were sold to the joint venture. This provision has reduced alongside the decline in the property valuation and now stands at £5.1m (2008: £19.5m).

The joint venture with Glebe was established to promote the intensification and change of use at 18 estates across London. The majority of the properties were sold by Workspace Group into the joint venture company in June 2006 taking advantage of attractive values at a high point in the market (income yield of 4.9%) to de-gear.

Mixed use planning consents have already been achieved at Wandsworth Business Village and Grand Union, Kensington. A 576,000 sq ft mixed use planning application at Bow E3 was submitted in December 2008. At Rainbow Industrial Estate, Raynes Park SW20 we are well progressed with a planning application for a waste to energy plant.

Alongside progressing the mixed use opportunities, the focus is on maintaining existing rental income at each property. Excluding the Wandsworth site which was vacated in January 2008 ahead of its planned redevelopment, occupancy is 73.5%. At Wandsworth, we are now re-letting two of the buildings on the site with the timing of its redevelopment now deferred.

The joint venture has seen a valuation decline of £49.5m (28%) in the year with valuation now at £129.6m. This includes added value of £27m from the progress made on the various mixed use planning schemes.

The debt funding for the joint venture is provided by HBOS (a 30% shareholder in Glebe). At March 2009 the drawn debt was £134m and the loan to value covenants have been breached. We are currently in discussion with Glebe and HBOS to agree revised terms for the debt funding of the joint venture and appropriate returns for any additional equity investment. This is a non-recourse facility apart from an interest shortfall guarantee under which the joint venture partners have a maximum liability of £6m, of which £1.6m has been contributed to date. The remainder has been fully provided for in the financial statements.

Rights Issue and refinancing costs
In January 2009 the Group announced a Rights Issue that was successfully completed in March 2009. A total of 871.8m new ordinary shares were issued raising £87.2m. Alongside this capital raising the covenants associated with the Group's lending facilities were amended and the term of the GE facility that matured in August 2010 was extended out to November 2012.

A breakdown of the costs is set out below:

	£m
Payments to financial advisers and brokers	4.9
Payments to lenders	4.9
Legal costs	1.0
Unamortised finance costs written-off	0.7
Other costs	0.6
	12.1

£6.2m of these costs related to the Rights Issue and are required to be charged directly to the share premium account. The remaining costs are shown as exceptional items in the Income Statement.

The exceptional payments to our lenders potentially gives rise to a penalty tax charge of £1.2m as the total finance costs in the year (if these exceptional costs are included) would result in the REIT minimum interest cover ratio of 1.25 being breached. We are discussing the appropriate tax treatment of the bank amendment costs with HM Revenue and Customs but have fully provided for this potential tax charge in these accounts.

Cashflow

£m	2009	2008
Operating cashflow	40.6	41.6
Interest paid	(29.0)	(30.1)
Net cash from operations	11.6	11.5
Dividends to shareholders	(7.8)	(7.3)
Rights Issue proceeds (net of fees and facility amendment costs)	80.2	-
Capital expenditure	(9.2)	(18.7)
Property acquisitions	(4.2)	(31.3)
Property disposals	11.4	10.4
Corporation tax	4.9	(19.3)
Other	(3.3)	(5.5)
Other Cashflow Movements	(0.4)	(64.4)
Decrease/(increase) in net borrowings	83.6	(60.2)

The Group generates strong operational cashflows in line with its trading profits, with a very low level of bad debts at £0.2m in current year (2008: £0.1m). This reflects a number of factors:

- No significant exposure to any one customer with an average rent of some £13,000 p.a. and 80% paying less than £20,000 p.a.
- Customers are generally required to provide a deposit and three months rent in advance.
- Problem customers can be identified quickly with 70% of customers billed monthly and 70% of customers paying by direct debit.

There has been no discernible deterioration in the payment profile over the last six months, with no increase in bailiff cases or repossessions and over 95% of debts collected within 30 days of due date.

We have reduced capital expenditure to £9.2m as various major refurbishments have been completed. We have no major new projects planned and are only committing to capital expenditure that is essential and would expect to see a further reduction in capital expenditure in 2009/10.

During the year we acquired the first phase of Q West, Brentford for £4.2m (including costs). Contracts for this purchase were exchanged in June 2007 with the second phase of this acquisition for a further 28,000 sq ft due to complete for £3.9m in September 2009.

The total of 'other cashflow movements' has improved significantly from a £64.4m cash outflow in 2008 (which included the REIT entry charge of £18.8m) to a £0.4m outflow in 2009. We would expect this to improve further in 2009/10 from the reduced level of capital expenditure and completed/planned disposals we are making.

Balance Sheet and financing

£m	2009	2008
Investment properties	664	994
Investment in JV	-	16
Net borrowings	(355)	(438)
Interest-rate swaps	(26)	(3)
Other net liabilities	(31)	(32)
Net assets	252	537
EPRA diluted adjusted NAV	27p	233p

The NAV per share for 2008 has been restated by reference to the share price on the day immediately prior to the shares going ex-rights. In the case of our Rights Issue the depressed level of the share price at this time means that the adjustment factor was low.

The Group has two key banking relationships, with Royal Bank of Scotland (RBS) and GE Real Estate (GE). The RBS relationship is longstanding, dating back to the flotation of the Group in 1993. The relationship with GE arose from the sale by Bradford & Bingley of its commercial and property book which completed in July 2008.

The rapid and accelerating decline in property values during the year required us to make amendments to the valuation related covenants attached to our RBS and GE facilities to avoid potential breach. We also negotiated with GE an extension to their facility from August 2010 to November 2012 (the same term as the RBS facility) to remove any near term refinancing concerns.

Details of our revised facilities and margins are set out below:

	Facility Amount £m	Drawn at March 2009 £m	Term	Margin over LIBOR
RBS				
Term/revolving facilities	**150**	**136**	**November 2012**	**2.75%**
Short-term facility	**20**	**–**	**June 2009**	**2.75%**
Overdraft/(deposit)	**4**	**(1)**	**On demand**	**1.75%**
GE				
Term facility	**220**	**220**	**November 2012**	**2.0%**
Total	**394**	**355**		

The short-term facility of £20m with RBS, which is undrawn, expires on 24 June 2009 at which point the Group's available facilities reduce to £374m.

The extension of the GE facility to November 2012 is at the Group's option and is subject to the payment of extension fees in August 2010 (1.7% of amount extended) and December 2011 (2.25% of amount extended). The margin on the GE facility increases to 3.0% at August 2010 at the first extension and to 4.0% in January 2012.

On a pro-forma basis, excluding other cashflow movements, the drawn debt will reduce from £355m at March 2009 to £330m from the contracted disposals completed or due to complete during the remainder of the year. The majority of the disposal proceeds will be applied to reduce the drawn amount on the RBS revolver facility, increasing the available headroom on our facilities.

The revised covenants on the bank facilities are set out below:

	Interest Cover		Loan to Value
	On secured asset pool	Group Level	On secured asset pool
RBS	**1.25**	**1.50**	**75%**
GE	**1.30**	**1.50**	**75%**

Each of the RBS and GE facilities is secured on a discrete pool of assets. Covenant tests are on both the discrete pools and at a Group level (which includes £54m of uncharged assets). Interest cover is calculated by reference to gross rental income. This excludes a number of items, including service income and service costs and empty rates.

Covenants are tested on a quarterly basis and results of our covenant tests at March 2009 and the indicative headroom based on March exit income run rates is as follows:

	At 31 March 2009	Indicative Headroom to Breach
Interest Cover Covenant		
RBS asset pool	**1.8**	**Income to fall by 32%**
GE asset pool	**1.8**	**Income to fall by 27%**
Group asset pool	**1.9**	**Income to fall by 20%**
Loan to Value		
RBS asset pool	**56%**	**Valuation to fall by 26%**
GE asset pool	**63%**	**Valuation to fall by 16%**

We have good interest cover on our facilities. A 20% fall in the income equates to a drop in the rent roll of some £10m. This headroom could be increased further by unlocking some of our existing fixed rate interest hedges.

The tightest Loan to Value (LTV) covenant is on the GE facility. There are additional uncharged assets of £54m that could be used to increase this headroom. If an additional £40m of assets were charged to GE this would increase the headroom to breach from 16% to 25%.

Dividend

A final dividend of 0.50p per share is proposed. Combined with the interim dividend this takes the total dividend for the year to £7.8m, the same level as last year. Based on the number of shares in issue post-rights this would represent a total dividend for the year of 0.75p per share.

The final dividend will be paid to shareholders in August 2009, of which the full amount will be paid as a Property Income Distribution (PID) (see note 7 to the financial statements for further dividend details).

Key Statistics

Workspace Group directly owned portfolio

Number of estates
Lettable floorspace (million sq ft)†
Number of lettable units
ERV
Reversionary Yield*
Net annual rent roll of occupied units
Average annual rent per sq ft
Overall occupancy
Like-for-like lettable floor space (million sq ft)
Like-for-like net annual rent roll
Like-for-like average annual rent per sq ft
Like-for-like occupancy

Workspace Glebe Joint Venture portfolio

Number of estates
Lettable floorspace (million sq ft)†
Number of lettable units
ERV
Reversionary Yield*
Net annual rent roll of occupied units
Average annual rent per sq ft
Overall occupancy

Financial Performance (£m)

Net rental income
Trading profit
Revaluation (reduction)/surplus
(Loss)/profit before taxation
Property valuation
Net assets
EPRA NAV per share (p)
Net rental income interest cover (cumulative)
Trading interest cover (cumulative)
Gearing (%) on adjusted net assets
Loan to value (%)
Available borrowing facilities (£m)

† Excludes storage space
* Based on ERV divided by valuation

The like-for-like portfolio is defined as properties that have been held throughout a 12 month period and have not been subject to a refurbishment programme in the last 24 months.

Quarter ending 31 March 2009	Quarter ending 31 December 2008	Quarter ending 30 September 2008	Quarter ending 30 June 2008	Quarter ending 31 March 2008
106	107	107	107	106
5.0	5.1	5.1	5.2	5.2
4,546	4,688	4,628	4,642	4,611
£70.5m	£76.6m	£77.5m	£77.3m	£76.1m
10.6%	10.3%	8.9%	8.1%	7.7%
£50.8m	£52.5m	£53.1m	£52.2m	£52.6m
£12.64	£12.58	£12.43	£12.03	£11.88
80.3%	81.3%	84.1%	84.1%	85.8%
4.2	4.2	4.2	4.2	4.3
£45.0m	£46.1m	£46.9m	£46.0m	£46.7m
£12.84	£12.86	£12.79	£12.45	£12.19
83.4%	85.2%	87.6%	87.6%	89.6%
18	18	18	18	18
1.2	1.2	1.2	1.2	1.2
860	869	868	867	866
£11.1m	£11.4m	£11.4m	£11.3m	£11.2m
8.5%	8.0%	7.3%	7.0%	6.6%
£7.0m	£6.9m	£7.1m	£7.4m	£7.2m
£8.61	£8.54	£8.10	£8.03	£7.80
70.7%	69.4%	75.7%	80.0%	79.8%
11.0	12.2	12.1	12.1	12.1
8.7	10.1	10.1	9.5	8.9
(64.4)	(129.7)	(85.1)	(46.1)	(8.9)
(74.0)	(157.9)	(83.5)	(45.0)	(4.0)
662	740	871	954	993
252	245	403	497	537
27	118	174	214	233
1.67x	1.69x	1.70x	1.70x	1.68x
1.35x	1.38x	1.38x	1.34x	1.32x
129%	164%	112%	92%	82%
54%	60%	51%	47%	44%
38	57	54	53	61

THE BOARD

01. Antony Hales CBE, BSc
Non Executive Chairman
Tony Hales (61) was appointed to the Board in November 2002 and was appointed as Chairman in December 2002. He is currently Chairman of British Waterways and a non-executive director of International Personal Finance Plc. He retired as Chairman of NAAFI Ltd in October 2008. He was previously Chief Executive of Allied Domecq plc and a non-executive director of HSBC Bank plc, Hyder PLC, Aston Villa plc and Reliance Security Group PLC. Chairman of the Nominations Committee and a member of the Remuneration Committee.

02. Harry Platt MA MRTPI
Chief Executive
Harry Platt (57) was appointed to the Board as Director and General Manager in April 1991, became Managing Director in April 1992 and Chief Executive in October 1999. He was Chief Executive of Harlow District Council between 1983 and 1989 and before that Assistant Chief Executive at the London Borough of Greenwich. Prior to joining the Group he was Operations Director of Dixons Commercial Properties Limited.

03. John Bywater FRICS
John Bywater (62) was appointed to the Board in June 2004. He is Managing Director of Caddick Developments Ltd, having retired as an executive director of Hammerson plc in March 2007. He is a non-executive director of British Waterways, the West Bromwich Building Society and Realis Estates. Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees.

04. Bernard Cragg BSc ACA,
Senior Independent Non-Executive Director
Bernard Cragg (54) was appointed to the Board in June 2003. He is a non-executive director of Mothercare Plc and Astro All Asia Networks PLC. He retired as Chairman of i-mate PLC in November 2008 and as Chairman of Datamonitor Limited (formerly Datamonitor PLC) and as a non-executive director of Bristol & West plc in July and October 2007 respectively. He was formerly Group Finance Director and Chief Financial Officer of Carlton Communications Plc and a non-executive director of Arcadia plc. Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees.

05. Rupert Dickinson MRIC
Rupert Dickinson (49) was appointed to the Board in August 2006. He is Chief Executive of Grainger plc. Rupert joined Grainger plc in 1992 and he was appointed as a Director of the company in 1994 and as Chief Executive in October 2002. Prior to joining Grainger plc, Rupert was at Richard Ellis (now CBRE) where he worked for five years in commercial development. He is chair of the Residential Committee of the British Property Federation and member of the Policy Committee, as well as a member of the International Property Federation. A member of the Audit, Remuneration and Nominations Committees.

06. Graham Clemett BSc ACA
Finance Director
Graham Clemett (48) joined the Board as Finance Director in July 2007. Previously he was Finance Director, UK Corporate Banking at RBS Group PLC where he worked for a period of five years. Prior to that, Graham spent eight years at Reuters Group PLC, latterly as Group Financial Controller.

THE EXECUTIVE COMMITTEE

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

07. Angus Boag MSc CEng MICE
Development Director
Angus Boag (49) joined the Group in June 2007 as Development Director responsible for identifying and implementing improvement and regeneration opportunities within the Group's property portfolio. 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.

08. Chris Pieroni BA (Hons) MSc (Econ) PhD (Cantab)
Operations Director
Chris Pieroni (51) joined the Group as Operations Director in October 2007. Prior to this date, he worked at KPMG specialising in real estate and infrastructure finance. He began his professional career teaching economics at Cambridge University. He joined Colliers Erdman Lewis in 1993, later becoming Chief Operating Officer. Chris was a non-executive director of the Group from 2000 until his retirement from the Board in August 2006.

The responsibilities of the Executive Committee members now includes:

Harry Platt, Chief Executive
Strategic management; investor relations; health and safety; staff; equal opportunities, remuneration and training and development.

Graham Clemett, Finance Director
Finance; treasury; company secretarial; investor relations and IT.

Chris Pieroni, Operations Director
Portfolio performance: including operations, marketing, lettings, reviews and renewals.

Angus Boag, Development Director
Development; acquisitions; disposals; CSR issues and valuation.

The Directors present their report and the audited financial statements for the year ended 31 March 2009.

Principal activities
The Group is engaged in property investment in the form of letting of business accommodation to small and medium-sized enterprises located in and around London. At 31 March 2009 the Company had seven active subsidiaries, four of which are engaged in the Group's core activities. Details of the Company's subsidiaries are listed on page 80. LI Property Services Limited procures insurance on behalf of the Group. Workspace Management Limited acts as manager for all the Group's property investment companies. Workspace Holdings Limited is an intermediate holding company.

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 corporate responsibility activities can be found on the inside front cover, page 1, pages 16 to 21 and pages 24 to 35, which are incorporated into this report by reference.

Profit and dividends
The Group's loss after tax for the year attributable to shareholders amounted to £360.4m (2008: £34.7m loss after tax). The Directors recommend the payment of a final distribution of 0.50p together with an interim dividend of 1.52p per share paid in February 2009 prior to the Rights Issue (2008: 3.04p, 1.52p interim).

Land and buildings
The Group's fixed assets include investment properties, of £664.1m (2008: £994.3m) and owner occupied property of £2.0m (2008: £2.0m). The Group has written down the value of its interest in the joint venture to nil (2008: £15.7m). This joint venture company holds investment property totalling £129.6m (2008: £169.3m) at the balance sheet date. The Group's investment properties and those of the joint venture have been independently valued by CB Richard Ellis, Chartered Surveyors, at 31 March 2009 at open market value.

