

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the action you should take, you should immediately consult your independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your Existing Ordinary Shares (other than ex-rights) in certificated form before 12 July 2011 (the “**Ex-Rights Date**”), please send this document, together with any Provisional Allotment Letter at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, save that no such document should be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including the Excluded Territories. Please refer to paragraphs 7 and 8 of Part 3 of this document if you propose to send this document and/or the Provisional Allotment Letter outside the United Kingdom. If you sell or transfer part only of your Existing Ordinary Shares, instructions regarding split applications are set out in the Provisional Allotment Letter. If you have sold or transferred Existing Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will credit the appropriate number of Nil Paid Rights to the purchaser or transferee.

The distribution of this document and/or the Provisional Allotment Letter and/or the transfer of the New Ordinary Shares into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed in or into, forwarded to or transmitted in or into any Excluded Territory. No action has been taken by the Company that would permit an offer of the New Ordinary Shares or possession or distribution of this document, any other offering or publicity material or the Provisional Allotment Letters in any jurisdiction where action for that purpose is required, other than in the United Kingdom. This document does not constitute an offer to sell or the solicitation of an offer to acquire New Ordinary Shares or to take up entitlements to Nil Paid Rights in any jurisdiction in which such an offer or solicitation is unlawful.

This document, which comprises a prospectus relating to the Company prepared in accordance with the Listing Rules and the Prospectus Rules of the Financial Services Authority made under section 85(1) of the Financial Services and Markets Act 2000, has been approved by the Financial Services Authority. A copy has been made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Application will be made to the UK Listing Authority and to the London Stock Exchange for the maximum number of New Ordinary Shares that may be issued to be listed on the premium segment of the Official List and admitted to trading on the main market of the London Stock Exchange. It is expected that Admission will occur, and that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange, at 8.00 a.m. on 12 July 2011.

The Directors, whose names appear on page 24 of this document, and the Company accept responsibility for the information contained in this document and declare that, having taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.



**Workspace Group**

**Workspace Group PLC**

*(Incorporated and registered in England and Wales under number 2041612)*

**1 for 4 Rights Issue of 288,182,835 New Ordinary Shares  
at 23 pence per share**

*Sponsor and Financial Adviser*

**Rothschild**

*Joint Bookrunners, Brokers and Underwriters*

**Espirito Santo Investment Bank and Investec**

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**Your attention is drawn to the letter from the Chairman and Chairman Designate of the Company which is set out in Part 1 of this document and which explains the background to and reasons for the Rights Issue and why the Board believes that the Rights Issue will assist in promoting the success of the Company for the benefit of Shareholders as a whole.**

When deciding on what action to take in relation to the Rights Issue, you should not rely solely on the summarised information in this document. Shareholders should read the whole of this document and any documents incorporated herein by reference. Shareholders and any other persons contemplating a purchase of New Ordinary Shares should review the factors described in the section entitled “Risk Factors” set out on pages 9 to 17 of this document.

Qualifying Non-CREST Shareholders are expected to, subject to certain exceptions, receive a Provisional Allotment Letter on 12 July 2011 and Qualifying CREST Shareholders will, subject to certain exceptions, receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 12 July 2011. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear as soon as practicable after Admission.

**The latest time and date for acceptance and payment in full for the Nil Paid Rights is 11.00 a.m. on 26 July 2011. The procedure for application and payment under the Rights Issue is set out in Part 3 of this document and, where relevant, is also set out in the Provisional Allotment Letter.** Each New Ordinary Share will rank *pari passu* in all respects with the Existing Ordinary Shares in issue at the date of this document, save that the New Ordinary Shares will not rank for the final dividend expected to be paid on 5 August 2011 to those Shareholders on the register as at 15 July 2011.

The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letter have not been and will not be registered under the US Securities Act of 1933, as amended (the “US Securities Act”) nor under the securities laws of any state or other jurisdiction of the United States and may not be offered, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly in, into or within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letter have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

Rothschild, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting solely for the Company in relation to the Rights Issue and nobody else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Rothschild nor for providing advice in relation to the Rights Issue or any other matter referred to in this document.

BESI, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting solely for the Company in relation to the Rights Issue and nobody else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of BESI nor for providing advice in relation to the Rights Issue or any other matter referred to in this document.

Investec, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting solely for the Company in relation to the Rights Issue and nobody else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Investec nor for providing advice in relation to the Rights Issue or any other matter referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed upon Rothschild, BESI and Investec by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, each of Rothschild, BESI and Investec accepts no responsibility whatsoever and makes no representation or warranty, express or implied, concerning the contents of this document, including its accuracy, completeness or verification, or concerning any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights or the Rights Issue, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Each of Rothschild, BESI and Investec accordingly disclaims to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to herein) which it might otherwise have in respect of this document or any such statement.

Dated 7 July 2011

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## SUMMARY

*The following summary information should be read as an introduction to the more detailed information appearing elsewhere in this document. Any investment decision relating to the New Ordinary Shares should be based on the consideration of the document as a whole and not solely on this summarised information.*

*Where a claim relating to the information contained in this document is brought before a court in a member state of the European Economic Area, the claimant may, under the national legislation of that member state where the claim is brought, be required to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this document.*

### **Background to and reasons for the Rights Issue and use of proceeds**

The Board believes the Group has made significant progress over the last two years; the operational performance of the business has been robust despite the challenging economic environment and a number of steps to strengthen the balance sheet have been completed successfully. Against this background, the Board has set clear priorities to take the business forward, building on the progress of the last two years:

- to continue to drive occupancy and rental income;
- to maximise value from our property portfolio; and
- to utilise and exploit the Workspace brand fully.

The primary purpose of the Rights Issue is to provide the Company with additional financial resources which will be used to accelerate the redevelopment programme across the Group's property portfolio. The Board believes that the redevelopment and repositioning opportunities that the Rights Issue will enable offer attractive and enhanced returns, have a relatively low risk profile and will deliver an acceleration in rental and asset value growth.

The Group currently has a pipeline of existing sites with planning consent (or where planning consent is expected shortly), which, once redeveloped, are expected to deliver a significant uplift in rent roll. The majority of these planning consents have been achieved over the last two years.

The Board also believes that there are likely to be opportunities to acquire attractively priced commercial property with asset management (and in many cases redevelopment) potential. Acquisitions will primarily be made by the BlackRock Joint Venture, although specific acquisitions adjacent to existing Workspace properties may be made directly by Workspace.

Of the net proceeds from the Rights Issue of approximately £63 million:

- approximately £50 million will be used to fund redevelopment opportunities; and
- approximately £13 million will be used to fund property acquisitions.

The net proceeds will initially be applied to reduce the drawn amount on the revolver bank facility (which can be redrawn), with the balance held as cash, until the proceeds are invested on the redevelopment and acquisition opportunities.

### **Current trading and outlook**

The Group today released its Interim Management Statement covering the period from 1 April 2011 to 7 July 2011, which included the following statements:

Highlights for the first quarter ended 30 June 2011:

- Total occupancy up 0.4 per cent. in the quarter to 84.0 per cent.
- Total cash rent roll up 1.4 per cent. (£0.7 million) to £49.6 million.

- Like-for-like occupancy stable at 86.4 per cent.
- Like-for-like cash rent roll up 1.2 per cent. (£0.5 million) in the quarter to £43.5 million.
- Underlying property valuation at 15 June 2011 up 1.3 per cent. (£9 million) to £727 million.

### **Portfolio Performance**

We are continuing to see good levels of customer enquiries and lettings, despite the impact of the long Easter holiday in the quarter. At our like-for-like properties we have seen rent per sq. ft. improve 1.6 per cent. to £12.27 with cash rent roll up 1.2 per cent. (£0.5 million) to £43.5 million and like-for-like occupancy steady at 86.4 per cent.

	<i>Quarter to</i> 30 June 2011	<i>Quarter to</i> 31 March 2011	<i>Quarter to</i> 30 June 2010
<i>Workspace Group Portfolio</i>			
Average enquiries per month	911	1,045	908
Average lettings per month	77	79	87
Total cash rent roll <sup>1</sup>	£49.6m	£48.9m	£51.2m
Total occupancy <sup>1</sup>	84.0%	83.6%	82.7%
Like-for-like cash rent roll <sup>2</sup>	£43.5m	£43.0m	£41.7m
Like-for-like occupancy <sup>2</sup>	86.4%	86.4%	84.8%
Like-for-like rent per sq. ft. <sup>2</sup>	£12.27	£12.06	£11.84

#### **Notes:**

1. Total cash rent roll and occupancy at June 2010 includes the 8 properties sold into the BlackRock Workspace Joint Venture in February 2011.
2. Like-for-like has been restated in the quarter for the transfer out of Aberdeen Business Centre ahead of its redevelopment and transfer in of the Kennington Park estate (excluding areas within the estate being refurbished).

### **Valuation**

The valuation of the Group's properties as at 15 June 2011 was £726.8 million (31 March 2011: £718.7 million). There has been an underlying increase in the valuation of 1.3 per cent. (£9.4 million), excluding the impact of capital expenditure and the sale of the car park at Ewer Street for student housing in April 2011, for £3.9 million.

Total estimated rental value (ERV), excluding disposals, was up 2.3 per cent. (£1.4 million) in the period to £62.8 million, this includes £1.2 million at Wandsworth Business Village (£nil at March 2011) where the mixed-use redevelopment of the site is now underway.

Total existing use income yield (based on cash rent roll) was 7.7 per cent. (31 March 2011: 7.7 per cent.) and added value has increased by £3 million, excluding disposals, to £78 million. Overall net initial yield as reported by our valuers CBRE was 6.9 per cent. (31 March 2011: 6.8 per cent.).

### **Principal terms of the Rights Issue**

The Company is proposing to raise proceeds of approximately £63 million (after expenses) by way of a 1 for 4 Rights Issue of 288,182,835 New Ordinary Shares, at 23 pence per New Ordinary Share.

The Rights Issue is fully underwritten by the Joint Underwriters. Qualifying Shareholders have the right to subscribe for their *pro rata* entitlement to New Ordinary Shares in accordance with the terms of the Rights Issue on the basis of:

#### **1 New Ordinary Share for every 4 Existing Ordinary Shares**

held by Qualifying Shareholders on the Record Date and otherwise on the terms and conditions as set out in this document and, in the case of Qualifying non-CREST Shareholders, the Provisional Allotment Letter.

Application has been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively.

It is expected that Admission will occur and that dealings in the New Ordinary Shares (nil-paid) on the London Stock Exchange will commence at 8.00 a.m. on 12 July 2011. The latest time and date for acceptance and payment in full for the New Ordinary Shares is 11.00 a.m. on 26 July 2011.

### **Selected financial information on the Company**

The data for the three-year period ended 31 March 2011 set out below has been extracted without material adjustment from, and should be read together with, the Group's audited consolidated financial statements, which were prepared in accordance with IFRS, included in its Annual Report and Accounts for the financial years ended 31 March 2011, 31 March 2010 and 31 March 2009.

	<i>Year ended 31 March 2011 £ million</i>	<i>Year ended 31 March 2010 £ million</i>	<i>Year ended 31 March 2009 £ million</i>
<i>Selected income statement information</i>			
Net rental income	45.9	44.4	47.4
Profit/(Loss) before taxation	52.8	26.0	(360.4)
Earnings/(Loss) per share (basic)	4.7p	2.3p	(134.6p)
Earnings/(Loss) per share (diluted)	4.6p	2.2p	(134.6p)
	<i>As at 31 March 2011 £ million</i>	<i>As at 31 March 2010 £ million</i>	<i>As at 31 March 2009 £ million</i>
<i>Selected balance sheet information</i>			
Investment properties	713.4	713.2	664.1
Intangible assets	0.4	0.4	0.3
Property, plant and equipment	4.6	3.4	3.1
Investment in joint venture	6.7	–	–
Less: net current liabilities	(31.5)	(49.6)	(46.6)
Less: deferred tax liabilities	–	–	(0.1)
Less: non-current financial liabilities – borrowings	(363.8)	(384.1)	(359.4)
<b>Net Assets</b>	<b>333.8</b>	<b>287.3</b>	<b>251.9</b>
EPRA Net assets per share	29.5p	26.7p	26.6p

### **Summary of risk factors**

Shareholders should carefully consider the following key risks:

#### ***Risks relating to investing in property***

- Risks related to the political and economic climate, and other factors outside the Group's control.
- The Group's investments are relatively illiquid.
- The Group may face significant competition from other investors in identifying and acquiring suitable properties, including competitors who may have greater resources.
- Valuation of property is subjective and sensitive to changes in market sentiment and market conditions.

#### ***Risks related to the Group's properties***

- Risks arising from either any downturn in the London economy or the UK's economy as a whole.
- The Group's business is dependent on the demand for space from SMEs.
- The net revenue generated from the Group's properties may depend on the financial stability of its tenants.

- The Group's operating and other expenses could increase.
- The Group may be exposed to environmental liabilities.
- Risks arising from legal and regulatory changes.
- Risks associated with the Group's involvement in property regeneration and improvement.
- Risks relating to the Group continuing to acquire property assets.
- The value of the Group's properties may be adversely affected by actual or threatened acts of terrorism.
- Changes in the costs or availability of insurance could expose the Group to uninsured losses.
- Risks relating to failure to safeguard the safety of visitors at premises owned by the Group.
- The Group may be subject to claims following any disposal of its investments.

#### ***Risks relating to the Group***

- Risks relating to the employment and retention of the directors, senior managers and other key employees within the Group.
- The Group is exposed to counterparty credit risk in relation to hedging transactions.
- Risks relating to the Company or certain members of the Group losing their REIT status.
- The risk of a change in any member of the Group's tax status or in taxation legislation or its interpretation.
- Payment of dividends is not assured.
- The risk of breaching one or more of the restrictions imposed on the Group by its credit facilities.
- Risks related to the Group's policy of continuing to leverage its property portfolio.
- Risks relating to the refinancing of the Group's existing debt facilities.
- Any additional equity financing by the Company may be dilutive to Shareholders.

#### ***Risks relating to the Ordinary Shares***

- The market price of the Ordinary Shares may fluctuate, including if the Group's operating results and prospects are below the expectations of market analysts and investors.
- Disposals of substantial numbers of Ordinary Shares could adversely depress the market price of the Ordinary Shares.
- The Ordinary Shares may not be suitable for all investors.
- The value of the Ordinary Shares may vary considerably from the underlying value of the Group's assets.
- The Company has a significant shareholder who is able to block special resolutions and could exercise influence over the Group's strategy and operations.

#### ***Risks relating to the Rights Issue***

- Should any of the conditions to the Rights Issue not be satisfied or waived, the Company will not receive any funds from the Rights Issue.
- The price of Nil Paid Rights will be subject to the same risks as the price of the Ordinary Shares.

- There may not be an active market for Nil Paid Rights.
- Qualifying Shareholders will experience dilution of the percentage ownership of the Company's share capital to the extent they do not take up their entitlement in full.
- As the Group has REIT status, a holding of over 10 per cent. of the issued share capital of the Company following the Rights Issue could adversely affect a Shareholder's ability to receive dividends and may result in a requirement for all or some of the Ordinary Shares held by them to be sold.

## RISK FACTORS

*In addition to the other information presented in this document, the following risk factors should be carefully considered by Shareholders and potential investors when deciding what action to take in relation to an investment through the Rights Issue.*

*Some of the following risk factors relate principally to the Group's business and the sector in which it operates. Other risk factors relate principally to an investment in the New Ordinary Shares. The risks and uncertainties described below are a list of the risks and uncertainties of which the Directors are aware. Additional risks and uncertainties of which the Directors are not aware, or that the Directors currently deem immaterial, may also have a material adverse effect on the Group's business, financial condition and results of operations. If any of the risks described in this document actually occur, the Group may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be adversely effected. In such a case, the market price of the Ordinary Shares could decline, and all or part of an investment in the Ordinary Shares could be lost.*

### RISKS RELATING TO INVESTING IN PROPERTY

#### **Dependence on factors outside the Group's control**

Returns from an investment in property depend largely upon the amount of rental income generated by the property and the costs and expenses incurred in the maintenance and management of the property, as well as changes in its market value.