Directors
The Directors of the Company, who all held office throughout the year, are shown on pages 36 and 37. Mr Marples resigned as a Director of the Company on 22 May 2009.

Re-election of Directors
Messrs Hales and Bywater are the Directors retiring by rotation at the Annual General Meeting and, being eligible, following the Board evaluation process, the Board is recommending that they offer themselves up for reappointment.

Of the Directors proposed for re-election, Mr Hales' and Mr Bywater's appointment may be terminated by either them or the Company giving twelve or six months' notice in writing respectively.

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

The Group has a Directors' and Officers' liability insurance policy which indemnifies the directors and officers against breach of fiduciary duty.

Directors' conflict of interest
Following approval at the 2008 AGM, the Company's Articles of Association were amended with effect from 1 October 2008, to take account of certain provisions of the Companies Act 2006 relating to directors' conflicts of interest which came into effect on that date. These provisions permit the Board to consider and, if thought fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('Situational Conflicts'). The Board has established a formal system for Directors to declare Situational Conflicts so that they can be considered for authorisation by the remaining members of the Board. In deciding whether to authorise a Situational Conflict, the non-conflicted Directors are required to act in the way they consider would be most likely to promote the success of the Company, and they may impose limits or conditions when giving authorisation or subsequently if they think this is appropriate. The Company Secretary minutes the consideration of any conflict and records the details of any authorisations granted.

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 49 to 51.

Share capital and control
Details of the Company's issued share capital are set out on page 74. All of the Company's issued ordinary shares are fully paid up and rank equally in all respects. As at 31 March 2009, there were 1,046,116,842 ordinary shares in issue.

Substantial shareholdings in the Company
At 8 June 2009 the Directors had been notified of the following substantial shareholdings, amounting to 3% or more of the ordinary share capital of the Company:

Shareholder	% of share capital
S N Roditi*	24.46
Insight Investment Management (Global) Limited	16.23
F&C Asset Management	10.34
Legal & General Assurance (Pensions) Management Limited	5.88
Trefick Limited	3.40
Newton Investment Management Limited	3.17

* Mr Roditi's shareholding is held via a number of separate legal entities and family members.

Donations
The Group has made no political donations (2008: £nil). It has made charitable donations of £113,235 (2008: £120,086) principally through rental concessions.

Health and safety
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. The Group accepts responsibility for the health and safety of other people, who may be affected by its activities.

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

Employment policies
The Group aims to create a working environment in which every current or prospective employee is given equal opportunity in selection, development and promotion. A further explanation of the Group's people policies can be found in the Our People section of this report on page 22.

A Staff Forum has been established to improve communication and consultation with employees.

The Group operates an Employee Share Ownership Trust (ESOT) to purchase shares in the market for distribution at a later date in accordance with the terms of the 1993 and 2000 Executive Share Option Schemes. Dividends are waived on shares held by the ESOT except for shares held in respect of Invested Awards granted under the Company's Co-Investment Plan and the Company's Long-Term Equity Incentive Plan where shares are beneficially owned by the participants. Participants who beneficially own Invested Shares may instruct the Trustee of the ESOT to vote on their shares. The Company may make a voting recommendation to the Trustee regarding the remaining shares held in the ESOT.

Purchasing policies and payments
The Group tries, wherever possible, to procure from within its own tenant base providing tenants 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 2009 the Group's average payment term from the date of invoice was 37 days. The Parent Company has made no trade purchases.

Risk management
The financial risk management objectives and policies of the Company are set out in note 18 to the financial statements and in the Corporate Governance section of this report on page 42.

Audit information
As far as each of the Directors are aware there is no relevant information of which the Group's auditors are unaware. The directors have taken all steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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

Annual General Meeting
The 23rd Annual General Meeting of the Company will be held at Magenta House, 85 Whitechapel Road, London E1 1DU on Tuesday 28 July 2009 at 11am. 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
Amanda Whalley
Company Secretary
8 June 2009

Amanda Whalley

Compliance statement
The Board is committed to maintaining a high standard of corporate governance within the Group. The Board believes that good governance is assisted by transparent detailed reporting and that strong and sustainable long-term economic performance is aided by compliance with best practice in corporate social responsibility. The Group publishes a range of material both on its website and in hard copy, for details see page 87. This information is complementary to this statement of compliance with the Combined Code, which the Group is required to publish.

Throughout the year ended 31 March 2009 the Group has complied with the provisions set out in section 1 of the revised Combined Code on Corporate Governance.

The Board
The Board has ultimate responsibility for the Group's overall management, its business and its financial strategy and there is a schedule of matters reserved for its approval including:

- Strategy
- Business plans and budgets
- Dividend policy
- Treasury
- Disposals and acquisitions of more than £5m
- Significant capital projects
- Risk management
- Corporate governance and Board evaluation
- The appointment and removal of the Company Secretary

During the year, in addition to the matters outlined above the Board considered and reviewed various financing and funding options for the Company which resulted in the Rights Issue supported by shareholders which raised £87.2m (gross proceeds) in March 2009.

The schedule of matters is reviewed on a regular basis. Matters outside the scope of this formal schedule are decided by management in accordance with delegated authorities approved by the Board.

Membership and Directors' independence
The Board currently has six Directors, comprising the non-executive Chairman, the Chief Executive, the Finance Director and three non-executive directors. The Board considers each of the non-executive directors, namely Bernard Cragg, John Bywater and Rupert Dickinson to be independent of management and free from any business or other relationship which could affect the exercise of their independent judgement. Their considerable experience enables them to make a valuable contribution to the Company. The Board nominates one of the non-executive Directors to act as Senior Independent Director and provide an alternative contact at Board level, other than the Chairman, to whom shareholder matters can be addressed. Mr Cragg continues to hold this position. Patrick Marples resigned as Property Director and as a Director of the Company on 22 May 2009. A short biography of the current directors who held office during the year is set out on page 37.

The roles of the Chairman, Tony Hales, and the Chief Executive, Harry Platt, are separate and clearly defined. The Chairman is responsible for leadership of the Board, securing its effectiveness and ensuring that it operates effectively in the interests of shareholders. He is not involved in an executive capacity in any of the Group's activities. The Chief Executive is responsible for the delivery of the strategic and financial objectives of the Group. The Chairman also serves as Chairman of British Waterways Board and as a non-executive director of International Personal Finance Plc. The Board considers that the Chairman is able to and does devote sufficient time to his duties at Workspace.

The Articles of Association of the Company require that Directors should submit themselves for election at the first opportunity after their appointment and thereafter for re-election at least every three years. Messrs Hales and Bywater will be offering themselves for re-election at this year's Annual General Meeting.

The attendance of Directors at Board and principal Committee meetings during the year, together with the maximum number of routine meetings in the year, was as follows:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Chairman				
Tony Hales	8 (8)	n/a	n/a	1 (1)
Executive Directors				
Harry Platt	7 (8)	n/a	n/a	n/a
Graham Clemett	8 (8)	n/a	n/a	n/a
Patrick Marples	8 (8)	n/a	n/a	n/a
Non-Executive Directors				
Bernard Cragg	8 (8)	3 (3)	2 (2)	1 (1)
John Bywater	7 (8)	2 (3)	2 (2)	1 (1)
Rupert Dickinson	6 (8)	2 (3)	1 (2)	1 (1)

The Board also held an annual strategy meeting at which it considered the future strategy. In addition regular meetings were held prior to and during the Company's equity fund raising issue and other ad hoc meetings of the Board were held during the year as required to deal with various issues.

Development and performance evaluation
The Board has a written framework for the induction of new directors. This includes visits to estates, meetings with senior management and advisers and the provision of corporate documentation. Resources are provided for the continued training and development of all Directors.

All Directors have access to the advice and services of the Company Secretary and there is an agreed procedure for Directors to take independent advice at the Company's expense.

The effectiveness of the Board and its Committees is vital to the success of the Company. The Board reviews its performance and that of each of its committees annually. Each committee also reviews itself. These performance reviews are conducted internally by the Chairman of the Board or of the respective committees, using self-assessment questionnaires. The Board and each of the committees review these assessments, taking action where considered necessary. The review includes the assessment of individual Directors' performance, which in the case of the Executive Directors is undertaken as part of the wider performance appraisal process applied to staff across the entire Company.

The evaluation undertaken during the year, although identifying areas for review, concluded that the Board and its committees were operating effectively.

The Chairman meets as necessary, but at least once each year, with the non-executive directors without the Executive Directors being present. The non-executive directors meet annually without the Chairman in order to appraise his performance. This meeting is chaired by the Senior Independent Director.

Board Committees
The principal Committees of the Board are the Audit, Remuneration and Nominations Committees and a City Committee, each of which has written terms of reference which are regularly reviewed and which deal clearly with their authorities and duties. Copies of these terms of reference are available on the Company's website.

Remuneration Committee
During the year the Remuneration Committee comprised the following non-executive directors; John Bywater (Chairman), Bernard Cragg and Rupert Dickinson all of whom served on the Committee throughout the year. Tony Hales was appointed as an additional member of the Remuneration Committee on 29 April 2009.

The Chief Executive is, other than in respect of his own position, invited to attend the meetings.

The Committee is responsible for recommending to the Board the Company's broad policy for executive remuneration, including both short-term and long-term incentive arrangements. The Committee is also responsible for recommending the Chairman's remuneration to the Board in compliance with the Combined Code.

Following the recent Rights Issue and in the light of recent corporate governance guidance and market conditions the Remuneration Committee reviewed the fixed and variable elements of remuneration payable to the Executive Directors and members of the Executive Committee to ensure that it was appropriate. Details of this review, which was undertaken together with its advisers, Kepler Associates are provided in the Directors' Remuneration Report for the year ended 31 March 2009 which is included on pages 44 to 52.

Nominations Committee
The Nominations Committee comprises Tony Hales (Chairman) together with the three other non-executive directors.

The Nominations Committee is responsible for the selection and appointment of all directors and taking an overview of the general staffing and management of the business including succession planning. It is a key objective of the Company that each Director should have one or more members of staff whose skills and abilities could make them suitable for progression over time to the Board.

Whilst the Nominations Committee leads the appointment process of additional directors or members of the Executive Committee the Chairman will consult with all of the Directors on a regular basis throughout the process. All appointments are also subject to the review and approval of the full Board and all of the Directors will be invited to meet with a candidate before their appointment is recommended to the Board.

The Committee has reviewed the proposed reappointment of Messrs Hales and Bywater and has recommended their reappointment to the Board.

In light of the current economic climate, the Nominations Committee has recently reviewed the responsibilities and composition of the Executive Committee. Following this review the membership of the Executive Committee has been reduced to four: namely the Chief Executive, Finance Director, Operations Director and Development Director. The areas of responsibility of the former role of Property Director have been allocated to these roles.

Audit Committee
The Audit Committee currently comprises the following non-executive directors; Bernard Cragg (Chairman), John Bywater and Rupert Dickinson, all of whom served on the Committee throughout the year.

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

The Chairman of the Company, the Chief Executive, the Finance Director, and other senior finance and, when necessary, operational management together with senior representatives of the external auditors may attend meetings by invitation.

Meetings of the Audit Committee coincide with key dates in the financial reporting and audit cycle. The Committee Chairman reports the outcome of meetings to the Board. The Audit Committee meets with the external auditors in the absence of management at least twice each year.

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

- the quarterly, interim and annual financial statements;
- the appropriateness of the Group's accounting policies and practices;
- the valuations of the Group's property portfolio;
- the review of the Company's internal control and risk management systems;
- the external auditor's management letter;
- the Company's compliance with REIT legislation; and
- the need for an internal audit function.

The Audit Committee advises the Board on the appointment of external auditors, their remuneration for audit and non-audit work, and their effectiveness, independence and objectivity; and discusses the nature, scope and results of the audit with the external auditors.

The engagement of the Group's auditors on non-audit activities is not specifically excluded. However, such work is usually only awarded following competitive tender and after careful analysis by the Audit Committee to ensure that any such appointment is not, or is not perceived to be, in conflict with auditor independence. During the year, PricewaterhouseCoopers, the Company's auditors, were appointed as Reporting Accountants in respect of the Company's equity fund raising Rights Issue in accordance with the Company's policy on the supply of non-audit services by the external auditor.

Due to its size and structure, the Group does not have an internal audit function, a matter which is kept under review by the Committee. However, the Company does undertake a programme of financial, operational and health and safety audits at its estates. These are carried out by qualified senior Head Office personnel on a rotational basis. The Company's resource on managing areas of risk is also strengthened through the Committee's appointment of external advisors, PKF, one of the UK's leading business advisers. PKF assist the Group and particularly the Risk Committee in identifying risks and ensuring that appropriate controls are in place to mitigate and manage those risks. PKF attend meetings of the Risk Committee, and they are regularly invited to attend Audit Committee meetings to report to the Committee on specific areas of risk. They also report directly to the Chairman of the Audit Committee.

City Committee
The City Committee, comprises the Chairman, the Chief Executive, the Senior Independent Director and the Finance Director. The City Committee reviews the quarterly, interim and annual reports and associated announcements prior to their review by the Audit Committee and the Board.

During the year, the City Committee was authorised by the Board to review and approve various documents in relation to the Company's Rights Issue.

Executive Committee
In addition to the Committees of the Board described above, the Company has an Executive Committee which supports the Chief Executive in addressing Group-wide issues and initiatives. This Committee is chaired by the Chief Executive and comprises the Finance Director, the Operations Director and the Development Director. The Property Director was a member of the Executive Committee until his resignation as a Director on 22 May 2009. The Executive Committee is responsible for reviewing and approving capital expenditure, disposals and acquisitions at certain levels as determined by the Board.

The Company also operates a Development Board, an Investment Board and an Operations Board which comprise various members of the Executive Committee and the senior management team. These Boards, each of which has written terms of reference, report to the Executive Committee on a regular basis. The terms of reference are available on the Company's website.

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 during the year comprised the Property Director, the Finance Director, the Operations Director, the Development Director and representatives from senior management. The Risk Committee meets on a regular basis and formally reports to the Audit Committee twice a year.

  The Risk Committee reviews and identifies risks facing the Group and ensures that appropriate controls are in place to review each issue raised. Each identified risk is assigned a 'Risk Owner' and 'Risk Controller' who participate in a self-certification exercise by which they certify the effectiveness of the preventative, detective and responsive controls. In order to ensure that the procedure is robust, PKF were appointed to carry out a random sample of checks on the operation of controls that had been certified by the Risk Controller as operating effectively.

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

  PKF are appointed by the Risk Committee to undertake specific projects to review particular areas of the business. During the year they carried out a review of the Group's treasury procedures; and

- a programme of site audit visits, covering a third of the sites each year. Although the Group does not have a dedicated internal audit function, operational, finance and health and safety audits are carried out at the estates by qualified Head Office personnel. The results of the audits are reported to and reviewed by the Risk and Audit Committees and appropriate action taken as required.

The Group has 'whistleblowing procedures' under which staff may report any suspicion of fraud, financial irregularity or other malpractice. There were no incidents reported this year.

The Group continues to strengthen its risk management processes to ensure these are embedded as part of the Group's culture.

Further information on the Group's risks procedure is detailed on pages 26 and 27.

Shareholder contact
The Company maintains good relationships with its shareholders through its interim and annual reports and through information posted on its website. The Executive Directors hold regular meetings throughout the year with major shareholders, analysts and the financial press, in particular following the announcement of its interim and preliminary results. It is also the Company's practice, following the preliminary results, that these meetings are followed up by a telephone conversation between the Chairman and the relevant shareholders. The Company's stockbrokers also discuss the outcome of meetings with shareholders and report their findings to the Board. The Board believes that this provides a better form of governance than attendance at meetings by non-executive directors. Other ad hoc meetings, presentations and site visits are arranged for shareholders throughout the year.

The Company's Annual General Meeting is used as an opportunity to communicate with private investors. Shareholders attending the Annual General Meeting are invited to ask questions and to meet with the Directors informally after the meeting. Notice of the Annual General Meeting is sent to shareholders at least 20 working days prior to the date of the meeting.

Going Concern
After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing accounts.

This report has been prepared in accordance with the Companies Act 1985 (as amended) and the relevant requirements of the UK Listing Authority's Listing Rules. A resolution to approve this report will be proposed at the Annual General Meeting of the Company.

1. The Remuneration Committee
The Remuneration Committee (the 'Committee') currently comprises:

John Bywater (Chairman)
Bernard Cragg
Rupert Dickinson
Tony Hales, appointed to the Committee on 29 April 2009

The Chief Executive attends Committee meetings by invitation when required. The Company Chairman and Chief Executive are excluded from matters regarding their own remuneration.