The rental income and the market value of properties are often affected by general economic conditions and/or by the political and economic climate of the locality in which the property assets are situated, as well as in the rest of the world. Relevant economic factors which can affect rental incomes and property values include changes in gross domestic product, employment trends, inflation and changes in interest rates. Together or in isolation, these may impact the level of demand for property by tenants and the ability of landlords to increase rents and the level of bad debts incurred as a result of tenants entering into bankruptcy or insolvency, which may adversely affect the value of, and the rental income generated by, the Group's property portfolio.

Both rental income and the market value of properties may also be affected by other factors specific to individual properties, such as competition from other nearby properties and the perceptions of prospective tenants of the relative attractiveness, convenience and safety of properties.

In addition, property owners may be required to fund the costs of maintenance, insurance, periodic renovations and repairs of properties. When properties are vacant, the owner will often suffer void costs which may be significant, including business rates and operating expenses together with the costs of re-letting the property.

#### **Investment liquidity**

Investments in property are relatively illiquid and are typically more difficult, and/or take longer, to realise than certain other investments such as equities, gilts or bonds. This illiquidity may affect the Group's ability to dispose of, or liquidate, assets from its property portfolio expeditiously and at satisfactory prices if it were required to do so. This could have a material adverse effect on the Group's business, financial condition or results of operations.

#### **Competition**

The Group may face significant competition in identifying and acquiring suitable properties from other investors, including competitors who may have greater resources. Competition in the property market may lead to prices for properties identified by the Group as suitable being driven up through competing bids by potential purchasers. Accordingly, the existence and extent of such competition may have a material adverse effect on the Group's ability to acquire properties at satisfactory prices and otherwise on satisfactory terms. Additionally, if increasing competition for properties from public or private buyers causes occupancy levels

in the Group's properties to decline or leads to a reduction in the number or quality of investment opportunities available to the Group or leads to a reduction in yield expectations, it may have negative implications for the Company's ability to generate earnings and dividends.

### **Reliance on property valuation**

The valuation of property and property-related assets is inherently subjective due (*inter alia*) to the individual nature of each property and, furthermore, valuations are sensitive to changes in market sentiment. Moreover, property valuations are made on the basis of assumptions which may not prove to be accurate. Incorrect assumptions or flawed assessments underlying the property valuation report could negatively affect the Group's financial condition and potentially inhibit the Group's ability to realise a sale price that reflects the stated valuation. Further, if the Group acquires properties based on inaccurate assumptions, the Group's net assets and results of operations may be materially adversely affected. There is no assurance that the valuations of the Group's current and prospective properties will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that estimated yield and annual rental income will prove to be attainable.

Furthermore, property markets are subject to external market conditions, including the recent crisis in the global financial system. While the markets have recovered to some extent from the recent crisis, it is still possible that real estate prices and values could decrease further or go through a period of heightened volatility which could have a material adverse impact on the Group's business, financial condition or results of operations.

## **RISKS RELATING TO THE GROUP'S PROPERTIES**

### **Geographic concentration of properties**

All of the Group's properties are located in the UK, with the majority of the properties being located in the London region within the M25. Consequently, any downturn in the London economy, or the UK's economy as a whole, could materially adversely affect the Group's business, financial condition or results of operations, particularly as the Group has only limited ability to help offset such a downturn through alternative activities.

### **Dependence on SMEs**

The Group's property portfolio is comprised largely of small-unit accommodation let to SMEs primarily located in the London region within the M25. An investment in the Company will be subject to the risks associated with the ownership, development and management of such property portfolios. The Group's business is dependent on the demand for space from SMEs. A downturn in the SME business environment or a change in occupational patterns (for example, downsizing) could materially adversely affect the Group's business, financial condition or results of operations.

### **Fall in net revenue**

The net revenue generated from the Group's properties may depend on the financial stability of its tenants. In the event of a number of tenants defaulting, the Group may experience delays in enforcing its rights as landlord and may incur costs, including litigation and related expenses, in protecting its investment and re-letting the relevant units. In the event of a tenant going bankrupt or becoming insolvent, and thus seeking the protection of bankruptcy or insolvency laws, the Group may experience delays in receipt of rental and/or other contractual payments or it may be unable to collect such payments at all.

If a lease is terminated, the Group may be unable to lease the property for the rent previously received or sell the property without incurring a loss. In the event of a default by a tenant leading to a vacancy or during any other period of vacancy, the Group will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor's costs in re-letting, maintenance costs, insurance, rates and marketing costs.

The Group offers flexible leases, typically with three month rolling breaks and therefore experiences churn amongst its customers. When a tenant at one of the Group's properties does not renew its lease, exercises a break clause, or otherwise vacates its space, the Group's rental income may be reduced until that unit is re-let and the Group may be required to expend funds to construct new tenant improvements in the vacant space or to provide financial inducements to the new tenants.

### **Increase in operating costs**

The Group's operating and other expenses could increase without a corresponding increase in turnover or tenant reimbursements of operating and other costs. Factors which could increase operating and other expenses include:

- increases in the rate of inflation;
- increases in payroll expenses and energy costs;
- increases in property taxes and other statutory charges;
- increases in insurance premiums;
- increases in the costs of maintaining properties; and
- failure to perform by sub-contractors leading to increases in operating costs.

Such increases could have a material adverse effect on the Group's business, financial conditions or results of operations and the Company's ability to make distributions to its Shareholders.

### **Environmental**

The Group may be liable for the costs of removal, investigation or remediation of any hazardous or toxic substances that are located on or in a property owned or occupied by it, or that are migrating or have migrated from a property owned or occupied by it. The costs of any required removal, investigation or remediation of such substances may be substantial regardless of whether the Group originally caused the contamination. The presence of such substances, or the failure to remedy the situation properly, may also adversely affect the value of the property or the Group's ability to sell, let or regenerate the property or to borrow using the property as security. The Group could be required to remove or remediate any hazardous substances that it has caused or knowingly permitted to be located at any property that it has owned or occupied in the past. In addition, the Group may not have recourse to the previous owners of its properties for environmental issues, and even where such recourse is available, any claims the Group may have are at risk of not being fully enforceable against previous owners. Such events could have an adverse effect on the Group's business, financial condition, results of operations, future prospects or the price of Ordinary Shares.

Laws and regulations, which may be amended over time, may also impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials or substances from an investment, including asbestos, and such presence, release or migration can form the basis for liability to third parties for personal injury or other damages. The Group may be affected by the additional cost of environmental liabilities imposed by environmental regulation, which could have a material adverse effect on its business, financial condition or results of operations.

### **Legal and regulatory changes**

The Group and any partners with whom the Group may deal with are required to comply with regulations relating to planning, land use and building regulation standards. The institution and enforcement of such regulations could have the effect of increasing the expenses of and lowering the income from, as well as adversely affecting the value of, the Group's assets. New laws may be introduced which may be retrospective and affect existing planning consents.

In addition, investors should note that changes in the legal framework concerning planning rules in the UK may negatively influence the values of properties. This may have an adverse impact on the value of the Group's business, financial condition or results of operations.

From time to time, regulations are introduced which can impact on the costs of property ownership and which can affect returns. In recent times these have included provisions for the containment and management of asbestos in buildings, regulations concerning the provision of access for disabled persons, and provisions for the measurement and reporting of the energy efficiency of buildings.