2. Principles of our Executive remuneration policy
In light of recent corporate governance guidance and the current economic climate, the Committee has reviewed executive remuneration arrangements, seeking advice from its independent adviser, Kepler Associates, to ensure that they continue to:

- align the interests of executives and shareholders;
- reinforce the Company's strategy; and
- motivate and retain critical talent.

Following this review the Committee has concluded that the current remuneration policy remains broadly appropriate.

Our remuneration policy continues to be:

Competitive:	Below-median basic salaries plus above-median incentives provide opportunity for competitive total reward for superior performance. No salary increases for Executive Directors for the 2009/10 financial year.
Performance linked:	A significant part of the Executive Directors' remuneration is variable and is determined by the Group's success.
Shareholder aligned:	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. The Group aims that all Executive Directors build up shareholdings equal to at least one times basic salary.

The main components of remuneration of the Executive Directors are as follows:

	Objective	Performance period	Policy
Basic salary	Set below median.	Reviewed annually, on 1 April	Individual pay levels are determined by reference to performance and rates of salary for similar jobs in companies of similar sector and size. Consideration is given to the salary increases across the Company.
Performance related bonus	To incentivise delivery of performance objectives.	1 year	Maximum annual bonus of 120% of salary. Bonus payments are based on the achievement of challenging financial and corporate targets, as well as the achievement of individual objectives.
Long-Term Equity Incentive Plan	Above-median incentives are available, but are in part subject to executives investing their own funds. Purpose is to drive performance, aid retention and align the interests of Executive Directors with shareholders.	3 years	Annual awards of performance shares of up to 100% of salary (200% in exceptional circumstances) and matching shares of up to 2 for 1 on investments of up to 50% of net salary. Vesting of awards is subject to satisfaction of challenging targets relating to growth in Net Asset Value (⅓ of awards) and Total Shareholder Return (⅔) of awards.
Other benefits	To provide benefits in line with market practice.	Ongoing	Executive Directors receive a car allowance, private health insurance, death in service cover and a pension contribution. They may also join the SAYE share scheme.

3. Remuneration Structure

Fixed elements:

	2007/08		2008/09		2009/10	
		Increase:		Increase:		Increase:
Chief Executive	£315,000	5%	£330,750	5%	£330,750	0%
Finance Director	£205,000	5%	£217,300	6%	£217,300	0%
Property Director*	£205,000	5%	£215,250	5%	£215,250	0%
Pension – employers contribution to a defined contribution (money purchase) scheme.	16.5% of basic salary only. No other payments are pensionable.		16.5% of basic salary only. No other payments are pensionable.		16.5% of basic salary only. No other payments are pensionable.	
Car allowance	£15,000		£15,000		£15,000	
Other	Private medical, personal accident and life assurance.		Private medical, personal accident and life assurance.		Private medical, personal accident and life assurance.	

* Mr Marples resigned as Property Director and as a Director of the Company on 22 May 2009.

The basic annual salaries of the Executive Committee were reviewed on 1 April 2009. Taking into consideration the current economic environment and the fact that the majority of employees received no increase in basic salary during the year, the Committee considered it appropriate that no increases were made to the salaries of the Executive Directors or of any member of the Executive Committee. The next salary review date for Executive Directors will be 1 April 2010.

No other amendments have been made since 1 April 2008 to employer's pension contribution, car allowance or any of the other benefits detailed above.

Variable elements:

i) Annual Bonus for the year ended 31 March 2009
The Group operates an annual bonus scheme which provides for a capped variable (performance related) bonus. During the year the maximum bonus potential for the Executive Directors was set at 120% of basic annual salary. The overall bonus comprised the following four distinct elements:

Target based on:	Maximum % of annual basic salary payable as a bonus	% of bonus earned
1) Trading profit before tax	40%	0%
2) Capital return from the portfolio versus a defined comparator index compiled by IPD	40%	0%
3) Customer satisfaction (based on survey results)	10%	9.75%
4) Personal objectives	Corporate performance bonus (aggregate bonus achieved under 1-3 above) may be adjusted by a factor in the range 0.67 to 1.33.	Actual adjustment factors were in the range of 1-1.25.
Maximum bonus potential	120%	9.75% to 12.19%

The bonus in respect of customer satisfaction was based on the outcome of surveys of Workspace customers in properties excluding the joint venture portfolio, the results of which were analysed independently by Kingston University, and was payable on the following basis:

(i) No bonus was payable if the customer satisfaction score was less than 70%;

(ii) Full bonus was payable if the customer satisfaction score was 80% or more, with a pro rata bonus for a score between 70% and 80%;

(iii) The customer satisfaction score as calculated by Kingston University was 77.94%. A bonus is therefore payable of 9.75% of salary.

The personal performance of the individual Executive Directors has been reviewed by the Remuneration Committee following which the bonus of the Chief Executive, the Finance Director and the Property Director were adjusted in accordance with the bonus scheme rules by a factor of 1.1, 1.25 and 1.0 respectively.

Bonus to be paid in deferred shares: The Committee has decided that the bonus payable in respect of the year ended 31 March 2009 for the Chief Executive and the Finance Director will be paid in the form of deferred ordinary shares rather than in cash and unless there are exceptional circumstances, e.g. ill health or redundancy, will be subject to continuous employment for a further two years.

Annual Bonus for the year ended 31 March 2010
No change has been made to the total bonus opportunity for 2009/10. However, the Committee intends to adjust the weighting on trading profit before tax from 40% to 50% of salary with a commensurate reduction in the weighting on portfolio capital return from 40% to 30% of salary, to align with the re-balancing in the Company's current focus on earnings growth.

The performance targets applicable for the year ended 31 March 2010 are detailed below:

Target based on:	Maximum % of annual basic salary payable as a bonus
1) Trading profit before tax	50%
2) Capital return from the portfolio versus a defined comparator index compiled by IPD	30%
3) Customer satisfaction (based on survey results)	10%
4) Personal objectives	Corporate performance bonus (aggregate bonus achieved under 1-3 above) may be adjusted by a factor in the range of 0.67 to 1.33.
Maximum bonus potential	120%

Notes
1. Awards in excess of 110% of salary will only be awarded for exceptional corporate and individual performance.
2. In the event that the Company does not achieve any of its Corporate objectives, resulting in a 'nil' payment for the Corporate bonus element, the Committee will retain discretion to award a bonus of up to 20% of annual basic salary to an Executive Committee member for exceptional individual performance based on achievement of personal objectives.

ii) Long-Term Equity Incentive Plan (the 'Plan')
The Plan was approved by shareholders at an extraordinary general meeting of the Company held on 23 April 2008.

The Plan provides for the grant of two types of awards: Performance Awards and Matching Awards. Matching Awards are only granted if a participant acquires and retains ordinary shares, known as 'Invested Shares':

Performance Awards	Conditional rights to receive shares at no cost to the participant subject to continued employment during the three year vesting period and the satisfaction of challenging performance conditions over a fixed three year period.
Matching Awards	These are similar to Performance Awards. To align the interests of participants with those of shareholders, the granting and vesting of the matching award is contingent on the participant acquiring and retaining linked 'invested shares'. The vesting of matching awards is also subject to the satisfaction of challenging performance conditions over a fixed three year period.
Invested Shares	Shares that are purchased using funds provided by the participant which are held in Trust during the fixed three year vesting period.

2009 Award
The Committee intends to make the following awards to Executive Directors following the release of the Company's preliminary results announcement on 8 June 2009. The Committee has taken advice from Kepler on these proposals and is currently consulting with the Company's major shareholders on these proposed awards. The Committee and the Board believe these proposals are strongly in shareholders' interests as they will assist the Company in continuing to motivate and retain the talent it needs.

Director	Performance Award	Maximum potential Matching Award*
Chief Executive	100%	100%
Finance Director	125%	100%

*The maximum Matching Award to be made to the Executive Directors will be in respect of 100% of their annual basic salary. However the Director must use his own funds to purchase Invested Shares, up to a maximum of 50% of net annual basic salary. The Company will then award Matching Shares in respect of an amount equivalent to two times the grossed up (for income tax and national insurance) amount invested by the participant in Invested Shares.

The Committee has agreed that any shares subscribed for by the Executive Directors under the Rights Issue, any shares they have purchased since the Rights Issue and any deferred annual bonus shares, will be allowed to count towards the participant's Invested Shares for the performance cycle commencing on 1 April 2009, subject to the normal cap on an individual's participation of 50% of net salary. The reference share price for determining this cap will be the share price at the date of grant of the Matching Shares (anticipated to be in June 2009).

Awards will also be made to the other members of the Executive Committee and also members of the senior management team.

The Committee has reviewed the performance conditions attaching to 2008 Awards and believes that these generally remain appropriate for 2009 Awards.

There are three parts to each Performance and Matching Award, each part being assessed over the same three year period, as detailed in the table below:

	One-third		One-third		One-third	
Performance condition	Growth in Net Asset Value relative to companies in the FTSE350 real estate index		TSR (share price growth plus re-invested dividends) relative to companies in the FTSE350 real estate index		Absolute TSR**	
Level of performance*	Company's rank	% of award vested	Company's performance	% of award vested	Company's total return	% of award vested.
Threshold	51st percentile	20%	Median	20%	8% p.a.	20%
Maximum	75th percentile	100%	Median + 7.5% p.a.	100%	15% p.a.	100%

* There will be a pro-rata vesting of awards between the 'threshold' and 'maximum' performance levels.
** *It is likely that the performance condition relating to Absolute TSR will be strengthened as a result of the ongoing consultation with major shareholders.*

Details of the awards made to the Executive Directors under the Plan during the year are shown on page 49. Full details of awards to be made in 2009 will be included in the 2010 Directors' Remuneration Report.

iii) Co-Investment Plan
This plan, approved in March 2004, was directed at increasing the Directors' direct share ownership in the Company, incentivising them on a medium-term basis in relation to total shareholder return (TSR) and aligning shareholder and directors interests. Under the Plan up to 100% of the net annual bonus awarded to Directors may be invested in the Company's shares. The Company then purchased, in the market, shares equivalent to the value of the pre-tax amount of the invested bonus (the Matching Award). These shares are held over a subsequent three year qualification period, during this time the participant must retain all of the shares in the Invested Award.

In order for the shares in the Matching Award to vest, the Company must satisfy the performance condition. The performance condition is linked to the Company's TSR Performance against the FTSE Real Estate Index, its comparator group, during the three year reference period.

For full vesting of the Matching Award the performance of the Company needs to be above that of the company at the bottom of the top quartile. For partial vesting of the Matching Award the Company's performance needs to be at or above the 40th percentile of the ranking. Awards made in 2005 did not satisfy the performance conditions, in full or in part, and the awards lapsed.

Details of outstanding awards made to the Executive Directors under the Co-Investment Plan are shown on page 51. No awards were made during the year under the Co-Investment Plan and no further awards will be made.

iv) Executive Share Options
Options granted in 2005 to 2007 are subject to performance targets based on the relative assessment of the Group's NAV growth against other companies in the real estate sector (with a market capitalisation greater than £300m).

Full vesting of options will arise for top quartile performance, whilst no options will vest for below median performance. Within the second quartile options will vest on a pro rata basis. Options lapse on termination of employment unless termination arises due to exceptional circumstances, such as redundancy or death.

Details of outstanding grants made to the Executive Directors under the Executive Share Option Scheme are shown on page 50. No grants of options were made during the year under the Executive Share Option Scheme and no further grants will be made.

Composition of remuneration package

The chart below shows the 2009 pay mix for Executive Directors on a fair-value basis. The fair value of performance shares and matching shares incorporates an estimate of the probability that the performance conditions are achieved, takes into account that dividends are accrued and includes a discount for the risk of forfeiture.

4. Directors' emoluments, interests and incentive awards (Audited)

(a) Emoluments during the year

Total emoluments (excluding share awards) of the Directors for the year are shown below:

	Fees £000	Base salary £000	Performance bonus[1] £000	Other benefits £000	**Total emoluments 2009 £000**	**Pension scheme contributions 2009 £000**	Total emoluments 2008 £000	Pension scheme contributions 2008 £000
Executive Directors								
H Platt (Chief Executive)[2]	–	330.8	35.5	23.0	**389.3**	**54.6**	604.1	52.0
G Clemett (Finance Director)[3]	–	217.3	26.5	17.0	**260.8**	**35.9**	446.4[1]	26.0
		548.1	62.0	40.0	**650.1**	**90.5**	1,050.5	78.0
Director who resigned since 31 March 2009:								
J P Marples (Property Director)[4]	–	215.2	21.0	30.0	**266.2**	**35.5**	428.5	33.8
		215.2	21.0	30.0	**266.2**	**35.5**	428.5	33.8
Non-Executive Directors								
A J Hales (Chairman)	100.0	–	–	–	**100.0**	–	100.0	–
B Cragg[5]	45.0	–	–	–	**45.0**	–	38.0	–
J Bywater[5]	45.0	–	–	–	**45.0**	–	38.0	–
R Dickinson	40.0	–	–	–	**40.0**	–	33.0	–
	230.0	–	–	–	**230.0**	–	209.0	–
Directors who resigned during the year ended 31 March 2008:								
M Carragher[6]	–	–	–	–	–	–	74.1	11.3
M Taylor[6]	–	–	–	–	–	–	120.4	18.3
	–	–	–	–	–	–	194.5	29.6
	230.0	763.3	83.0	70.0	**1,146.3**	**126.0**	1,882.5	141.4

Notes:

1. The performance bonus for Messrs Platt and Clemett will be paid in the form of deferred shares and will be transferred to them subject to their continuing employment with the Company for a period of two years from the date of grant.
2. Mr Platt resigned as a non-executive director of Real Hotel Group PLC on 31 March 2009. During the year ended 31 March 2009, Mr Platt retained fees paid to him in performance of his external commitment at Real Hotel Group of £18,750.
3. Mr Clemett commenced employment with the Company on 25 June 2007 and he was appointed as a Director on 31 July 2007.
4. Mr Marples resigned as a Director of the Company on 22 May 2009. Full details of the payment made to Mr Marples under his service contract will be disclosed in the Directors' Remuneration Report for the year ending 31 March 2010.
5. Messrs Cragg and Bywater received a fee of £5,000 for acting as Chairman of the Audit and Remuneration Committee respectively.
6. Mr Taylor and Ms Carragher resigned as Directors of the Company on 31 July 2007 and 12 October 2007 respectively.

(b) Shareholdings

The beneficial interest of the current Directors and their families in the ordinary shares of the Company is as follows:

Ordinary Shareholdings	31 March 2009	1 April 2008
A J Hales	**3,200,000**	100,000
H Platt	**3,098,847**	513,095
G Clemett	**389,706**	27,173
B Cragg	**120,000**	20,000
R Dickinson	**73,200**	12,200
J P Marples	**623,900**	133,728
J Bywater	**25,200**	4,200
Total	**7,530,853**	810,396

None of the Directors has a beneficial interest in the shares of any other Group Company or non-beneficial interest in the Company or any other Group Company and there have been no changes in the interests in the period between 31 March 2009 and 8 June 2009.

(c) Long-Term Equity Incentive Plan 2008

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

	Awarded on 13 June 2008			Adjustment for Rights Issue		As at 31 March 2009		
Director	Performance	Invested	Matching	Performance	Matching	Performance	Invested	Matching
H Platt	402,372	57,502	194,923	133,082	64,469	535,454	57,502	259,392
G Clemett	264,355	37,778	128,063	87,434	42,355	351,789	37,778	170,418
J P Marples	261,861	37,422	126,856	86,609	41,956	348,470	37,422	168,812

Notes:

1. Awards will vest subject to the satisfaction of performance conditions detailed in 3(ii) above over the three year performance period.
2. Performance Awards were made to the Executive Directors in respect of 200% of their annual salary based on a share price at date of grant of £1.644.
3. The Executive Directors invested an amount equal to 50% of their net annual basic salary to purchase Invested Shares.
4. Matching Awards were granted to participants who purchased Invested Shares. The number of shares comprised in a Matching Award was the number of shares purchased in the market on 13 June 2008 using a sum calculated by reference to the amount invested. The sum was calculated by grossing up the amount invested by the participant, to take account of tax and National Insurance borne by the participant and then multiplying this grossed-up sum by two.
5. Participants are entitled to dividends payable on the Invested Shares, which are held in Trust. They may also instruct the Trustee how they wish to vote on their shares. The Invested Shares which are beneficially owned by participants are included in table (b) above detailing ordinary shares held by Directors.

(d) Options

Outstanding Options for the Directors of the Company as at 31 March 2009, granted pursuant to the Company's Share Option Schemes.

Director	At 01/04/08	Granted during the year	Lapsed during the year	Adjustment for Rights Issue on 11/03/09	At 31/03/09	Exercise Price[4]	Normal Exercise Date From	To	Exercise Terms (see table following)
H Platt	175,000[1]	–	–	57,879	232,879	£0.8202	24.07.2004	24.07.2011	B
	410,000[1]	–	–	135,603	545,603	£0.8939	29.07.2005	29.07.2012	C
	273,000[1]	–	–	90,282	363,282	£0.8510	30.06.2006	30.06.2013	D
	138,000[1]	–	–	45,642	183,642	£1.3583	30.06.2007	30.06.2014	D
	109,500[2]	–	(27,375)	27,162	109,287	£1.8373	17.06.2008	17.06.2015	F
	86,900	–	–	28,741	115,641	£2.5925	19.06.2009	19.06.2016	F
	72,100	–	–	23,846	95,946	£3.2824	15.06.2010	15.06.2017	F
	3,400[3]	–	(3,400)	–	–	£2.0665	–	–	E
	–	13,340[3]	–	4,412	17,752	£0.9168	01.09.2011	01.03.2012	E
G Clemett	101,400	–	–	45,513	146,913	£3.0378	25.06.2010	25.06.2017	F
	–	13,340[3]	–	4,412	17,752	£0.9168	01.09.2011	01.03.2012	E
J P Marples	135,000[1]	–	–	44,650	179,650	£0.6932	09.08.2003	09.08.2010	A
	130,000[1]	–	–	42,996	172,996	£0.8202	24.07.2004	24.07.2011	B
	310,000[1]	–	–	102,529	412,529	£0.8939	29.07.2005	29.07.2012	C
	205,000[1]	–	–	67,802	272,802	£0.8510	30.06.2006	30.06.2013	D
	96,500[1]	–	–	31,916	128,416	£1.3583	30.06.2007	30.06.2014	D
	76,500[2]	–	(19,125)	18,977	76,352	£1.8373	17.06.2008	17.06.2015	F
	56,500	–	–	18,687	75,187	£2.5925	19.06.2009	19.06.2016	F
	46,900	–	–	15,512	62,412	£3.2824	15.06.2010	15.06.2017	F
	3,400[3]	–	(3,400)	–	–	£2.0665	–	–	E
Total	**2,429,100**	**26,680**	**(53,300)**	**806,561**	**3,209,041**				

Notes:

1. Options which have fully satisfied their performance criteria and vested.
2. Options granted in 2005 did not satisfy the performance condition in full and 25% of options lapsed. The remainder can now be exercised.
3. Options obtained under the Rules of the Group's SAYE Scheme. All other options have been granted under the Rules of the Company's Executive Share Option Schemes.
4. The exercise price has been adjusted for the effect of the rights issue.
5. The exercise price of all options that are currently exercisable is greater than the mid-market closing share price of Workspace ordinary shares on 31 March 2009 and no profit would therefore arise upon exercise of any of these options as at that date.

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

	Basis of Grant	Terms for Exercise
A.	2 times total earnings	1 times earnings at EPS growth of RPI plus 3% p.a. compound plus 1 times earnings at EPS growth of RPI plus 8% p.a. compound (pro rata)
B.	1 times total earnings	EPS growth of RPI plus 3% p.a. compound
C.	2 times total earnings	1 times earnings at EPS growth of RPI plus 5% p.a. compound plus 1 times earnings at EPS growth of RPI plus 12% p.a. compound (pro rata)
D.	1 times salary	EPS growth of RPI plus 5% p.a. compound
E.	Per Inland Revenue Rules	SAYE options with no terms for exercise
F.	2 times salary for Mr Clemett 1 times salary for Messrs Platt and Marples	NAV growth over 3 years in top quartile of listed real estate companies with market cap exceeding £300m.

Where the performance test is not fulfilled or is only partly achieved, no retesting in future periods is allowed.

There have been no changes in Directors' interests over options in the period between the balance sheet date and 8 June 2009. The middle market price of Workspace Group PLC ordinary shares at 31 March 2009 was £0.1225 and the range during the year, after adjustment for the Rights Issue, was £0.0985 to £2.1548.

(e) Co-Investment Plan

Details of outstanding awards to the current Executive Directors under the Co-Investment Plan are shown below:

	Date Awarded	Interests in Shares as at 1 April 2008		Adjustment for Rights Issue on 11 March 2009	Market value of shares at date of award	Matching Shares lapsed during the year	Interests in Shares as at 31 March 2009		Vesting dates of outstanding Matching Shares
		Invested	Matching	Matching			Invested	Matching	
H Platt[1,2]	11/06/2005	33,013	55,955	-	£2.445	55,955	-	-	
	13/06/2006	32,606	55,265	18,188	£3.450	-	32,606	73,453[4]	13/06/2009
	12/06/2007	11,826	20,044	6,629	£4.013	-	11,826	26,673	12/06/2010
G Clemett[1]	26/06/2007	22,173	37,582	12,430	£4.045	-	22,173	50,012	26/06/2010
J P Marples[1,2]	11/06/2005	23,109	39,168	-	£2.445	39,168	-	-	
	13/06/2006	22,332	37,851	12,519	£3.450	-	22,332	50,370[4]	13/06/2009
	12/06/2007	7,687	13,029	4,309	£4.013	-	7,687	17,338	12/06/2010

Notes
1. Participants are entitled to dividends payable on the Invested Shares, which are held in Trust. They may also instruct the Trustee how they wish to vote on their shares. The Invested Shares which are beneficially owned by participants are included in the table detailing Ordinary Shares held by Directors on page 49 of this Report.
2. The Matching Award made on 11 June 2005 did not meet the performance conditions and therefore lapsed in full. The Invested Shares are beneficially owned by the participants.
3. No Awards were made during the year.
4. Awards made on 13 June 2006 will vest on 13 June 2009 subject to satisfaction of the performance conditions.

5. ESOT (audited)

In implementing its remuneration strategy, the Board established in 1999 an Employee Share Ownership Trust (ESOT). The trust is used to purchase shares in the Company to meet its obligations under share option schemes. Use of the ESOT reduces the dilutive effect of the grant of options over new shares. The ESOT has purchased:

Month of Purchase	Share price Pence	Number of shares purchased
March 1999	50.7 (average)	2,000,000
September 2002	103.0	5,067,700
July 2007	382.0	500,000
		7,567,700

Of these shares 4,669,840 have been transferred on exercise of options and the balance has been allocated to meet future exercises. The market value of the ESOT holding at 31 March 2009 was £0.4m compared with a book cost of £4.5m.

The ESOT also holds 507,950 shares as bare trustee on behalf of participants following purchases by them under the terms of the Group's Co-Investment Plan and Long-Term Equity Incentive Plan, together with a further 1,026,063 shares held to meet Matching Awards under these schemes, of which 697,168 were purchased on 13 June 2008 at a price of £1.68 per share.

6. Performance graph

The following graph compares the total shareholder return performance (TSR) of the Group with benchmark indices. Given the differing benchmarks used for such performance measurement your Board has decided to undertake this comparison against all of the FTSE All Share, FTSE Real Estate and FTSE 250 indices.

7. Directors' appointments
The Group's policy is to engage all Executive Directors on rolling service contracts requiring twelve months' notice of termination on either side. Non-executive directors are ordinarily appointed on three year contracts.

Details of the Executive Directors' contracts are summarised below:

Name	Contract commencement date	Notice period	Date of appointment/ last reappointment at Annual General Meeting
H Platt	1 December 1993	12 months	2008
G Clemett	31 July 2007	12 months	2008
J P Marples	27 September 1996	12 months	2007

Service contracts do not provide for compensation on termination of contract other than in the form of written notice provisions. In the event of termination of Mr Clemett's service contract, the Company reserves the right to make phased payments which are paid in monthly instalments and subject to mitigation.

There are no express mitigation provisions in the service contracts of Messrs Platt and Marples, however ordinary principles of contract law are implicit in these contracts obliging contract parties to mitigate losses.

Mr Marples resigned as a Director on 22 May 2009.

It is the Company's policy that Board approval is required before any external appointment may be accepted by an Executive Director. Any fee earned in relation to outside appointments are retained by the Executive Director.

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 June 2009	Date of appointment/ last reappointment at AGM	Notice Period
A J Hales	December 2008	30 months	2006	12 months
B Cragg	June 2009	36 months	2008	6 months
J Bywater	August 2007	14 months	2007	6 months
R Dickinson	August 2006	2 months	2007	6 months

The Nominations Committee is currently undertaking a succession planning review for the Board, details of which will be reported in the Corporate Governance Report for the year ending 31 March 2010.

8. Non-executive directors' remuneration policy
Fees for non-executive directors are reviewed annually and determined by the Board in the light of market practice and surveys (e.g. by New Bridge Street Consultants and Deloitte), and with reference to the time commitment and responsibilities associated with the roles. Generally, the time commitment of the Chairman is expected to be 50 days a year and for other non-executives approximately 15 to 20 days a year. Non-executive directors do not participate in decisions about their own remuneration.

The current fees were reviewed, but not increased, in April 2009 and are currently an annual base fee of £40,000 with additional annual fees of £5,000 for the role of Chairman of the Audit or Remuneration Committees. Non-executive directors receive no other pay or benefits (other than the reimbursement of expenses incurred in respect of their duties as directors of the Company). The Chairman's annual fee, which has not been subject to any increase since November 2005, is £100,000.

9. Executive Directors' remuneration and wider group remuneration policy
The Group's wider people policies are reported separately on page 22.

Following probationary periods, all staff in the Company are eligible to participate in the Company's bonus scheme, SAYE, pension scheme, life assurance arrangements, and medical insurance benefits; and some senior staff have share option awards. Some senior staff are also eligible to participate in the Company's Long-Term Equity Incentive Plan together with all members of the Executive Committee.

On Behalf of the Board
J Bywater
Chairman of the Remuneration Committee
8 June 2009

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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In preparing the Group financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The Group and Parent Company financial statements are required by law to 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 Company and Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by the IASB, and with regard to the Parent Company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the Group and Parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are responsible for keeping proper accounting records that 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 1985 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 in 'The Board' section on page 37 of the Annual Report confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Business Review and Managing our risk sections on pages 26 to 35 include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

We have audited the Group financial statements of Workspace Group PLC for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of Workspace Group PLC for the year ended 31 March 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors
The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's Corporate Governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises Performance Highlights, Chairman's Statement, Chief Executive's Review, Our Customers, Portfolio Initiatives, Our People, Sustainability in a Workspace Group context, Managing our risks, Business Review, Key Statistics, The Board and Executive Committee, Report of the Directors, Corporate Governance Report, The Directors' Remuneration Report, Directors' Responsibilities, The Parent Company financial statements and related notes, Five year performance summary and the other items including the contents section.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss and cashflows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
8 June 2009

Consolidated Income Statement

For the year ended 31 March

	Notes	2009 £m	2009 Exceptional items* £m	2009 Total £m	2008 Total £m
Revenue	1	**69.8**	-	**69.8**	66.9
Direct costs	1	**(22.4)**	-	**(22.4)**	(19.8)
Net rental income	1	**47.4**	-	**47.4**	47.1
Administrative expenses	3	**(9.0)**	-	**(9.0)**	(10.1)
Trading profit		**38.4**	-	**38.4**	37.0
Change in fair value of investment property	10	**(325.3)**	-	**(325.3)**	(47.5)
Other income	2a	**1.0**	-	**1.0**	2.2
Profit on disposal of investment properties	2b	**9.8**	-	**9.8**	2.2
Operating loss	3	**(276.1)**	-	**(276.1)**	(6.1)
Finance income	4	**0.4**	-	**0.4**	0.1
Finance costs	4	**(28.8)**	**(5.9)**	**(34.7)**	(28.2)
Change in fair value of derivative financial instruments	4	**(26.1)**	-	**(26.1)**	-
Share in joint venture post tax losses	27	**(23.9)**	-	**(23.9)**	(2.8)
Loss before tax		**(354.5)**	**(5.9)**	**(360.4)**	(37.0)
Taxation	6	-	-	-	2.3
Loss for the period after tax and attributable to equity shareholders		**(354.5)**	**(5.9)**	**(360.4)**	(34.7)
Basic earnings per share (pence)†	8	**(132.4)p**	**(2.2)p**	**(134.6)p**	(15.2)p
Diluted earnings per share (pence)†	8	**(132.4)p**	**(2.2)p**	**(134.6)p**	(15.2)p

† Comparative figures have been restated to reflect the bonus element of the Rights Issue as described in notes 8 and 23a.
* Exceptional items relate to the costs associated with amendments to existing borrowing facilities.

Consolidated Statement of Recognised Income and Expense (SORIE)

For the year ended 31 March

	2009 £m	2008 £m
Loss for the financial year	**(360.4)**	(34.7)
Change in fair value of derivative financial instruments (note 24)	**1.1**	(2.9)
Total recognised income and expense for the year	**(359.3)**	(37.6)

The notes on pages 58 to 80 form part of these financial statements.

Consolidated Balance Sheet
As at 31 March

	Notes	2009 £m	2008 £m
Non-current assets			
Investment properties	10	**664.1**	994.3
Intangible assets	11	**0.3**	0.3
Property, plant and equipment	12	**3.1**	3.2
Investment in joint venture	27	**-**	15.7
		667.5	1,013.5
Current assets			
Trade and other receivables	13	**9.1**	12.5
Current tax asset	16	**-**	4.0
Cash and cash equivalents	14	**3.7**	2.5
		12.8	19.0
Current liabilities			
Short-term borrowings and overdraft	17a	**-**	(63.4)
Derivative financial instruments	17d & e	**(26.2)**	(3.1)
Trade and other payables	15	**(32.3)**	(31.5)
Current tax liabilities	16	**(0.9)**	-
		(59.4)	(98.0)
Net current liabilities		**(46.6)**	(79.0)
Non-current liabilities			
Borrowings	17a	**(359.4)**	(378.0)
Deferred tax liabilities	22a	**(0.1)**	(0.2)
Provisions	22b	**(9.5)**	(19.5)
		(369.0)	(397.7)
Net assets		**251.9**	536.8
Shareholders' equity			
Ordinary shares	23	**104.6**	17.4
Share premium	25	**24.6**	30.8
Investment in own shares	26	**(5.7)**	(4.5)
Other reserves	24	**2.6**	(0.9)
Retained earnings	25	**125.8**	494.0
Total shareholders' equity	25	**251.9**	536.8
EPRA net asset value per share†	9	**27p**	233p

†Comparative figure has been restated to reflect the bonus element of the Rights Issue as described in notes 9 and 23a.

The financial statements were approved by the Board of Directors on 8 June 2009 and were signed on its behalf by

H Platt
G Clemett
Directors

G Clemett H. Platt.

The notes on pages 58 to 80 form part of these financial statements.

Consolidated Cash Flow Statement
For the year ended 31 March

	Notes	2009 £m	2008 £m
Cash flows from operating activities			
Cash generated from operations	19	**40.6**	41.6
Interest received		**0.4**	0.1
Interest paid		**(29.4)**	(30.2)
Tax refunded/(paid)	20	**4.9**	(18.9)
Net cash inflow/(outflow) from operating activities		**16.5**	(7.4)
Cash flows from investing activities			
Purchase of investment properties		**(4.2)**	(31.3)
Capital expenditure on investment properties		**(9.2)**	(18.7)
Net proceeds from disposal of investment properties		**11.4**	10.4
Tax paid on disposal of investment properties	20	**-**	(0.4)
Purchase of intangible assets		**(0.1)**	(0.2)
Purchase of property, plant and equipment		**(0.4)**	(0.5)
Investment in and loan to joint venture		**(3.8)**	-
Movement in short-term funding balances with joint venture		**2.4**	(4.0)
Net cash outflow from investing activities		**(3.9)**	(44.7)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital less fees*		**83.6**	0.1
Finance costs to amend existing borrowing facilities		**(3.4)**	-
Net proceeds from issue of bank borrowings		**-**	57.6
Net repayment of bank borrowings		**(78.8)**	-
ESOT shares net purchase		**(1.2)**	(0.8)
Finance lease principal payments		**(0.2)**	(0.1)
Dividends paid to shareholders	7	**(7.8)**	(7.3)
Net cash (outflow)/inflow from financing activities		**(7.8)**	49.5
Net increase/(decrease) in cash and cash equivalents		**4.8**	(2.6)
Cash and cash equivalents at start of year	19	**(1.1)**	1.5
Cash and cash equivalents at end of year	19	**3.7**	(1.1)

* £87.2m gross proceeds less £3.6m cash paid for fees to 31 March 2009.