### **Construction**

The Group may choose to engage in property regeneration and improvement which may require substantial capital expenditure for land acquisition and construction. It may take considerable time before projects are completed and begin to generate positive cash flows. Certain general risks affect regeneration and refurbishment activities. Construction and other project costs may exceed the Group's original estimates for reasons including increases in material and labour costs, delays and costs to obtain anchor tenant commitments, potentially making the project unprofitable. The Group may not obtain, or may face delays in obtaining, necessary administrative permits and planning permissions. Furthermore, even when the Group completes a development, it may not succeed in leasing newly acquired or developed properties at rents sufficient to cover its costs of development and operations. In addition, it may take some time before newly developed properties achieve the Group's target occupancy rates. Any of these risks could increase the cost, or could delay or prevent completion, of a project and could result in a loss of revenue or of capital invested.

Failure by the Group to complete an existing or future property regeneration or improvement project in line with the original proposals may have a material adverse effect on the Group's business, financial condition or results of operations.

In addition, and despite insurance coverage, property regeneration and improvement may also give rise to actions being brought against the Group in connection with defects in the property.

### **Acquisition of property**

As part of its business, the Group may acquire property assets. Such acquisitions involve a number of risks inherent in assessing the values, strengths, weaknesses and profitability of properties, including adverse short-term effects on the Group's operating results. Whilst it is the Group's policy to undertake appropriate environmental and structural surveys in order to assess these risks, unexpected problems and latent liabilities or contingencies such as the existence of hazardous substances or other environmental liabilities, may still emerge. Further risks inherent in property acquisitions include risks that the acquired properties will not achieve anticipated rental rates or occupancy levels, and that judgements with respect to improvements to increase the financial returns of acquired properties will prove inaccurate.

### **Terrorism**

The value of the Group's current and future properties may be adversely affected by actual or threatened acts of terrorism. A terrorist attack in the UK (and particularly in London) might impact on the willingness of new tenants to take up space, of current tenants to renew leases, on the ability to dispose of assets and on the values achieved on any asset disposals. The resulting increase in vacancies in the market could reduce the ability of the Group to let vacant space and cause property values to decrease, both of which could have an adverse impact on the Group's business, financial condition or operating results.

### **Uninsured losses**

The Board attempts to ensure that all the Group's properties are adequately insured to cover losses. However, changes in the costs or availability of insurance could expose the Group to uninsured losses. In addition, certain types of risk may be, or may become in the future, uninsurable or not economically insurable or may not be currently, or in the future, covered by the Group's insurance. In the event that any of the properties incurs a loss that is not fully covered by insurance, the value of the Group's assets will be reduced by the amount of any such uninsured loss. In addition, the Group may have no source of funding to repair or

reconstruct the damaged property, and there can be no assurance that any such sources of funding will be available to it for such purposes in the future.

### **Safety of visitors at premises of the Group**

There is a risk of accidents involving the public at premises owned by the Group. The Group places great importance on health and safety and it has approved policies and procedures applicable to all its premises. In addition, the Group has public liability insurance in place which the Directors consider provides an adequate level of protection against third party claims. However, should an accident attract publicity or be of a size and/or nature that is not adequately covered by insurance, the resulting publicity and costs could have an adverse impact on the Group's reputation, business, financial condition or results of operations. In such instance, the Group's ability to put in place public liability insurance cover in the future may also be adversely affected.

### **The Group may be subject to claims following the disposal of assets/properties**

The Group may choose to dispose of properties and may be required to give representations and warranties about those properties and to pay damages to the extent that any such representations or warranties prove to be inaccurate. The Group may become involved in disputes or litigation concerning such representations and warranties and may be required to make payments to third parties as a result of such disputes or litigation, which could have an adverse impact on the Group's business, financial condition or results of operations.

## **RISKS RELATING TO THE GROUP**

### **Management risks**

The Group's future success is substantially dependent on the continued services and performance of its Directors, Senior Managers and other key employees, and its ability to continue to attract and retain highly skilled and qualified personnel. Although measures are in place to reward and retain key individuals and to protect the Group from the impact of excessive staff turnover, the Directors cannot give assurances that the Directors, Senior Managers and other key employees will continue to remain with the Group. Furthermore, in the event of the death or disability of any of the Directors, Senior Managers or other key employees, no "key-man" insurance is in place to protect the Group from this loss. The loss of the services of the Directors, the Senior Managers and other key employees could materially adversely affect the Group's business, financial condition or results of operations. In this context, it was announced on 6 June 2011 that Harry Platt intends to retire from his role of Chief Executive of the Company during 2012 once the handover to the new Chief Executive has been successfully completed.

### **Counterparty credit risk**

The Group is exposed to counterparty credit risk in respect of financial derivatives used to hedge interest rates. There is a risk of a loss being sustained by the Group as a result of payment default by the counterparty with whom the Group has entered into hedging transactions to hedge its interest rate risk. The extent of the Group's loss could be the full amount of the cost of replacing those transactions. Under the Group's treasury risk management policy, the Group only deals with counterparties with certain minimum credit ratings and has set its maximum exposure to each of them with regard to credit ratings. There can be no assurance, however, that the Group will successfully manage this risk or that such payment defaults by counterparties will not adversely affect the Group's business, financial condition or results of operations.

### **REIT status**

The Group is currently in compliance with all of the conditions for REIT status and it is the current intention of the Board that the Group is continued to be managed in such a way so as to remain in compliance with those conditions under its control. Whilst at present there is no reason why the Group should not be able to continue to comply with all the conditions, certain of the conditions are outside the Group's control and the Group therefore cannot guarantee continued compliance with all of the conditions for REIT status set out in the Corporation Tax Act 2010 and related regulations. There is, therefore, a risk that the REIT regime may cease to apply in some circumstances.

HMRC may require the Group to exit the REIT regime if:

- it regards a breach of the REIT conditions or failure to satisfy the REIT conditions relating to the tax-exempt business, or an attempt to avoid tax, as sufficiently serious;
- if the Group has committed a certain number of minor or inadvertent breaches of the REIT conditions in a specified period; or
- if HMRC has given the Group at least two notices in relation to the avoidance of tax within a ten year period.

In addition, if the conditions for REIT status relating to the share capital of the Company or the prohibition on entering into loans with abnormal returns are breached or if the Company becomes dual resident or an open-ended investment company, the Group will automatically lose its REIT status.

The Group could also lose its REIT status as a result of actions by third parties, for example, in the event of a successful takeover of the Company by a company that is not a UK REIT or due to a breach of the “close company” condition (as defined in section 439 of the Corporation Tax Act 2010).

If the Group loses its REIT status, the Group will no longer be able to benefit from the provisions contained in Part 12 of the Corporation Tax Act 2010 and related regulations thereto. This would mean, *inter alia*, that the Group would no longer be able to benefit from the exemption on paying UK direct tax on the profits and gains arising from the Group’s qualifying property rental business. If the Group is required by HMRC to leave the REIT regime (as a result of it breaching any relevant conditions) within 10 years of joining, HMRC has the power to direct how the Group is to be taxed (both before and after it leaves the REIT regime) and to determine the date on which the Group is to be treated as exiting the REIT regime.

Any such charge could substantially reduce the cash available to the Company to make distributions and, consequently, Shareholders’ yield on their investment. The loss of REIT status would adversely affect the tax treatment of profits and distributions payable to Shareholders.

If the operating profits of the Group are less than 1.25 times the amount of interest (and other financing costs) of any external loans, the Group may become subject to an additional tax charge.

Additionally, the principal company of a group REIT (being the Company) may become subject to an additional tax charge if it fails to take reasonable steps to avoid paying a dividend to, or in respect of, a Substantial Shareholder. The Articles (a description of which is set out in Part 10 of this document) therefore contain provisions designed to avoid the situation where dividends may become payable to a Substantial Shareholder. These provisions provide the Directors with powers to identify a Substantial Shareholder and to prohibit the payment of dividends on Ordinary Shares that form part of a Substantial Shareholder’s holding unless certain conditions are met. The Articles also allow the Board to require the disposal of Ordinary Shares forming part of a Substantial Shareholder’s holding in certain circumstances where the Substantial Shareholder has failed to comply with the above provisions.