The notes on pages 58 to 80 form part of these financial statements.

BASIS OF PREPARATION
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 1985/2006 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, derivative financial instruments and share-based payments.

CRITICAL ACCOUNTING POLICIES, SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES
The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Group's significant accounting policies are stated below. Not all of these accounting policies require management to make subjective or complex judgements. The following is intended to provide an understanding of the policies that management consider critical because of the level of judgement or estimation involved in their application and their impact on the consolidated financial statements.

Investment property valuation
The Group uses the valuation performed by its independent valuers as the fair value of its investment properties. The valuation is based upon assumptions including estimated rental values, future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties.

Trade receivables
The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the debtor entity and the status of any disputed amounts.

Compliance with the Real Estate Investment Trust (REIT) regime
On 1 January 2007 the Group converted to a group REIT. In order to achieve and retain group REIT status, several entrance tests had to be met and certain ongoing criteria must be maintained. The main criteria are as follows:

- at the start of each accounting period, the assets of the tax exempt business must be at least 75% of the total value of the Group's assets
- at least 75% of the Group's total profits each year must arise from the tax exempt business
- at least 90% of the taxable profit of the property rental business must be distributed
- the Group must take reasonable steps to avoid payment of dividends to an entity controlling (directly or indirectly) 10% or more of the voting rights of Workspace Group PLC.

The Directors intend that the Group should continue as a group REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business and relevant property rental income is treated as exempt from taxation.

Significant ACCOUNTING POLICIES
The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, as explained below.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings up to 31 March 2009. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date control ceases.

Inter company transactions, balances and unrealised gains from intra group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint ventures are those entities over whose activities the Group has shared control, established by contractual agreement. 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.

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

Land or buildings held under operating leases are classified and accounted for as investment properties where the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs. After initial recognition investment property is held at fair value based on a valuation by a professional external valuer at each reporting date. Changes in fair value of investment property at the reporting date are recorded in the income statement.

Properties are treated as acquired at the point the Group assumes the significant risks and returns of ownership and are treated as disposed when these are transferred outside of the Group's control.

Existing investment property which undergoes redevelopment for continued future use as investment property remains in investment property. Property that is being constructed or developed for future use as investment property, but has not previously been classified as such, is classified as property, plant and equipment and initially recognised at cost until construction or development is complete, at which time it is reclassified as investment property at fair value.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group, and the cost of each item can be reliably measured. All other repairs and maintenance costs are charged to the income statement during the period in which they are incurred.

In the case of existing investment properties undergoing redevelopment, capitalised interest on the redevelopment expenditure is added to the asset's carrying amount. Borrowing costs capitalised are calculated by reference to the actual interest rate payable on borrowings, or if financed out of general borrowings by reference to the average rate payable on funding the assets employed by the Group and applied to the direct expenditure on the property undergoing redevelopment. Interest capitalised is from the date of commencement of the re-development activity until the date when substantially all the activities necessary to prepare the asset for its intended use are complete.

Assets held for sale
Properties and land held for sale are included in the balance sheet at fair value less costs of sale and presented on the balance sheet as investment properties held for sale.

Property, plant and equipment
All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. In the case of properties undergoing construction or development, capitalised interest on the development expenditure is added to the asset's carrying amount.

Depreciation is provided using the straight line method to allocate the cost less estimated residual value over the asset's estimated useful lives as follows:

Land	not depreciated
Buildings	50 years
Motor vehicles	4 years
Equipment and fixtures	4-5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at least at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Intangibles
Acquired computer software licenses and external costs of implementing or developing computer software programmes are capitalised. These costs are amortised over their estimated useful lives of five years on a straight line basis. Intangibles are stated at historical cost.

Costs associated with maintaining computer software programmes are recognised as an expense as they fall due.

Leases
A group company as lessee
i) Operating leases - leases in which substantially all the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases are charged to the income statement on a straight line basis over the period of the lease.
ii) Finance leases - leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the net present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement. The investment properties acquired under finance leases are subsequently carried at fair value.

A group company as lessor
i) Operating leases - properties leased out under operating leases are included in investment property in the balance sheet. Rental income from operating leases is recognised in the income statement on a straight line basis over the lease term. When the Group provides incentives to its customers the incentives are recognised over the lease term on a straight line basis.
ii) Finance leases - when assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable represents unearned finance income. Lease income is recognised over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return. Where the buildings element of a property lease is classified as a finance lease, the land element is treated as an operating lease.

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 cashflows. The provision is recorded in the income statement.

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

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included within cash and cash equivalents for the purpose of the cashflow statement.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the initial amount (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method, except for interest capitalised on redevelopments.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Compound financial instruments
At the date of issue of compound financial instruments, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-compound debt. The difference between the proceeds of issue and the fair value of the liability is included in equity. The interest payable and amortisation of the carrying value of the liability component are recognised as interest expense so as to maintain a constant rate of interest on the carrying value.

Derivative financial instruments and hedge accounting
The Group enters into derivative transactions such as interest rate collars and hedges in order to manage its interest rate risk. Derivatives are recorded at fair value calculated by valuation techniques based on market prices and estimated cashflows.

The Group applies hedge accounting under IAS 39 for transactions which meet the specific criteria for this under the relevant standard. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cashflows (cashflow hedges) are recognised directly in equity. Any ineffective portion is recognised within the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold or no longer qualifies for hedge accounting. At that time, any cumulative gains or losses relating to the cashflow hedges recognised in equity are initially retained in equity and subsequently released into the income statement.

Changes in the fair value of derivatives which do not qualify for hedge accounting are recognised in the income statement as they arise.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Investment in own shares
The Group operates an Employee Share Ownership Trust (ESOT). When the Group purchases Company shares, the consideration paid is deducted from shareholders' equity as investment in own shares until the shares are re-issued, cancelled or disposed of. Where shares are re-issued or disposed of any consideration due is included in shareholders' equity as investment in own shares.

Provisions
Provisions are recognised when the Group has a current obligation arising from a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the present value of the expenditure required to settle that obligation at the balance sheet date.

Revenue recognition
Revenue comprises rental income, service charges and other sums receivable from the Group's investment properties. Other sums comprise insurance charges, supplies of utilities, premia associated with surrender of tenancies, commissions, fees and other sundry income.

Rental income from operating leases is recognised in the income statement on a straight line basis over the lease term. When the Group provides lease incentives to its tenants the incentives are recognised over the lease term, on a straight line basis.

Service charge and other sums receivable from tenants are recognised by reference to the stage of completion of the relevant service or transactions at the reporting date.

Rental income from property let out under a finance lease is accounted for by allocating each lease payment between receivable and finance income so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance income is credited to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the receivable for each period. Contingent rents, being those lease payments that are not fixed at the inception of the lease, for example increases arising on rent reviews, are recorded as income in the periods in which they are earned.

Income for the sale of assets is recognised when the significant risks and returns have been transferred to the buyer. In the case of sales of properties this is generally taken on completion. Where any aspect of consideration is conditional then the revenue associated with that conditional item is deferred.

Exceptional items
Exceptional items are significant items of income or expense which are separately presented on the face of the Group income statement by virtue of their size, incidence or nature to enable a full understanding of the Group's financial performance.

Direct costs
Minimum lease payments payable under head leases categorised as finance leases are allocated between liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement. Contingent rents, being those lease payments that are not fixed at the inception of the lease, for example increases arising on rent reviews, are recorded as an expense in the income statement in the period in which they are incurred.

Share-based payment
Incentives in the form of shares are provided to employees under share option schemes. The fair value of the options granted is recognised over the vesting period.

Fair value is measured by the use of Black-Scholes, Monte-Carlo and Binomial option pricing models. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company has established an ESOT to satisfy part of its obligation to provide shares when employees exercise their options. The Company provides funding to the ESOT to purchase these shares.

Pensions
The Group operates a defined contribution pension scheme. Contributions are charged to the income statement as they fall due.

Income tax
Income tax on the profit for the year comprises current and deferred tax.

Current income tax is tax payable on the taxable income for the year and any prior year adjustment and is calculated using tax rates that have been substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax is realised or the deferred tax liability settled. Deferred tax is provided in full on the difference between the original cost of investment properties and their carrying amounts at the reporting date without taking into account deductions and allowances, which would apply if the assets concerned were disposed of. Since conversion to a REIT deferred tax is not required to be provided on the investment properties held within the REIT.

No provision is made for temporary differences arising on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or relating to investments in subsidiaries where it is probable that the temporary differences will not reverse in the foreseeable future.

Dividend distributions
Final dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved, while interim dividends are recognised when paid.

New Standards
Standards, amendments and interpretations effective 2008/09 but which have no effect on the Group's operations:

- IFRIC 11 Group and treasury share transactions,
- IFRIC 12 Service Concession Arrangements,
- IFRIC 14 IAS 9 The unit on defined benefit,

Published standards and interpretations to existing standards which are not yet effective and have not been adopted early by the Group (it is not expected that they will have any significant future impact on the Group's accounts):

- IAS 23 (Amendment) Borrowing costs,
- IFRS 8 Operating Segments,
- IAS 1 (revised) Presentation of Financial Statements
- IFRS 2 (amendment) Share-based Payment
- IAS 32 (amendment) Financial Instruments Presentation

1. Analysis of net rental income

	2009 Revenue £m	2009 Direct Costs £m	2009 Net rental income £m	2008 Revenue £m	2008 Direct Costs £m	2008 Net rental income £m
Rental income	**54.2**	**(0.2)**	**54.0**	51.4	(0.5)	50.9
Service charges and other recoveries	**13.3**	**(19.1)**	**(5.8)**	13.5	(18.0)	(4.5)
Empty rates	**–**	**(1.8)**	**(1.8)**	–	(0.2)	(0.2)
Services, fees, commissions and sundry income	**2.3**	**(1.3)**	**1.0**	2.0	(1.1)	0.9
	69.8	**(22.4)**	**47.4**	66.9	(19.8)	47.1

The Group operates a single business segment providing business accommodation for rent in London, which is continuing.

2(a). Other income

	2009 £m	2008 £m
Non-refundable option fees and deposits for potential sale of property	**1.0**	2.2

2(b). Profit on disposal of investment properties

	2009 £m	2008 £m
Gross proceeds from sale of investment properties	**13.0**	11.0
Book value at time of sale plus sale costs	**(17.6)**	(10.2)
	(4.6)	0.8
Movement in provision for joint venture tax indemnity (see note 22b)	**14.4**	1.4
Profit on disposal	**9.8**	2.2

3. Operating loss

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

This analysis has been prepared by nature of expense.	2009 £m	2008 £m
Direct costs:		
Depreciation of property, plant and equipment – owned assets[1]	**0.2**	0.3
Depreciation of investment properties – finance leases	**0.2**	–
Staff costs	**3.1**	2.7
Repairs and maintenance expenditure on investment property	**3.2**	3.0
Trade receivables impairment	**0.2**	0.1
Administrative expenses:		
Amortisation of intangibles	**0.1**	0.1
Depreciation of property, plant and equipment – owned assets	**0.3**	0.3
Staff costs	**5.7**	6.1
Other operating lease rentals payable:		
– motor vehicles	**0.1**	0.1
Audit fees payable to the Company's auditors[2]	**0.2**	0.2

1 Depreciation in direct costs relates to that of fixtures and fittings installed within investment properties.
2 Audit fees payable to the Company's auditors include £37,000 (2008: £28,500) of other services supplied pursuant to legislation, in respect of the half year review of the consolidated Group accounts and the statutory audits of the subsidiaries in the Group. Amounts payable to the Company's auditors for other non-audit services totalled £396,000 – mainly in relation to the Rights Issue (2008: £62,000).

Total administrative expenses can be analysed as:

	2009 £m	2008 £m
Staff costs (as above)	**5.7**	6.1
Cash settled share-based costs	**(0.6)**	(0.8)
Equity settled share-based costs	**0.6**	0.7
Other	**3.3**	4.1
	9.0	10.1

4. Finance income and costs

	2009 £m	2008 £m
Interest income on bank deposits	-	0.1
Interest income on corporation tax refunds	0.4	-
Finance income	**0.4**	**0.1**
Interest payable on bank loans and overdrafts	(28.0)	(27.9)
Amortisation of issue costs of bank loans	(0.7)	(0.5)
Interest payable on finance leases	(0.2)	(0.1)
Interest payable on 11.125% First Mortgage Debenture Stock 2007	-	(0.3)
Interest payable on 11.625% First Mortgage Debenture Stock 2007	-	(0.2)
Interest capitalised on property refurbishments	0.1	0.8
	(28.8)	(28.2)
Exceptional finance costs*	(5.9)	-
Finance costs	**(34.7)**	**(28.2)**
Change in fair value of financial instruments through the income statement	(26.1)	-
Net finance costs	**(60.4)**	**(28.1)**

* The exceptional finance costs incurred in 2009 relate to the costs associated with amendments to existing borrowing facilities.

5. Employees and directors

Staff costs for the Group during the year were:

	2009 £m	2008 £m
Wages and salaries	7.6	7.5
Social security costs	0.7	0.8
Defined contribution pension plan costs	0.4	0.5
Cash settled share-based costs	(0.6)	(0.8)
Equity settled share-based costs	0.6	0.7
	8.7	8.7

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

Number of people (including Executive Directors) employed at the year end:

	2009 Number	2008 Number
Executive Directors	3	3
Head office staff	69	78
Estates staff – directly owned properties	99	102
– joint venture properties	12	11
	183	194

The average number of persons employed during the year was 187 (2008: 185). Excluding joint venture staff, the average number of persons employed during the year was 175 (2008: 177).

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. Included within staff costs above is remuneration payable to key management personnel as follows:

Key management compensation:

	2009 £m	2008 £m
Salaries and short-term employee benefits	1.8	2.4
Pensions and other post-employment benefits	0.2	0.2
Share-based payments	0.4	0.3
	2.4	2.9

The remuneration of the Executive Directors is determined by the Remuneration Committee of the Board. A table of the Directors' emoluments and details of Directors' beneficial interests in the shares of the Company and in options to acquire shares in the Company are given in the Directors' Remuneration Report on pages 48, 49 and 50. These form part of the financial statements.

6. Taxation
Analysis of charge in period:

	2009 £m	2008 £m
Current tax	**0.1**	(2.3)
Deferred tax	**(0.1)**	-
Total taxation charge/(credit)	**-**	(2.3)

The charge/(credit) in the period is analysed as follows:

	2009 £m	2008 £m
Current tax:		
UK corporation tax	**(0.1)**	-
REIT penalty tax charge*	**1.2**	-
Adjustments to tax in respect of previous periods	**(1.1)**	(2.3)
Total taxation charge/(credit)	**-**	(2.3)

*The REIT penalty tax charge arises from potential non compliance with the REIT requirement for the profit:financing cost ratio as set out in the legislation to be greater or equal to 1.25.

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

	2009 £m	2008 £m
Loss on ordinary activities before taxation	**(360.4)**	(37.0)
Add share of post tax losses in joint venture	**23.9**	2.8
	(336.5)	(34.2)
Tax at standard rate of corporation tax in the UK of 28% (2008: 30%)	**(94.2)**	(10.3)
Effects of:		
REIT exempt income	**(1.6)**	(4.5)
REIT penalty tax charge	**1.2**	-
Changes in fair value not subject to tax as a REIT	**98.4**	14.3
Share scheme adjustments	**0.1**	(0.3)
Provision for tax indemnity	**(4.0)**	(0.3)
Adjustments to tax in respect of previous periods	**(1.1)**	(2.3)
Losses carried forward	**1.2**	1.1
Total taxation per income statement	**-**	(2.3)

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 Glebe joint venture does not form part of the REIT. The Group's 'residual' business (subject to tax) is small and consists mainly of ancillary services and commissions.

The Group currently has £3.5m (2008: £2.4m) of tax losses carried forward which have not been recognised as an asset as they are unlikely to be utilised in the foreseeable future.

7. Dividends
Ordinary dividends paid

	Payment Date	Per share	**2009 £m**	2008 £m
For the year ended 31 March 2007				
Final dividend	August 2007	2.76p	**-**	4.7
For the year ended 31 March 2008				
Interim dividend	February 2008	1.52p	**-**	2.6
Final dividend	August 2008	3.04p	**5.2**	-
For the year ended 31 March 2009				
Interim dividend	February 2009	1.52p	**2.6**	-
Dividends paid			**7.8**	7.3

Dividends per share have not been adjusted to reflect the bonus factor inherent in the Rights Issue.