HM Treasury has launched an informal consultation on proposed amendments to the REIT regime. Any resulting legislative change may impact on the Group’s REIT status.

### **Changes in taxation**

Tax rules and their interpretation may change. Any change in any member of the Group’s tax status or to taxation legislation (such as legislation relating to the REIT regime) or its interpretation may affect the Company’s ability to provide returns to Shareholders or may alter the post-tax returns to Shareholders.

### **Dividends**

The level of dividends paid on the Ordinary Shares is not guaranteed and may fluctuate. The level of dividends paid to the holders of Ordinary Shares will depend principally on the profits of the Company. The profits of the Group will be affected by the net rental income received from the Group’s underlying assets, the operating expenses incurred by the Group and the cost of servicing the Group’s debt.

Additionally, because the Company is the principal company of a REIT group, the Company is required, amongst other things, to distribute annually to Shareholders at least 90 per cent. of the Group’s UK profits

(as defined in Section 530 of the Corporation Tax Act 2010) from its qualifying property rental businesses by way of a PID. The Company would be required to pay tax at regular corporate rates on any shortfall to the extent that it distributes as a PID less than the amount required to meet this 90 per cent. test each year, which may have a material adverse effect on the Group's business, financial condition or results of operations. If, however, the reason the Company fails to meet this 90 per cent. distribution test is due to a legal impediment, such as having insufficient distributable reserves, the 90 per cent. distribution test will still be considered satisfied provided the Company pays a PID equal to the distributable reserves.

### **Group's credit facilities**

The Group's credit facilities impose certain restrictions on the Group. These restrictions may affect, limit or prohibit the Group's ability to create or permit to subsist any charges, liens or other encumbrances in the nature of a security interest; incur additional indebtedness by way of borrowing, leasing commitments, factoring of debts or granting of guarantees; make any material changes in the nature of its business as presently conducted; sell, transfer, lease or otherwise dispose of all or a substantial part of its assets; amend, vary or waive the terms of certain acquisition documents or give any consent or exercise any discretion thereunder; acquire any businesses; or make any co-investments or investments over the longer term. If the Group were to seek to vary or waive any of these restrictions and the relevant lenders did not agree to such variation or amendment, the restrictions may delay the implementation of certain of the Group's development projects and may over the longer term limit the Group's ability to plan for or react to market conditions, meet capital needs, or otherwise restrict the Group's activities or business plans and adversely affect the Group's ability to finance strategic acquisitions, investments and development projects.

### **Group's debt level**

The investment property and development sectors tend to employ significant financial leverage with the goal of maximising returns to Shareholders. The Company currently has a relatively high level of Gearing. As at 31 March 2011, Gearing stood at 110 per cent. The Group expects to continue to leverage its property portfolio through borrowings, generally through the use of banking facilities, subject to the borrowing powers set out in the Articles and the REIT regulations, which effectively limit debt levels by specifying that operating profit must be greater than 1.25 times interest (and any other financing costs) for any financial year. Whilst the use of borrowings should enhance the performance of the Ordinary Shares when the value of the Group's underlying assets is rising, it may have the opposite effect where the underlying asset value is falling.

It is the Group's current policy to hedge a minimum of 50 per cent. of its interest rate exposure. However, an increase in interest rates might materially adversely affect the results of the Group's operations by increasing the financing cost of any unhedged portion of debt.

In relation to interest rates, the Group has entered into certain interest rate swap contracts. There may be instances where an interest rate swap contract provides for the option of early termination by either the Group or the counterparty. Depending on the interest rate environment, there is a risk that a counterparty to the contract may elect to terminate early and the market value amount calculated on such termination may result in a net payment to the counterparty from the Group and this could have a material adverse effect on the Group's business, financial condition or results of operations.

### **Ability to raise future debt financing**

The ability of the Group to raise funds to roll-over or refinance its existing debt facilities, which mature on dates ranging from December 2014 to June 2015, will be dependent on a number of factors, including general economic, political, debt and equity capital market conditions, credit availability and, importantly, the appetite of lending banks to lend to the property sector. If the Group were to face a liquidity crisis in the future, whether for macro-economic reasons or for reasons specific to the Group, it could significantly increase the Group's cost of funding or lead to serious difficulties for the Group in refinancing its debt. The Group could therefore be forced to sell its unencumbered assets, and sales in such circumstances may not deliver the level of proceeds that may otherwise be expected in order to comply with the Group's obligations. This may materially adversely affect the Group's business, financial condition or results of operations at such time.

### **Future equity fundraising**

Whilst the Board has no current plans to raise additional capital following the Rights Issue, it is possible that the Company may raise extra equity in the future to develop the Group's business or repay debt. Any additional equity financing may be dilutive to Shareholders.

## **RISKS RELATING TO THE ORDINARY SHARES**

### **Volatility**

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Ordinary Shares (or securities similar to them) or in response to various factors and events, including legal or regulatory changes affecting the Group's operations, variations in the Group's operating results or property valuation and any further downturn in the broader UK property market.

Stock markets have, from time to time, experienced significant price and volume fluctuations which have affected the market prices for securities generally. General fluctuations in stock markets can therefore have an adverse impact on the market price of the Ordinary Shares, even though such fluctuations are unrelated to the Group's operating performance or prospects. A significant drop in the market price of the Ordinary Shares may also lead to loss of confidence, making new client generation and key employee retention more challenging.

From time to time, the Group's operating results and prospects may be below the expectations of market analysts and Shareholders. Any of these events could result in a decline in the market price of the Ordinary Shares (including the New Ordinary Shares).

### **Future sales of Ordinary Shares in the public market**

Sales of a substantial number of Ordinary Shares in the public market after the Rights Issue, whether from investors who acquired New Ordinary Shares in the Rights Issue or from pre-existing Shareholders, or the perception that these sales might occur, could adversely depress the market price of the Ordinary Shares.

### **Suitability of Ordinary Shares as an investment**

Ordinary Shares may not be a suitable investment for all the recipients of this document. Before making a final decision, investors are advised to consult an appropriate independent investment adviser authorised under the FSMA who specialises in advising on the acquisition of shares and other securities.

The value of the Ordinary Shares and the income received from them can go down as well as up and investors may get back less than their original investment.

In the event of a winding-up of the Company, the Ordinary Shares will rank behind any liabilities of the Company and therefore any return for Shareholders will depend on the Company's assets being sufficient to meet the prior entitlements of creditors.

### **Net asset value and market price**

There is no guarantee that the market price of the Ordinary Shares will fully reflect the underlying value of the assets held by the Group. As well as being affected by the underlying value of the assets held, the market value of the Ordinary Shares will, amongst other factors, be influenced by their dividend yield and the supply and demand for the Ordinary Shares in the market. As such, the market value of the Ordinary Shares may vary considerably from the underlying value of the Group's assets. The market price of the Ordinary Shares may also fall, and remain below, the Rights Issue Price.

### **Significant shareholder**

As at 5 July 2011 (being the latest practicable date prior to the publication of this document), the Company is aware that there is an individual (the "**Significant Shareholder**") who has an interest in, directly or indirectly, almost 27 per cent. of the Company's share capital via a number of different trusts and legal

entities. As a result, the Significant Shareholder has the ability to block special resolutions which require 75 per cent. shareholder approval and could exercise significant influence over the Group's operations and business strategy. This concentration of voting powers may hinder changes or corporate actions that are in the interests of other Shareholders. In addition, a mandatory takeover bid for the Company under the City Code on Takeovers and Mergers would be triggered if the Significant Shareholder increased his interest to 30 per cent. or greater of the Company's share capital.

## **RISKS RELATING TO THE RIGHTS ISSUE**

### **Failure of the Rights Issue**

The Rights Issue is conditional, *inter alia*, upon Admission becoming effective and the Sponsor and Underwriting Agreement becoming unconditional in all respects. Should any of the conditions to the Rights Issue not be satisfied or (where appropriate) be waived, the Company will not receive any funds from the Rights Issue.

### **The absence of an active trading market in Nil Paid Rights and any volatility in the trading price of Nil Paid Rights**

The trading period for the Nil Paid Rights is expected to commence on 12 July 2011 and to end on 26 July 2011. The Nil Paid Rights will not be traded on any exchange other than the London Stock Exchange. Because the trading price of Nil Paid Rights depends on the trading price of the Ordinary Shares, the price of Nil Paid Rights will be subject to the same risks as the price of the Ordinary Shares. Furthermore, given that the Nil Paid Rights will have a lower value than the Ordinary Shares and will only have a limited trading life, an active trading market in the Nil Paid Rights may not develop on the London Stock Exchange during that period. Accordingly, the price of the Nil Paid Rights may be highly volatile.

### **Dilution of current ownership interests**

Qualifying Shareholders who do not take up any of their entitlements to New Ordinary Shares under the Rights Issue will suffer an immediate dilution of approximately 20 per cent. to their interests in the Company as a result of the issue of the New Ordinary Shares pursuant to the Rights Issue. Even if a Qualifying Shareholder elects to sell his or her unexercised Nil Paid Rights, the consideration he or she receives may not be sufficient to compensate him or her fully for the dilution of his or her percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

### **Shareholdings of greater than 10 per cent. after the Rights Issue**

In consequence of being a REIT, the Directors have powers under the Articles to identify Substantial Shareholders and to prohibit the payment of dividends on Ordinary Shares that form part of a Substantial Shareholder's holding unless certain conditions are met. The Articles also allow the Board to require the disposal of Ordinary Shares forming part of a Substantial Shareholder's holding in certain circumstances where the Substantial Shareholder has failed to comply with the above provisions.

Accordingly, Shareholders should note that, where they may have a holding of over 10 per cent. of the issued share capital of the Company following the Rights Issue, this could adversely affect their ability to receive dividends and could in some circumstances result in a requirement for all or some of the Ordinary Shares held by them to be sold.

## **IMPORTANT INFORMATION**

### **General**

No person has been authorised to give any information or make any representations other than the information contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Sponsor or the Joint Underwriters. Subject to the requirements of the Prospectus Rules, neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct at any time subsequent to its date.

In making an investment decision, each investor must rely on its own examination, analysis and enquiry of the Company and the terms of the Rights Issue.

Prospective investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights. Prospective investors must rely upon their own legal advisers, accountants and other financial advisers as to legal, tax, investment or any other related matters concerning the Company and any investment therein. Statements made in this document are based on the law and practice currently in force in England and Wales and are subject to changes therein.

This document should be read in its entirety before making any application for New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights. Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles.

Each of Rothschild, BESI and Investec and any of their respective affiliates, acting as an investor for their own account, may take up New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights in the Rights Issue and in that capacity may retain, purchase or sell for their own account such securities and any New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights or related investments and may offer or sell such New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights or other investments otherwise than in connection with the Rights Issue. Accordingly, references in this document to New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights being placed or offered should be read as including any placement or offering of New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights to any of Rothschild, BESI or Investec or any of their respective affiliates acting in such capacity. Neither Rothschild, BESI or Investec intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

### **Overseas Shareholders**

The distribution of this document and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares into jurisdictions other than the UK may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed in or into, forwarded to or transmitted in or into the United States or the other Excluded Territories. The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in Part 3 of this document. No action has been taken by the Company or by the Sponsor that would permit an offer of the New Ordinary Shares or rights thereto or possession or distribution of this document

or any other offering or publicity material or the Provisional Allotment Letters, the Nil Paid Rights, or the Fully Paid Rights in any jurisdiction where action for that purpose is required, other than in the UK.

Specific restrictions relating to certain jurisdictions are set out below.

### *United States*

The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been and will not be registered under the US Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States absent registration or an applicable exemption from the registration requirements of the US Securities Act and in compliance with state securities laws. The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letter have not been approved or disapproved by the SEC, any states securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Accordingly, the offer by way of rights is not being made in the United States and neither this document nor the Provisional Allotment Letter constitutes or will constitute an offer, or an invitation to apply for, or an offer or an invitation to acquire, any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights by any person in the United States. Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights have not been, and will not be, credited to the CREST account of any Qualifying Shareholder with a registered address in the United States, subject to certain exceptions. Accordingly, this document is being sent to such Qualifying Shareholders for information only, is confidential and should not be copied or redistributed by them.

Subject to certain limited exceptions, envelopes containing Provisional Allotment Letters and postmarked in the United States or otherwise despatched from the United States will not be accepted, and all persons acquiring New Ordinary Shares and wishing to hold such shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain limited exceptions, any person who acquires New Ordinary Shares, Nil Paid Rights or Fully Paid Rights will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Provisional Allotment Letter and delivery of the New Ordinary Shares, Nil Paid Shares or Fully Paid Rights, that it is not, and that at the time of acquiring the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights it will not be, in the United States.

The Company and the Joint Underwriters reserve the right to treat as invalid any Provisional Allotment Letter: (i) that appears to the Company or the Joint Underwriters or their respective agents to have been executed in or despatched from the United States; (ii) that does not include the relevant warranty set out in the Provisional Allotment Letter headed "Overseas Shareholders" to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address (and is not otherwise located) in the United States and is not acquiring rights to Nil Paid Rights, Fully Paid Rights or New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States; or (iii) where the Company or the Joint Underwriters believe acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements, and the Company and the Joint Underwriters shall not be bound to allot (on a non-provisional basis) or issue any New Ordinary Shares, Nil Paid Rights, Fully Paid Rights in respect of any such Provisional Allotment Letter. In addition, the Company and the Joint Underwriters reserve the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of Nil Paid Rights.

Until 40 days after the commencement of the Rights Issue, any offer, sale or transfer of the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

### ***Other Excluded Territories***

No offer of New Ordinary Shares is being made by virtue of this document or the Provisional Allotment Letter into Australia, Canada, Japan, the Republic of South Africa or any other Excluded Territory. Qualifying Shareholders with registered addresses in any of Australia, Canada, Japan, the Republic of South Africa or any other Excluded Territory will not (subject, in certain cases, to certain exceptions) be sent a Provisional Allotment Letter or have their CREST accounts credited with Nil Paid Rights.

Qualifying Shareholders in jurisdictions other than those specified above may, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter.

Qualifying Shareholders who have registered addresses in or who are resident or located in, or who are citizens of any country other than the United Kingdom should consult their appropriate professional advisers whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Ordinary Shares.

If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser immediately.

### ***Member States of the European Economic Area (other than the UK)***

In relation to each member state of the European Economic Area (each, a “**Member State**”) (except for the UK), no New Ordinary Shares, Nil Paid Rights or Fully Paid Rights have been offered or will be offered pursuant to the Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that offers of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights pursuant to the Rights Issue may be made to the public in any member state at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual turnover of more than €50 million, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive (including the offer of securities addressed to fewer than 100 persons per member state, other than qualified investors) provided that no such offer of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights shall result in a requirement for the publication by the Company or the Sponsor of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purpose of the expression an “offer of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to the public” in relation to any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights to be offered so as to enable an investor to decide to purchase any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

The Company does not anticipate utilising the passporting provisions of FSMA in relation to this document. However, on the basis of the above exceptions, it is expected that Shareholders in all member states of the European Economic Area will be able to participate in the Rights Issue.

**Forward-looking statements**

This document contains forward-looking statements which reflect the Group's or, as appropriate, the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Company's products and services). These statements include forward-looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements of a future or forward-looking nature identify forward-looking statements.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include, but are not limited to, those described under the heading "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward-looking statements in this document reflect the Group's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Company's operations, results of operations and growth strategy.