In addition the Directors are proposing a final dividend in respect of the financial year ended 31 March 2009 of 0.5p per ordinary share which will absorb an estimated £5.2m of shareholders' funds. If approved by the shareholders at the AGM, it will be paid on 6 August 2009 to shareholders who are on the register of members on 3 July 2009. It is intended that the full amount of this dividend will be paid as a PID, net of withholding tax where appropriate.

8. Earnings per share
Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

(Loss)/earnings used for calculation of earnings per share:	**2009 £m**	2008 £m
Loss used for basic and diluted earnings	**(360.4)**	(34.7)
Change in fair value of investment property	**325.3**	47.5
Profit on disposal of investment properties	**(9.8)**	(2.2)
Movement in fair value of derivative financial instruments	**26.1**	-
Group's share of EPRA adjustments of joint venture	**22.7**	2.5
EPRA adjusted earnings	**3.9**	13.1
Add back exceptional items	**5.9**	-
Adjusted underlying earnings	**9.8**	13.1

Weighted average number of shares used for calculation of earnings per share:	**2009 Number**	2008 Number restated
Weighted average number of shares (excluding shares held in the ESOT)	**267,733,813**	228,085,976
Dilution due to Share Option Schemes	**2,173,993**	3,084,712
Shares for diluted earnings per share	**269,907,806**	231,170,688

The number of shares have been adjusted for both years in accordance with IAS 33 'Earnings Per Share' to reflect the Rights Issue which the Group undertook on 11 March 2009.

The weighted average number of shares has been calculated to increase the number of shares in issue after the Rights Issue and the bonus element for periods prior to the Rights Issue closing date. The factor used was 1.3308.

In accordance with IAS 33 'Earnings Per Share' no calculation of dilution is made where it would have an anti-dilutive effect of increasing the loss per share.

In pence:	2009	2008 restated
Basic earnings per share	**(134.6)p**	(15.2)p
Diluted earnings per share	**(134.6)p**	(15.2)p
EPRA earnings per share	**1.4p**	5.7p
Underlying earnings per share	**3.6p**	5.7p

The European Public Real Estate Association (EPRA) issued Best Practices Policy Recommendations in November 2006, which gives guidelines for performance measures. The adjustments to earnings made above are in accordance with this guidance.

Underlying earnings consists of the EPRA earnings measure, with additional company adjustments for exceptional items.

9. Net assets per share

Net assets used for calculation of net assets per share:	2009 £m	2008 £m
Net assets at end of year (basic)	**251.9**	536.8
Derivative financial instruments at fair value	**26.2**	3.3
Deferred tax on fair value change of investment properties	**-**	(0.2)
Deferred tax on derivative financial instruments	**-**	(0.1)
EPRA net assets	**278.1**	539.8

Number of shares used for calculating net assets per share:	2009 Number	2008 Number restated
Shares in issue at year end	**1,046,116,842**	174,313,887
Bonus share element of Rights Issue	**-**	57,652,453
Less ESOT shares	**(3,635,119)**	(2,941,069)
Number of shares for calculating basic net assets per share	**1,042,481,723**	229,025,271
Dilution due to Share Option Schemes	**1,618,267**	2,875,879
Number of shares for calculating diluted adjusted net assets per share	**1,044,099,990**	231,901,150

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

10. Investment properties

	2009 £m	2008 £m
Balance at 1 April	**994.3**	1,001.6
Property acquisitions	**4.6**	31.5
Capital expenditure	**8.0**	18.1
Capitalised interest on refurbishments	**0.1**	0.8
Disposals during the year	**(17.4)**	(10.2)
Depreciation on finance leases	**(0.2)**	-
Net loss from change in fair value of investment property	**(325.3)**	(47.5)
Balance at 31 March	**664.1**	994.3

Capitalised interest is included at a rate of capitalisation of 6.5% (2008: 6.7%). The total amount of capitalised interest included in investment properties is £2.9m (2008: £2.8m).

Investment property includes buildings under finance leases of which the carrying amount is £3.9m (2008: £4.1m). Investment property finance lease commitment details are shown in note 17(f).

The Group has determined that all tenant leases are operating leases within the meaning of IAS17. The majority of the Group's tenant leases are granted with a rolling three month tenant break clause. The future minimum rental receipts under non-cancellable operating leases granted to tenants are as follows:

	2009 £m	2008 £m
Within one year	**11.9**	12.4
Between two and five years	**7.3**	4.3
Beyond five years	**3.9**	1.8
	23.1	18.5

Valuation
The Group's investment properties were revalued at 31 March 2009 by CB Richard Ellis, Chartered Surveyors, a firm of independent qualified valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards on the basis of market value. Market value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had both acted knowledgeably, prudently and without compulsion.

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

	2009 £m	2008 £m
Total per CB Richard Ellis valuation report	**662.2**	993.2
Owner occupied property	**(1.8)**	(2.7)
Head leases treated as finance leases under IAS 17	**3.9**	4.1
Short leases valued as head leases	**(0.2)**	(0.3)
Total investment properties per balance sheet	**664.1**	994.3

11. Intangible assets

	2009 £m	2008 £m
Computer software		
Cost		
Balance at 1 April	**0.7**	0.6
Additions during the year	**0.1**	0.1
Balance at 31 March	**0.8**	0.7
Accumulated amortisation and impairment		
Balance at 1 April	**0.4**	0.3
Charge for the year	**0.1**	0.1
Balance at 31 March	**0.5**	0.4
Net book value at end of year	**0.3**	0.3

None of the Group's intangible assets have been internally generated. All are regarded as having a finite life and are amortised accordingly.

12. Property, plant and equipment

	Owner occupied land £m	Owner occupied buildings £m	Equipment and fixtures £m	Total £m
Cost				
Balance at 1 April 2007	0.5	1.6	3.4	5.5
Additions during the year	–	–	0.5	0.5
Balance at 31 March 2008	0.5	1.6	3.9	6.0
Additions during the year	–	–	0.4	0.4
Balance at 31 March 2009	**0.5**	**1.6**	**4.3**	**6.4**
Accumulated depreciation				
Balance at 1 April 2007	–	0.1	2.1	2.2
Charge for the year	–	–	0.6	0.6
Balance at 31 March 2008	–	0.1	2.7	2.8
Charge for the year	–	–	0.5	0.5
Balance at 31 March 2009	**–**	**0.1**	**3.2**	**3.3**
Net book amount at 31 March 2008	0.5	1.5	1.2	3.2
Net book amount at 31 March 2009	**0.5**	**1.5**	**1.1**	**3.1**

13. Trade and other receivables

	2009 £m	2008 £m
Trade receivables	**5.2**	5.4
Less provision for impairment of receivables	**(0.3)**	(0.3)
Trade receivables – net (see note 18b)	**4.9**	5.1
Prepayments and accrued income	**3.3**	4.1
Amounts due from related parties (see note 27)	**0.9**	3.3
	9.1	12.5

A debtor balance of £1.5m included within trade debtors relates to deferred consideration for the sale of N17 Studios in January 2009. This balance is receivable in August 2009 and is deemed to be fully recoverable.

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:

	2009 £m	2008 £m
Balance at 1 April	**0.3**	0.3
Provision for receivables impairment	**0.2**	0.1
Receivables written off during the year	**(0.2)**	(0.1)
Balance at 31 March	**0.3**	0.3

14. Cash and cash equivalents

	2009 £m	2008 £m
Cash at bank and in hand	**1.3**	–
Restricted cash – tenants' deposit deeds	**2.4**	2.5
	3.7	2.5

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 cashflow statement (see note 19).

15. Trade and other payables

	2009 £m	2008 £m
Trade payables	**2.1**	2.0
Taxation and social security payable	**1.5**	1.9
Tenants' deposit deeds (see note 14)	**2.4**	2.5
Tenants' deposits	**6.2**	6.4
Accrued expenses and deferred income	**15.8**	13.9
Deferred income-rent and service charges	**4.3**	4.8
	32.3	31.5

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

16. Current taxes

	2009 £m	2008 £m
Current tax asset	–	4.0
Current tax liabilities	**0.9**	–

17. Borrowings
a) Balances

	2009 £m	2008 £m
Current		
Bank loans and overdrafts due within one year or on demand (secured)	–	63.4
	–	63.4
Non-current		
Bank loans (secured)	**355.5**	373.9
Finance lease obligations (part secured)	**3.9**	4.1
	359.4	378.0
	359.4	441.4

The secured loans and overdraft facility are secured on properties with balance sheet values totalling £608.4m (2008: £841.3m).

b) Maturity

	2009 £m	2008 £m
Secured (excluding finance leases)		
Repayable in less than one year	–	63.4
Repayable between one year and two years	–	–
Repayable between two years and three years	–	225.0
Repayable between three years and four years	**356.0**	–
Repayable between four years and five years	–	150.0
	356.0	438.4
Less cost of raising finance	**(0.5)**	(1.1)
	355.5	437.3
Finance leases (part secured)		
Repayable in five years or more	**3.9**	4.1
	359.4	441.4

c) Interest rate and repayment profile

	Principal £m	Interest rate	Interest payable	Repayable
Current				
Bank loan and overdrafts due within one year or on demand	nil	Variable	Variable	On demand
Non-current				
Loan – GE Real Estate Finance	220.0	LIBOR +2.0%	Quarterly	November 2012*
Loan – RBS	136.0	LIBOR + 2.75%	Variable	November 2012

*The GE Real Estate Finance facility is extendable to November 2012 at the Group's option upon payment of an extension fee in August 2010 and December 2011.

d) Derivative financial instruments
The following interest rate derivatives are held:

	Amount hedged £m	Rate payable (or range for caps and collars) %	Rate Receivable %	Expiry
Interest rate collar	75.0	4.05-6.95%	–	July 2009
Interest rate collar (increasing amount)	50.4	2.99-7.00%	–	October 2010
Interest rate cap	90.0	8.00%	–	July 2010
Interest rate swap	100.0	5.43%	3 month LIBOR	October 2012
Interest rate swap	100.0	5.12%	1 month LIBOR	October 2012
Interest rate swap	50.0	5.40%	3 month LIBOR	November 2012

The above instruments are treated as financial instruments at fair value with changes in value dealt with in the income statement.

e) Fair values of financial instruments

	2009 Book Value £m	2009 Fair Value £m	2008 Book Value £m	2008 Fair Value £m
Financial liabilities not at fair value through profit or loss				
Bank overdraft	–	–	3.6	3.6
Bank loans	**355.5**	**355.5**	433.7	433.7
Finance lease obligations	**3.9**	**3.9**	4.1	4.1
	359.4	**359.4**	441.4	441.4
Financial liabilities at fair value through profit or loss				
Derivative financial instruments:				
Liabilities	**26.2**	**26.2**	0.2	0.2
Assets	–	–	–	–
	26.2	**26.2**	0.2	0.2
Financial liabilities at fair value through equity				
Cashflow hedge*	–	–	2.9	2.9

* A cashflow hedge was entered into on 19 November 2007 and deemed to meet all relevant criteria for hedge accounting under IAS 39. On 1 October 2008 it was restructured and ceased to meet the criteria, the cumulative change in fair value previously recognised directly in equity to that date of £1.8m has been recycled to the Income Statement.

The total change in fair value of derivative financial instruments recorded in the income statement was £26.1m (2008: £nil).

The fair value of the interest rate collars and hedges has been determined by reference to market prices and discounted expected cashflows at prevailing interest rates. The total fair value calculated equates to 2.5p per share (31 March 2008: 0.1p as adjusted for effects of Rights Issue).

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

Minimum lease payments under finance leases fall due as follows:

	2009 £m	2008 £m
Within one year	**0.4**	0.4
Between two and five years	**1.0**	1.3
Beyond five years	**23.2**	23.4
	24.6	25.1
Future finance charges on finance leases	**(20.7)**	(21.0)
Present value of finance lease liabilities	**3.9**	4.1

18. Financial instrument risk management objectives and policy
The Group has identified exposure to the following risks from its use of financial instruments:

Market risk
Credit risk
Liquidity risk
Capital risk

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

a) Market risk
Market risk is the risk that changes in market conditions such as interest rates, foreign exchange rates and equity prices will affect the Group's income or valuations.

The Group's exposure to market risk is restricted to that of interest rate changes on its borrowings. Borrowings at variable rates expose the Group to cashflow 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 collars and hedges to generate the desired interest and risk profile.

The Group's policy is to fix at least 50% of its borrowings. At 31 March 2009 70% (2008: 34%) 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 +/-1% would increase or decrease net interest payable by £1.3m (2008: £3m).

b) Credit risk
The Group's main financial assets are cash and cash equivalents and trade and other receivables.

Credit risk is the risk of financial loss if a tenant or a counter party to a financial instrument fails to meet its contractual obligations. The Group's exposure to this risk principally relates to the receivables from tenants, however it has no significant concentration of credit risk.

The Group's exposure to credit risk is influenced mainly by the characteristics of individual tenants occupying its rental properties. The Group has nearly 4,000 tenants in 106 properties generating net rental income. The largest 10 single tenants generate less than 5% of net rental income. As such, the credit risk attributable to individual tenants is low. In general, tenants provide a deposit equivalent to three months rent on inception of lease as security against default.

Monitoring of bad debts and any potential bad debts occurs every month with information being reported to Board level for monitoring as part of the performance monitoring process.

Cash and cash equivalents and financial derivatives are held with major UK clearing banks.

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

	2009 £m	2008 £m
Cash and cash equivalents (note 14)	**3.7**	2.5
Trade receivables (note 13)	**5.2**	5.4
	8.9	7.9

As at 31 March 2009, the ageing of trade receivables past due but not impaired was as follows:

	Total 2009 £m	**Impairment 2009 £m**	**Unimpaired 2009 £m**	Total 2008 £m	Impairment 2008 £m	Unimpaired 2008 £m
Up to three months past due	**4.2**	**-**	**4.2**	4.3	-	4.3
Three to six months past due	**0.5**	**(0.1)**	**0.4**	0.6	(0.1)	0.5
Over six months past due	**0.5**	**(0.2)**	**0.3**	0.5	(0.2)	0.3
	5.2	**(0.3)**	**4.9**	5.4	(0.3)	5.1

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 have been fully provided against (see note 13).

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 regular cashflow review and forecasting, monitoring the maturity profile of debt and the regular revision of borrowing facilities.

The Group maintains the following lines of credit to ensure it can effectively manage its liquidity risk; an overdraft facility of £4m available on demand and headroom on loan balances at 31 March 2009 of £38m (31 March 2008: £60.6m).

Cashflow 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 cashflow. The Board reviews compliance with loan covenants which include agreed interest cover ratios and loan to value, alongside review of available headroom on loan facilities. Details of the Group's covenants can be found in the Business Review section of this report.

The following is an analysis of the contractual undiscounted cashflows payable under financial liabilities and derivative assets and liabilities existing as at the balance sheet date. Interest payments are based upon the loan balances and applicable interest rates payable on these at each year end.

31 March 2009

	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 cashflows £m
Financial Liabilities						
Secured bank loans (note 17b)	356.0	–	–	–	356.0	356.0
Interest payable on secured bank loans	–	14.6	14.6	14.6	9.6	53.4
Derivative financial liabilities at fair value through profit and loss	26.2	9.6	9.0	8.8	4.7	32.1
Finance lease liabilities	3.9	0.4	0.3	0.3	23.6	24.6
Trade and other payables	32.3	32.3	–	–	–	32.3
	418.4	56.9	23.9	23.7	393.9	498.4

31 March 2008

	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 cashflows £m
Financial Liabilities						
Secured bank loans (note 17b)	434.8	59.8	–	225.0	150.0	434.8
Interest payable on secured bank loans	–	15.5	14.6	5.5	–	35.6
Finance lease liabilities	4.1	0.4	0.4	0.3	23.9	25.0
Derivative financial liabilities at fair value through profit and loss	–	–	–	–	–	–
Trade and other payables	31.5	31.5	–	–	–	31.5
Bank overdraft	3.6	3.6	–	–	–	3.6
Derivative Financial Liabilities at fair value through equity						
Cashflow hedge						
inflow	–	(1.8)	(1.8)	(1.8)	(2.8)	(8.2)
outflow	–	9.9	9.9	9.9	15.7	45.4
	474.0	118.9	23.1	238.9	186.8	567.7

d) Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns to shareholders, maintain a good capital structure and reduce the cost of capital.

Capital risk management is a key area for the Group and has become even more important in the past financial year. In order to adjust the capital structure, the Group issued new shares via a Rights Issue in March 2009. The net funds were used to repay some debt and reduce gearing. This has now enabled the Group to have sufficient headroom on financing and to ensure it is comfortably within loan covenants applied on borrowing.