These forward-looking statements speak only as of the date of this document. Subject to any obligations under the Prospectus Rules, the Disclosure and Transparency Rules or the Listing Rules, and save as required by law, the Company undertakes no obligation to update publicly or to review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or individuals acting for and on behalf of the Company are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

The statements above relating to forward-looking statements should not be construed as a qualification on the opinion of the Company as to working capital set out in paragraph 14 of Part 10 of this document.

**Website**

The contents of the website of the Company do not form part of this document.

## RIGHTS ISSUE STATISTICS

Rights Issue Price	23 pence
Number of Ordinary Shares in issue at the date of this document	1,152,731,338
Number of New Ordinary Shares to be issued pursuant to the Rights Issue	288,182,835
Number of Ordinary Shares in issue immediately following completion of the Rights Issue	1,440,914,173
New Ordinary Shares as a percentage of the enlarged issued share capital of the Company following completion of the Rights Issue	20%
Gross proceeds of the Rights Issue	£66.3 million
Estimated net proceeds of the Rights Issue	£63 million

**Notes:**

1. The above assumes that no further Ordinary Shares are issued as a result of the exercise of options under the Company's share schemes (further details of which are set out in paragraph 5.4 and paragraph 8 of Part 10 of this document) before completion of the Rights Issue.
2. The Company is seeking authority from Shareholders at the Company's annual general meeting on 28 July 2011 to undertake a share consolidation. If approved, the record date for the share consolidation will fall after the issue of the New Ordinary Shares. The above is, therefore, based on the Company's share capital prior to any share consolidation.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2011
Record Date for entitlement under the Rights Issue	5 July
Announcement of the Rights Issue	7.00 a.m. on 7 July
Publication of this document	7 July
Despatch of Provisional Allotment Letters to Qualifying non-CREST Shareholders	11 July
Admission – commencement of dealings in Nil Paid Rights and Fully Paid Rights on the London Stock Exchange and Existing Ordinary Shares marked “ex-rights” by the London Stock Exchange	8.00 a.m. on 12 July
Nil Paid Rights credited to CREST stock accounts of Qualifying CREST Shareholders	as soon as practicable after 8.00 a.m. on 12 July
Nil Paid Rights and Fully Paid Rights enabled in CREST	as soon as practicable after 8.00 a.m. on 12 July
Ex-dividend date for the final dividend for the period ended 31 March 2011	13 July
Record date for the final dividend for the period ended 31 March 2011	15 July
Recommended latest time and date for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST	4.30 p.m. on 20 July
Recommended latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account	3.00 p.m. on 21 July
Recommended latest time and date for splitting Provisional Allotment Letters, nil paid or fully paid	3.00 p.m. on 22 July
Latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters, fully paid	11.00 a.m. on 26 July
Admission and commencement of dealings in New Ordinary Shares, fully paid, on the London Stock Exchange	8.00 a.m. on 27 July
Expected date for crediting New Ordinary Shares to CREST stock accounts	27 July
Expected date of despatch of definitive share certificates for the New Ordinary Shares in certificated form	by no later than 12 August

### Notes:

1. The ability to participate in the Rights Issue is subject to certain restrictions relating to Qualifying Shareholders with registered addresses outside the United Kingdom, details of which are set out in Part 3 of this document.
2. References to times in this document are to London times.
3. The times and dates set out in the expected timetable of principal events above and mentioned throughout this document and in the Provisional Allotment Letters may be adjusted by the Company in consultation with its advisers, in which event details of the new times and dates will be notified to the UK Listing Authority, the London Stock Exchange and, where appropriate, Qualifying Shareholders.
4. The timing of the events in the above timetable will be subject to all relevant regulatory approvals being obtained.
5. The share certificates despatched by 12 August 2011 will reflect the effects of both the Rights Issue and the share consolidation which is expected to occur on 5 August 2011 if approved at the annual general meeting of the Company to be held on 28 July 2011.

## DIRECTORS, REGISTERED OFFICE AND ADVISERS

<b>Directors:</b>	<p>Antony Hales, CBE (<i>Non-executive Chairman</i>)  Daniel Kitchen (<i>Non-executive Director and Chairman Designate</i>)  Harry Platt (<i>Chief Executive</i>)  Graham Clemett (<i>Finance Director</i>)  John Bywater (<i>Non-executive Director</i>)  Bernard Cragg (<i>Non-executive Director</i>)  Jamie Hopkins (<i>Non-executive Director</i>)</p>
<b>Registered Office:</b>	<p>Workspace Group PLC  Magenta House  85 Whitechapel Road  London E1 1DU</p>
<b>Sponsor:</b>	<p>Rothschild  New Court  St. Swithin's Lane  London EC4P 4DU</p>
<b>Joint Bookrunner, Broker and Underwriter:</b>	<p>Execution Noble Limited (which conducts its UK investment banking activities as Espirito Santo Investment Bank)  10 Paternoster Square  London EC4M 7AL</p>
<b>Joint Bookrunner, Broker and Underwriter:</b>	<p>Investec Bank plc  2 Gresham Street  London EC2V 7QP</p>
<b>Registrars to the Company:</b>	<p>Computershare Investor Services PLC  The Pavilions  Bridgwater Road  Bristol BS99 6ZZ</p>
<b>Auditor and Reporting Accountants to the Group:</b>	<p>PricewaterhouseCoopers LLP  1 Embankment Place  London WC2N 6RH</p>
<b>Legal Adviser to the Company:</b>	<p>Slaughter and May  One Bunhill Row  London EC1Y 8YY</p>
<b>Legal Adviser to the Sponsor and Joint Underwriters:</b>	<p>Simmons &amp; Simmons LLP  CityPoint  One Ropemaker Street  London EC2Y 9SS</p>
<b>Property Valuer:</b>	<p>CB Richard Ellis Limited  Kingsley House  Wimpole Street  London W1G 0RE</p>

## PART 1

### LETTER FROM THE CHAIRMAN AND CHAIRMAN DESIGNATE

#### WORKSPACE GROUP PLC

*(Incorporated and registered in England and Wales under number 2041612)*

*Directors:*

A J Hales CBE (*Non-executive Chairman*)  
D Kitchen (*Non-executive Director & Chairman Designate*)  
H Platt (*Chief Executive*)  
G Clemett (*Finance Director*)  
J Bywater (*Non-executive Director*)  
B Cragg (*Non-executive Director*)  
J Hopkins (*Non-executive Director*)

*Registered Office:*

Magenta House  
85 Whitechapel Road  
London E1 1DU

*To Qualifying Shareholders and, for information only, holders of share options*

7 July 2011

Dear Shareholder,

**1 FOR 4 RIGHTS ISSUE OF 288,182,835 NEW ORDINARY SHARES AT  
23 PENCE PER NEW ORDINARY SHARE**

#### **1. Introduction**

This is a joint letter from your current Chairman, Tony Hales, and your Chairman Designate, Daniel Kitchen, who will take over as Chairman at the forthcoming AGM subject to your approval.

Workspace Group PLC has announced today its intention to raise net proceeds of approximately £63 million by way of a Rights Issue. This letter sets out the background to, reasons for and principal terms of the Rights Issue, which has been underwritten in full by the Joint Underwriters.

Approximately £50 million of the net proceeds of the Rights Issue is to provide the Company with additional financial resources, which will be used to accelerate the investment programme across the Group's existing property portfolio. In addition, approximately £13 million of the net proceeds of the Rights Issue will be used to fund property acquisitions.

The Rights Issue is being made on the basis of 1 New Ordinary Share for every 4 Existing Ordinary Shares at a price of 23 pence per New Ordinary Share, representing a discount of 19.9 per cent. to the closing mid market price of 29.25 pence on 6 July 2011 (after adjusting for the proposed final dividend of 0.55 pence per Existing Ordinary Share which will not be payable to holders of the New Ordinary Shares).

The Rights Issue will be made to all Qualifying Shareholders on the terms set out in this document in proportion to the number of Existing Ordinary Shares held on 5 July 2011. Your attention is drawn to paragraphs 3 to 5 of Part 3 of this document, which sets out the actions to be taken by shareholders.