19. Notes to cashflow statement
Reconciliation of loss for the period to cash generated from operations:

	2009 £m	2008 £m
Loss for the period	**(360.4)**	(34.7)
Tax	**-**	(2.3)
Depreciation	**0.7**	0.6
Amortisation of intangibles	**0.1**	0.1
Profit on disposal of investment properties	**(9.8)**	(2.2)
Net loss from change in fair value of investment property	**325.3**	47.5
Equity settled share-based payments	**0.6**	0.4
Change in fair value of financial instruments	**26.1**	-
Interest income	**(0.4)**	(0.1)
Interest expense	**34.7**	28.2
Share in joint venture post tax loss	**23.9**	2.8
Changes in working capital:		
Decrease/(increase) in trade and other receivables	**2.4**	(0.5)
(Decrease)/increase in trade and other payables	**(2.6)**	1.8
Cash generated from operations	**40.6**	41.6

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

	2009 £m	2008 £m
Cash at bank and in hand	**1.3**	-
Restricted cash - tenants' deposit deeds	**2.4**	2.5
Bank overdrafts	**-**	(3.6)
	3.7	(1.1)

20. Tax paid

	2009 £m	2008 £m
Tax refunded/(paid) on operating activities*	**4.9**	(18.9)
Tax paid on investing activities	**-**	(0.4)
Total tax refunded/(paid)	**4.9**	(19.3)

* 2008 included the REIT conversion charge of £18.8m

21. Analysis of net debt

	At 1 April 2008 £m	Cashflow £m	Non-cash Items £m	At 31 March 2009 £m
Cash at bank and in hand	-	1.3	-	**1.3**
Restricted cash - tenants' deposit deeds	2.5	(0.1)	-	**2.4**
Bank overdrafts	(3.6)	3.6	-	**-**
	(1.1)	4.8	-	**3.7**
Bank loans	(434.8)	78.8	-	**(356.0)**
Less cost of raising finance	1.1	0.3	(0.9)	**0.5**
Finance lease obligations	(4.1)	0.2	-	**(3.9)**
	(437.8)	79.3	(0.9)	**(359.4)**
Total	(438.9)	84.1	(0.9)	**(355.7)**

22(a). Deferred tax liabilities

	2009 £m	2008 £m
Balance at 1 April	**0.2**	0.2
Deferred tax credit	**(0.1)**	–
Balance at 31 March	**0.1**	0.2

If the Group's directly owned investment properties were sold for their revalued amount there would be no potential liability to corporation tax following the Group's conversion to a REIT.

22(b). Provisions

	At 1 April 2008 £m	Charge/(credit) to income statement £m	**At 31 March 2009 £m**
Provision for tax indemnity[1]	19.5	(14.4)	**5.1**
Provision for interest shortfall in joint venture[2]	–	4.4	**4.4**
	19.5	(10.0)	**9.5**

1 Provision for tax indemnity
On the formation of the joint venture with Glebe (which was created by a merger and so triggered no tax liabilities) the Group gave an indemnity that should a tax liability arise in the future on the disposal of any of the properties that have been transferred, then the Group would pay to the joint venture a proportion of the liability based on the pre-merger gain. An appropriate provision under current tax law has been made for this liability. The reduction in the year reflects a recalculation based on lower property values at 31 March 2009. The maximum liability should property values increase is currently estimated to be £20.7m.

2 Provision for interest shortfall in joint venture
The Group and its joint venture partner have guaranteed (jointly and severally) interest shortfalls on the joint venture bank loan, up to a maximum amount. At the balance sheet date the maximum liability under the guarantee was £4.4m.

23(a). Share capital

	2009 Number	2008 Number
Authorised: Ordinary shares of 10p each	**2,000,000,000**	240,000,000
Issued: Fully paid ordinary shares of 10p each	**1,046,116,842**	174,313,887

	2009 £	2008 £
Issued: Fully paid ordinary shares of 10p each	**104,611,684**	17,431,389

	2009 Number	2008 Number
Movements in share capital were as follows:		
Number of shares at 1 April	**174,313,887**	174,221,087
Rights Issue shares	**871,764,035**	–
Save as You Earn share options exercised	**38,920**	92,800
Number of shares at 31 March	**1,046,116,842**	174,313,887

On 27 January 2009 the Group announced a fully underwritten 5 for 1 Rights Issue at a subscription price of 10p per share. The Rights Issue closed on 10 March 2009 by which time acceptances were received in respect of 49% of the shares. The remaining shares were taken by underwriters and sub-underwriters who were principally shareholders of the Company. A total of 871,764,035 shares were issued. Consideration net of expenses was £81m.

23(b). Share-based payments

i) Employee share schemes

The Group operates an Executive Share Option Scheme (ESOS) and a Save as You Earn (SAYE) share option scheme. Grants under ESOS are normally exercisable between three and ten years from the date of grant and normally granted at the market price ruling at the date of grant. Grants under the SAYE scheme are normally exercisable after three or five years. 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 equity-settled ESOS and SAYE schemes during the year were as follows:

Options outstanding	ESOS Number (adjusted)*	ESOS Weighted exercise price (adjusted)*	SAYE Number (adjusted)*	SAYE Weighted exercise price (adjusted)*
At 1 April 2007	6,141,021	126p	414,476	132p
Options granted	835,145	309p	88,365	238p
Options exercised	(493,054)	91p	(123,496)	98p
Options lapsed	(425,030)	235p	(52,533)	209p
At 31 March 2008	6,058,082	147p	326,812	161p
Options granted	–	–	489,085	92p
Options exercised	–	–	(51,794)	69p
Options lapsed	(399,093)	167p	(480,498)	138p
At 31 March 2009	**5,658,989**	**145p**	**283,605**	**97p**

*Following the Rights Issue the number of shares and exercise prices were adjusted by the relevant bonus factor.

Of the 5,658,989 outstanding ESOS options at 31 March 2009 (2008: 6,058,082) 4,434,613 were exercisable immediately (2008: 4,081,504).

A total of 2,773,726 shares in relation to the new Long-Term Equity Incentive Plan (LTEIP) were granted in the year at nil exercise price.

At 31 March 2009 in total there were 8,716,320 (2008: 6,384,893) share options exercisable on the Company's ordinary share capital. Of these, 4,444,754 were directors' share options and are disclosed in the Directors' Remuneration Report. 4,271,566 options are held by employees who are not directors and these are analysed below:

Non-Director options Date of grant	Scheme	Exercise price £ (adjusted)*	Ordinary Shares Number (adjusted)*	Exercisable between	
9 August 2000	ESOS	0.6932	33,269	09.08.2003	09.08.2010
29 July 2002	ESOS	0.8939	585,525	29.07.2005	29.07.2012
30 June 2003	ESOS	0.8510	456,444	30.06.2006	30.06.2013
30 June 2004	ESOS	1.3583	336,011	30.06.2007	30.06.2014
17 June 2005	ESOS	1.8373	265,735	17.06.2008	17.06.2015
1 September 2005	ESOS	1.9989	80,044	01.09.2008	01.09.2015
19 June 2006	ESOS	2.5925	254,680	19.06.2009	19.06.2016
15 June 2007	ESOS	3.2824	311,659	15.06.2010	15.06.2017
12 February 2008	ESOS	2.5324	161,898	12.02.2011	12.02.2018
				Exercisable between	
25 July 2002	SAYE	0.740	19,416	01.09.2009	01.03.2010
22 July 2003	SAYE	0.684	985	01.09.2010	01.03.2011
23 July 2004	SAYE	1.090	1,797	01.09.2009	01.03.2010
20 July 2005	SAYE	1.503	4,177	01.09.2010	01.03.2011
21 June 2006	SAYE	2.066	11,764	01.09.2011	01.03.2012
30 July 2007	SAYE	2.390	2,373	01.09.2010	01.03.2011
22 July 2008	SAYE	0.917	168,528	01.09.2011	01.03.2012
22 July 2008	SAYE	0.917	39,054	01.09.2013	01.03.2014
				Vest date	
13 June 2008	LTEIP	Nil	1,538,207	13.06.2008	
Total			**4,271,566**		

* Following the Rights Issue the number of shares and exercise prices were adjusted by the relevant bonus factor.

The exercise of all options, other than those obtained under the Group's Save As You Earn scheme, is dependent upon the Group achieving specified performance targets as disclosed in the Directors' Remuneration Report on pages 44 to 52.

The estimated fair value of the share-based payments granted during the year have been calculated using the Black-Scholes model. Inputs to the model are summarised as follows:

	2009 SAYE 3 year	2009 SAYE 5 year	2008 ESOS	2008 SAYE 3 year	2008 SAYE 5 year
Weighted average share price at grant†	**115p**	**115p**	310p	299p	299p
Exercise price (adjusted)	**92p**	**92p**	310p	239p	239p
Expected volatility	**37%**	**30%**	29%	29%	29%
Average expected life (years)	**3**	**5**	10	3	5
Risk free rate	**5%**	**5%**	5%	5%	5%
Expected dividend yield	**3%**	**3%**	1%	1%	1%
Possibility of ceasing employment before vesting	**12%**	**28%**	10%	12%	28%

† The weighted average share price has been adjusted to reflect the Rights Issue.

The expected volatility is based on historic volatility over a three year period. 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:

	2009 Grant date	2009 Fair value of award pence	2008 Grant date	2008 Fair value of award pence (adjusted)
ESOS	–	–	15 June 2007	145p
ESOS	–	–	25 June 2007	135p
ESOS	–	–	12 February 2008	101p
SAYE – 3 year	**22 July 2008**	**38p**	30 July 2007	103p
SAYE – 5 year	**22 July 2008**	**43p**	30 July 2007	88p

ii) Co-Investment Plan and Long-Term Equity Incentive Plan
The Group operates a Co-Investment Plan for Directors, the exercise of which depends on the achievement of certain market related performance conditions. No grants were made during the year on this scheme as it has been replaced by a Long-Term Equity Incentive Plan (LTEIP).

The schemes and their performance criteria are fully explained in the Directors' Remuneration Report on pages 44 to 52.

The LTEIP scheme has three elements which are assessed over the three year vesting period. These are:

- Absolute TSR
- Relative TSR
- Relative NAV

A binomial model was used to determine the fair value of the LTEIP grant for the Absolute TSR and Relative TSR elements of the scheme.

Assumptions used in the model were as follows:

	2009
Share price at grant (adjusted)	**127p**
Exercise price (pence)	**Nil**
Average expected life (years)	**3**
Risk free rate	**5%**
Expected dividend yield	**3%**
Average share price volatility	**37%**
Fair value per option – Absolute TSR element	**66p**
Fair value per option – Relative TSR element	**47p**

The relative NAV is a non market based condition and the intrinsic value is therefore the share price at date of grant of 127p (adjusted). The Directors assess the likelihood of meeting the conditions under this element of the scheme on a six monthly basis. The assessment at year end was that 20% of the relative NAV element will vest.

The expected Workspace share price volatility was determined by taking account of the daily share price movement over a three year period. The respective FTSE 250 Real Estate share price volatility and correlations were also determined over the same period. The average expected term to exercise used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions and historical experience.

The risk free rate has been determined from market yield curves for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant. The expected dividend yield was determined by calculating the present value of expected future dividend payments to expiry.

iii) Cash settled share-based payments
National Insurance payments due on the exercise of non-approved ESOS options 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. Inputs to the model for the grants during the year are summarised as follows:

	2009	2008
Share price at 31 March	**12p**	275p
Exercise price	**-**	393p
Expected volatility	**30%**	29%
Term of option remaining (years)	**2.2**	9.45
Risk free rate	**2%**	5%
Expected dividend yield	**2%**	1%
Possibility of ceasing employment	**10%**	10%
Fair value of cash based payment per share	**20p**	50p

iv) Share-based payment charges
The Group recognised a total charge/(credit) in relation to share-based payments as follows:

	2009 £m	2008 £m
Equity settled share-based payments	**0.6**	0.7
Cash settled share-based payments	**(0.6)**	(0.8)
	-	(0.1)

24. Other reserves

	Hedging reserve £m	Equity settled share-based payments £m	Total £m
Balance at 1 April 2008	–	1.3	1.3
Fair value movement on derivatives	(2.9)	–	(2.9)
Value of employee services	–	0.7	0.7
Balance at 31 March 2008	(2.9)	2.0	(0.9)
Fair value movement on derivatives	1.1	–	1.1
Charge to income statement*	1.8	–	1.8
Value of employee services	–	0.6	0.6
Balance at 31 March 2009	**–**	**2.6**	**2.6**

*During the year the cashflow hedge ceased to be fully effective. The balance on the hedge reserve at that time was recycled through Income Statement.

25. Statement of changes in shareholders' equity

	Share capital £m	Share Premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 April 2007	17.4	30.7	(2.8)	1.3	536.0	582.6
Share issues	–	0.1	–	–	–	0.1
ESOT shares net purchase	–	–	(1.7)	–	–	(1.7)
Dividends paid	–	–	–	–	(7.3)	(7.3)
Fair value movement on derivatives	–	–	–	(2.9)	–	(2.9)
Value of employee services	–	–	–	0.7	–	0.7
Loss for the year	–	–	–	–	(34.7)	(34.7)
Balance at 31 March 2008	17.4	30.8	(4.5)	(0.9)	494.0	536.8
Share issues	87.2	(6.2)	–	–	–	81.0
ESOT shares net purchase	–	–	(1.2)	–	–	(1.2)
Dividends paid	–	–	–	–	(7.8)	(7.8)
Fair value movement on derivatives	–	–	–	1.1	–	1.1
Hedge reserve recycled to income statement	–	–	–	1.8	–	1.8
Value of employee services	–	–	–	0.6	–	0.6
Loss for the year	–	–	–	–	(360.4)	(360.4)
Balance at 31 March 2009	**104.6**	**24.6**	**(5.7)**	**2.6**	**125.8**	**251.9**

26. Investment in own shares

The Company has established an Employee Share Ownership Trust (ESOT) to purchase shares in the market for distribution at a later date in accordance with the terms of the 1993 and 2000 Executive Share Option Schemes, Co-Investment Plan and Long-Term Equity Incentive Plan. The shares are held by an independent trustee and the rights to dividends on the shares have been waived except where the shares are beneficially owned by participants. During the year the Trust purchase 697,168 shares for a cash consideration of £1.2m. At 31 March 2009, the number of shares held by the Trust totalled 3,635,119 (2008: 2,937,951). At 31 March 2009 the market value of these shares was £0.4m (2008: £8.1m) compared to a nominal value of £0.4m (2008: £0.3m).

	2009 £m	2008 £m
Balance at 1 April	**4.5**	2.8
Acquisition of ordinary shares	**1.2**	2.1
Transfer of shares to employees on exercise of share options	**–**	(0.4)
Balance at 31 March	**5.7**	4.5

27. Joint Venture

Workspace Group PLC holds 50% of the ordinary share capital of Workspace Glebe Limited. Its interest in this joint venture has been equity accounted for in the Group's consolidated financial statements. As the joint venture has net liabilities it is carried at nil value in the balance sheet given there is no commitment to fund the deficit. Any change in value is included in the consolidated income statement during the year.

Investment in joint venture	2009 £m	2008 £m
Share of joint venture at start of year	**15.7**	18.5
Share of joint venture loss after tax for the year	**(19.5)**	(2.8)
Net loan movements with joint venture	**3.8**	–
Share of joint venture at end of year	**–**	15.7
Comprising:		
Unlisted shares at cost	**1.0**	1.0
Group's share of post acquisition retained loss after tax	**(20.6)**	(1.1)
Unrealised profit on sale of properties to joint venture	**(2.7)**	(2.7)
Loan to joint venture	**22.3**	18.5
Share of joint venture at end of year	**–**	15.7

The Group's share of amounts of each of current assets, long-term assets, current liabilities and long-term liabilities, income and expenses are shown below:

Assets and liabilities:

	2009 £m	2008 £m
Investment properties	**62.1**	81.9
Current assets	**1.2**	1.3
Total assets	**63.3**	83.2
Current liabilities	**(7.2)**	(2.7)
Non-current liabilities	**(67.2)**	(64.8)
Total liabilities	**(74.4)**	(67.5)
Adjustment due to net liabilities	**11.1**	-
Group share of joint venture net assets	**–**	15.7

Income and expenses:

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Revenue	**4.6**	5.0
Direct costs	**(1.4)**	(1.3)
Net rental income	**3.2**	3.7
Administrative expenses	**(0.1)**	(0.1)
Change in fair value of investment property	**(24.8)**	(2.0)
Finance costs – interest payable	**(4.1)**	(3.9)
Change in fair value of derivative financial instruments	**(4.5)**	(1.5)
Loss before tax	**(30.3)**	(3.8)
Taxation	**(0.3)**	1.0
Loss after tax	**(30.6)**	(2.8)
Adjustment due to net liabilities	**11.1**	–
	(19.5)	(2.8)
Provision for interest shortfall in joint venture (note 22b)	**(4.4)**	–
Share of joint venture loss after tax	**(23.9)**	(2.8)

The Group's share of capital commitments of the Workspace Glebe joint venture were £0.2m (2008: £2.2m) for commitments under contract and £nil (2008: £5.9m) authorised by Directors but not contracted.

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

	2009 £m	2008 £m
Transactions year ended 31 March:		
Recharges to joint venture	**0.6**	0.6
Recharges from joint venture	**(0.1)**	(0.1)
Balances with joint venture at 31 March:		
Amounts receivable from joint venture	**0.9**	3.3
Loan to joint venture	**22.3**	18.5

Workspace Group manages the funding of the joint venture, collecting rents and settling expenses. Amounts receivable and payable represent short-term funding balances between the Group's and the Joint Venture's bank accounts.

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

	2009 £m	2008 £m
Under contract:		
Purchases, construction or re-development of investment property	**4.2**	13.3
Repairs, maintenance or enhancement of investment property	**0.7**	0.2
	4.9	13.5
Authorised by directors but not contracted:		
Property, plant and equipment	**0.1**	0.1
Intangible assets	**–**	0.1
Purchases, construction or re-development of investment property	**2.4**	12.9
Repairs, maintenance or enhancement of investment property	**2.4**	5.1
	4.9	18.2
	9.8	31.7

29. Subsidiary undertakings
Except where indicated otherwise, the Company (incorporated in the UK) wholly owns the following subsidiary undertakings incorporated in the UK and registered in England, all of which are consolidated in the Group financial statements:

Name	Nature of Business	Share Capital (ordinary shares)
Workspace 11 Ltd	Property Investment	88,861,629 shares of £1 each
Workspace 13 Ltd	Property Investment	138,769,656 shares of £1 each
Workspace 14 Ltd*	Property Investment	145,568,460 shares of £1 each
Workspace 15 Ltd	Property Investment	37,772,814 shares of £1 each
Workspace 6 Ltd	Dormant	1 share of £1
Workspace 10 Ltd	Dormant	1 share of £1
Redhill Workspace Ltd	Dormant	1 share of £1
Workspace Holdings Ltd	Holding Company	2 shares of £1 each
London Industrial (Kingsland Viaduct) Ltd	Dormant	1 share of £1
LI Property Services Ltd	Insurance Agents	100 shares of £1 each
Workspace Management Ltd	Property Management	2 shares of £1 each
Enerjet Limited	Dormant	1 share of £1
Vylan Limited	Dormant	1,176,753 shares of £1 each

*The share capital of this subsidiary is held by another Group Company.

In addition the Group holds a 50% interest in the share capital of Workspace Glebe Limited a property investment company incorporated in the UK and registered in England. The share capital of Workspace Glebe Limited is 2,000,000 ordinary shares of £1 each.

30. Pension commitments
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for the year totals £0.5m (2008: £0.5m) representing contributions payable by the Group to the fund and is charged through trading 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 14%. 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 102 (2008: 88).

31. Operating lease commitments
The following future minimum lease payments are due under non cancellable operating leases:

	2009 £m	2008 £m
Motor vehicles:		
Due within one year	**0.1**	0.1
Due between two and five years	**0.1**	–
	0.2	0.1

32. Post balance sheet events
Following the year end the Group completed property sales for gross proceeds of £12.8m and exchanged contracts for the sale of Evelyn Court for £1.5m (due to complete in June 2009).

We have audited the Parent Company financial statements of Workspace Group PLC for the year ended 31 March 2009 which comprise the Balance Sheet and the related notes. These Parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Workspace Group PLC for the year ended 31 March 2009.

Respective responsibilities of directors and auditors
The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Parent Company financial statements give a true and fair view and whether the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Parent Company financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Parent Company financial statements. The other information comprises Performance Highlights, Chairman's Statement, Chief Executive's Review, Our Customers, Portfolio Initiatives, Our People, Sustainability in a Workspace Group context, Managing our risks, Business Review, Key Statistics, The Board and Executive Committee, Report of the Directors, Corporate Governance Report, the unaudited part of the Directors' Remuneration Report, Directors' Responsibilities, the Group financial statements and related notes and the other items including the contents section.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion
In our opinion:

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009;
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Parent Company financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
8 June 2009

Parent Company Balance Sheet
As at 31 March

	Notes	2009 £m	2008 £m
Fixed assets			
Investments in subsidiary undertakings	C	**203.0**	265.4
Investment in joint venture	D	**-**	19.5
		203.0	284.9
Current assets			
Debtors	E	**138.5**	43.3
Creditors: amounts falling due within one year	F	**(80.1)**	(52.4)
Net current assets/(liabilities)		**58.4**	(9.1)
Total assets less current liabilities		**261.4**	275.8
Provisions for liabilities and charges	G	**(9.5)**	(19.5)
Net assets		**251.9**	256.3
Capital and reserves			
Called up share capital	H	**104.6**	17.4
Share premium account	H	**24.6**	30.8
Investment in own shares	H	**(5.7)**	(4.5)
Profit and loss account	H	**128.4**	212.6
Total shareholders' funds		**251.9**	256.3

The financial statements were approved by the Board of Directors on 8 June 2009 and were signed on its behalf by

H Platt
G Clemett
Directors

The notes on pages 83 and 84 form part of these financial statements.

A. Accounting policies
Although the Group consolidated accounts are prepared under IFRS, the Workspace Group PLC company accounts are prepared under UK GAAP. The principal accounting policies of the Company are:

(a) Basis of accounting
The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and UK Generally Accepted Accounting Principles (UK GAAP). FRS 29 Financial Instruments - Disclosure (the UK GAAP equivalent of IFRS 7 Financial Instruments - Disclosure) has been adopted by the Company, but the disclosure requirements are met in note 18 of the Group accounts.

(b) Cashflow statement
The Company has taken advantage of the exemption under FRS1 not to produce a cashflow statement as one is prepared for the Group financial statements.

(c) Investment in subsidiary undertakings
Interests in subsidiary undertakings are carried in the Company's balance sheet at cost less impairment. Impairment in subsidiaries is taken to the profit and loss account.

(d) Compound financial instruments
At the date of issue of compound financial instruments, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-compound debt. The difference between the proceeds of issue and the fair value of the liability is included in equity. The interest payable and amortisation of the carrying value of the liability component are recognised as interest expense so as to maintain a constant rate of interest on the carrying value.

(e) Taxation
Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax assets and liabilities arise from differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation.

In accordance with FRS 19 deferred tax has been recognised in respect of all timing differences which have originated, but not reversed, by the balance sheet date, except that deferred tax has not been recognised on any potential capital gain where a binding sale commitment is not in place.

The Company has not discounted deferred tax assets and liabilities.

(f) Share schemes
Incentives are provided to employees under share option schemes. The Company has established an Employee Share Ownership Trust (ESOT) to satisfy part of its obligation to provide shares when Group employees exercise their options. The Company provides funding to the ESOT to purchase these shares.

The Company itself has no employees. When the Company grants share options to Group employees as part of their remuneration, the expense of the share options is reflected in a subsidiary undertaking, Workspace Management Limited.

B. Loss/profit for the year
As permitted by Section 230(3) of the Companies Act 1985, the profit and loss account of the Company is not presented as part of these financial statements. The loss attributable to shareholders, before dividend payments, dealt with in the financial statements of the Company was £76.4m (2008: £1.3m profit).

Auditors' remuneration of £10,000 (2008: £10,000) has been borne by a subsidiary undertaking.

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

C. Investment in subsidiary undertakings

	£m
Balance at 1 April 2008	265.4
Provision for impairment	(62.4)
Balance at 31 March 2009	**203.0**

Refer to note 29 for the list of subsidiary undertakings.

D. Investment in joint venture

	£m
Balance at 1 April 2008	19.5
Net investment in joint venture	3.8
Provision for impairment	(23.3)
Balance at 31 March 2009	-

E. Debtors

	2009 £m	2008 £m
Amounts owed by subsidiary undertakings	**129.7**	30.1
Amounts owed by related parties	**8.8**	8.8
Corporation tax - payment on account	-	4.4
	138.5	43.3

Amounts due from subsidiary undertakings are unsecured and repayable on demand. Interest is charged to subsidiary undertakings.

F. Creditors: amounts falling due within one year

	2009 £m	2008 £m
Amounts owed to subsidiary undertakings	**71.1**	46.4
Amounts owed to related parties	**5.5**	5.5
Taxation and social security payable	**0.4**	0.4
Corporation tax payable	**0.6**	-
Accruals	**2.5**	0.1
	80.1	52.4

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

G. Provisions for liabilities and charges

	2009 £m	2008 £m
Balance at 1 April 2008	**19.5**	20.9
Provision in the year	**4.4**	-
Release of provision in the year	**(14.4)**	(1.4)
Balance at 31 March 2009	**9.5**	19.5

The provisions comprise a tax indemnity to the joint venture and an interest shortfall guarantee to the joint venture (refer note 22b of the consolidated accounts).

H. Capital and reserves

Movements and notes applicable to share capital, share premium account and investment in own shares are shown in notes 23, 25 and 26 of the consolidated accounts.

Profit and loss account:

	£m
Balance at 1 April 2008	212.6
Loss for the year	(76.4)
Dividends paid	(7.8)
Balance at 31 March 2009	**128.4**

I. Reconciliation of movements in shareholders' funds

	2009 £m	2008 £m
(Loss)/profit for the financial year	**(76.4)**	1.3
Dividends paid	**(7.8)**	(7.3)
Issue of shares	**81.0**	0.1
Net purchase of own shares	**(1.2)**	(1.7)
Net movement in shareholders' funds	**(4.4)**	(7.6)
Opening shareholders' funds	**256.3**	263.9
Closing shareholders' funds	**251.9**	256.3

	31 March 2009 £m	31 March 2008 £m	31 March 2007 £m	31 March 2006 £m	31 March 2005 £m
Rents receivable	**54.2**	51.4	45.6	49.2	43.3
Service charges and other income	**15.6**	15.5	14.3	14.0	11.7
Revenue	**69.8**	66.9	59.9	63.2	55.0
Trading profit	**38.4**	37.0	31.6	37.3	33.4
Net interest payable^	**(28.4)**	(28.1)	(23.2)	(23.4)	(19.5)
Profit before taxation	**(360.4)**	(37.0)	112.5	149.0	82.8
Profit after taxation	**(360.4)**	(34.7)	193.4	106.6	58.5
Earnings per share*	**(134.6)p**	(15.2)p	86.5p	48.9p	27.1p
Dividends per share*	**1.15p**	3.43p	3.11p	2.83p	2.56p
Dividends (total)	**7.8**	7.8	7.0	6.2	5.5
Investment properties	**664.1**	994.3	1,001.6	962.2	716.5
Less: net liabilities	**(54.1)**	(16.1)	(37.9)	(142.2)	(104.8)
Less: net borrowings	**(358.1)**	(441.4)	(381.1)	(429.7)	(323.2)
Net assets	**251.9**	536.8	582.6	390.3	288.5
Gearing	**142%**	82%	65%	110%	112%
Gearing on adjusted net assets	**129%**	82%	65%	84%	86%
Basic net assets per share*	**£0.24**	£2.35	£2.55	£1.78	£1.33
EPRA net assets per share*	**£0.27**	£2.33	£2.52	£2.22	£1.67

* Earnings per share, dividends per share and net assets per share have been restated to reflect adjustment for the Rights Issue in March 2009 and bonus share issue in March 2005.
^ Excludes exceptional items.

Key Performance Indicators
Key Property Statistics

Workspace Group:	31 March 2009	31 March 2008	31 March 2007†	31 March 2006	31 March 2005
Number of estates	**106**	106	101	104	103
Lettable floorspace (m sq ft)*	**5.0**	5.2	4.9	5.8	5.2
Number of lettable units (units)	**4,546**	4,611	4,304	4,952	4,717
Average unit size (sq ft)	**1,099**	1,118	1,139	1,166	1,093
Rent roll of occupied units	**£50.8m**	£52.6m	£47.2m	£46.6m	£42.3m
Average rent per sq ft	**£12.64**	£11.88	£11.34	£9.58	£9.29
Overall occupancy	**80.3%**	85.8%	84.8%	84.3%	88.3%
Enquiries (number)	**10,515**	9,414	7,913	6,623	7,764
Lettings (number)	**1,035**	1,007	1,149	1,054	1,012

Workspace Glebe Joint Venture (incorporated June 2006):	31 March 2009	31 March 2008	31 March 2007
Number of estates	**18**	18	15
Lettable floorspace (m sq ft)*	**1.2**	1.2	1.2
Number of lettable units (units)	**860**	866	813
Average unit size (sq ft)	**1,274**	1,337	1,424
Rent roll of occupied units	**£7.0m**	£7.2m	£8.1m
Average rent per sq ft	**£8.61**	£7.80	£7.49
Overall occupancy	**70.7%**	79.8%	89.8%
Enquiries (number)	**2,058**	1,324	1,265
Lettings (number)	**102**	86	116

* Excludes storage space
† During the year to 31 March 2007 a portfolio of properties totalling 1.24m sq ft with a rental income of £7.18m was transferred to the joint venture.

Cash rent roll is the current net rents of 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 cashflow hedges and deferred tax relating to revaluation movements, capital allowance and derivatives.

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

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

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

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

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

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

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

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

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

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

Market rental values (see ERV).

Net assets per share (NAV) are net assets divided by the number of shares in issue at the period end (excluding shares held in the ESOT).

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

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

Open market value is an opinion of the best price at which the sale of an interest in a 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) is 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 current net rent divided by the occupied area.

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.

Workspace publishes a wide range of material to assist customers, investors and other interested parties. The following are the principal documents which are available on the Company's website or in hard copy. Should you need to order a hard copy or need assistance in accessing any of this material then contact the Company Secretary at the Company's registered office (details on page 88).

Document/area of interest	Available in hard copy	
Investors:		
Investors homepage		www.workspacegroup.co.uk/investors/
Annual Accounts	*	www.workspacegroup.co.uk/investors/financial_reports/
Quarterly Statements	*	www.workspacegroup.co.uk/investors/financial_reports/
Announcements and Presentations	*	www.workspacegroup.co.uk/investors/financial_reports/
Listing of our Property Portfolio	*	www.workspacegroup.co.uk/investors
Customer:		
Customer Charter		www.workspacegroup.co.uk/customercharter/
Small business help and advice – useful links		www.workspacegroup.co.uk/tradelink/customerinfo/advice/
Tradelink – On line forum for communication, advertising and trading throughout the Workspace customer community		www.workspacegroup.co.uk/tradelink/
The Beginners' Guide to finding the Right Business Space – a self help guide to finding accommodation for SMEs	*	www.workspacegroup.co.uk/london-commercial-property/helpful/planning/
Space to Rent – available property information, including property descriptions, virtual tours, location maps and brochures		www.workspacegroup.co.uk/london-commercial-property/ Or call our lettings team on 020 7369 2389
Taking space with Workspace – A selection of Frequently Asked Questions		www.workspacegroup.co.uk/london-commercial-property/helpful/faqs/
Corporate Governance:		
Governance matters – up to date information on such matters as Compliance with the Combined Code, matters reserved for the Board, Board Committees terms of reference		www.workspacegroup.co.uk/investors/corporate_governance/
Risk Management – Details of the principal risks facing the Company and details of how these risks are mitigated		www.workspacegroup.co.uk/investors/risk_management/
Sustainability:		
Sustainability Report 2008	*	www.workspacegroup.co.uk/sustainability/
Sustainability Report 2007	*	www.workspacegroup.co.uk/sustainability/
Other Stakeholder publications:		
My Life, My Work, My Space – a book documenting the business stories of some Workspace SME customers, in their own words	*	
Changing Environments – a book tracking the uses of a number of Workspace properties, past and present	*	
Dynamic Environments – a book illustrating the diversity of Workspace SME customers in their activities and industry sectors	*	
Changing Spaces – a brochure detailing a number of Workspace refurbishment, intensification and change of use schemes	*	

The report and financial statements, share price information, company presentations, Corporate Governance, contact details and other investor information on the Group are available in the 'investor' area of our website www.workspacegroup.co.uk

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

Computershare Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 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-uk.computershare.com/investor

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