#### **2. Background to and reasons for the Rights Issue and use of proceeds**

##### **2.1 Overview**

The Board believes the Group has made significant progress over the last two years; the operational performance of the business has been robust despite the challenging economic environment and a number of steps to strengthen the balance sheet have been completed successfully. Against this background the Board has set clear priorities to take the business forward, building on the progress of the last two years:

- to continue to drive occupancy and rental income growth;

- to maximise value from our property portfolio; and
- to utilise and exploit our brand fully.

## 2.2 *Operational performance and positioning of the business*

Workspace's portfolio continues to perform strongly. Our customer base of small and growing businesses has shown itself to be relatively resilient against the backdrop of a challenging economic environment and we continue to see strong demand from SMEs across London. This is demonstrated by our performance highlights for the year ended 31 March 2011:

- like-for-like cash rent roll growth up 3.9 per cent.;
- like-for-like occupancy 86.2 per cent., up from 83.6 per cent. at 31 March 2010;
- profit before tax of £53 million up from £26 million in the prior year;
- underlying property valuation increased 4.7 per cent.; and
- EPRA NAV per share up 10 per cent. to 29.5 pence.

We target 90 per cent. occupancy at our like-for-like properties (which are not being redeveloped, refurbished or sold) and as we approach this level we have greater opportunity to deliver incremental growth in rental income through pricing increases. 40 of the 80 properties in our like-for-like portfolio already exceeded this occupancy target at 31 March 2011 with a further 10 between 85 per cent. and 90 per cent. occupancy.

The strongest demand for space has been at our larger business centres and our redevelopment initiatives will significantly increase the amount of this higher value space across our portfolio. Accelerating our investment programme will also enable us to take advantage of the improving demand environment we are experiencing.

## 2.3 *Use of proceeds*

The primary purpose of the Rights Issue is to provide the Company with additional financial resources which will be used to accelerate the redevelopment programme across the Group's property portfolio. The Board believes that the redevelopment and repositioning opportunities that the Rights Issue will enable offer attractive and enhanced returns, have a relatively low risk profile and will deliver an acceleration in rental and asset value growth.

The Group currently has a pipeline of existing sites with planning consent, or where planning consent is expected shortly, which, once redeveloped, are expected to deliver a significant uplift in rent roll and valuation. The majority of these planning consents have been achieved over the last two years.

The Board also believes that there are likely to be opportunities to acquire attractively priced commercial property with asset management (and in many cases redevelopment) potential. Acquisitions will primarily be made by the BlackRock Joint Venture, although specific acquisitions adjacent to existing Workspace properties may be made directly by Workspace.

Of the net proceeds from the Rights Issue of approximately £63 million:

- approximately £50 million will be used to accelerate the investment in redevelopment opportunities; and
- approximately £13 million will be used to fund property acquisitions.

The net proceeds will initially be applied to reduce the drawn amount on the revolver bank facility, with the balance held as cash, until the proceeds are invested on the redevelopment and acquisition opportunities.

## 2.4 *Portfolio redevelopment strategy*

Workspace has a track record of realising intrinsic value within its portfolio from redevelopment and regeneration activities; recent examples being the redevelopment of Clerkenwell Workshops and of Canterbury Court at Kennington Park. Workspace's properties in London are usually near to good transport links, with capital values (£137 per sq. ft. as at 31 March 2011) below replacement cost, and in many cases, with low building densities. As a result, these estates have considerable potential for intensification of use, regeneration or change of use. During the recession a more limited level of capital investment was made in the Group's property portfolio. However, good progress was made obtaining planning permissions. As a result, we have a significant pipeline of redevelopment projects where planning consent has been achieved or where planning is well progressed.

Workspace has two strategies for redevelopment across its existing asset base:

- **Redevelopment and repositioning of existing properties:** Obtain planning consent to redevelop and reposition existing commercial properties to improve the quality and amount of lettable space; and
- **'New for Old':** Obtain mixed-use planning consents for intensification of use on a site and then sell the residential component to a developer. Workspace will receive back as part of the proceeds a new, higher-specification business centre, together with cash and/or overage.

The Directors believe that these strategies will increase the proportion of higher value business centres in inner London within the portfolio. These are the assets for which the Board expects there to be greater customer demand, reflected in improving occupancy and rent levels.

Within the portfolio there are 14 properties (of which eleven are within a six mile radius of the London Eye) where we have planning consent, or where planning consent is expected shortly, to redevelop and reposition, and four properties where we have a mixed-use planning consent. The Group also has other substantial opportunities across the rest of its portfolio that can be exploited over time. Discussions are already underway with the local planners on a range of further redevelopment projects on existing properties.

### 2.4.1 *Redevelopment and repositioning of existing properties*

Where planning consent has been obtained for core Workspace uses, Workspace intends to develop these sites itself. These projects are typically build-outs to existing properties rather than new developments. Furthermore, the additional space and repositioning of the building to attract higher value customers can often assist in uplifting the rents for the existing space. The Group is able to achieve enhanced returns on these types of project since there are no costs associated with acquiring new land. The Board considers such projects to be relatively low risk since the Group understands the local letting environment and has a high level of confidence on expected costs and returns, where customer demand and pricing is known.

The Group currently has twelve existing sites with planning consent and a further two sites where planning consent is expected shortly. These schemes represent approximately 0.5 million sq. ft. of existing space where approximately 0.8 million sq. ft. of improved, higher quality space will be created. In total, the schemes require some £98 million of capital expenditure that the Group intends to fund through a combination of the proceeds from the Rights Issue, its own internal resources and cash realised from disposals. Based on conservative appraisals, we estimate that these projects could in total deliver an annualised uplift of over £11 million in rent roll.

Each of the consented development projects can be undertaken independently, in some cases on a phased basis to maximise returns, and the Group will make a commercial assessment on an individual basis to enable the occupancy and income impact to be managed. The short term nature of our leases means that we can progress with any of these schemes relatively quickly, and there is a mix of shorter and longer term projects. The redevelopment of Canalot Studios is due to commence shortly, and it is currently anticipated that a further five development projects will commence within the next nine months.

<i>Property</i>	<i>Type</i>	<i>Description of Scheme</i>	<i>Planning Consent</i>	<i>Indicative Start</i>	<i>Estimated duration (months)</i>	<i>Existing Space (sq. ft.)<sup>(3)</sup></i>	<i>New &amp; Refurbished Space (sq. ft.)</i>	<i>Estimated Capital Required</i>
Canalot Studios, W10	Business Centre	Roof extension and new entrance hall	Received	2011	9	33,000	50,000	£5m
Kennington Park, SW9	Business Complex	1. Lower ground floor retail/gym (Canterbury Court) 2. Additional floor (Chester House)	Received	2011	12	47,000	62,000	£5m
Whitechapel, E1	Offices	Extension to existing office building	Received	2011	6	3,000	9,000	£1m
Greville Street, EC1	Offices	Repositioning of existing building	Received	2011	9	11,000	10,000	£2m
Great Guildford St, SE1	Business Centre	Roof extension, and new ground floor reconfiguration	Pending <sup>(1)</sup>	2012	12	93,000	102,000	£14m
Leyton Village, E10	Industrial Estate	New industrial building on vacant space	Received	2012	9	19,000	65,000	£6m
Exmouth House, EC1	Business Centre	Additional floor and refurbishment	Received	2012	12	54,000	57,000	£3m
Linton House, SE1	Business Centre	Additional floor	Received	2012	12	34,000	49,000	£4m
Westminster, SE11	Business Centre	New business centre on predominantly vacant space	Received	2012	14	12,000	61,000	£15m
Barley Mow, W4	Business Centre	Extension to existing business centre	Received	2012	13	74,000	102,000	£10m
Westwood, NW10	Industrial Estate	New industrial building/studios on vacant space	Received	2012	12	47,000	89,000	£8m
Greenheath, E2	Business Centre	Refurbishment and extended business centre	Pending <sup>(2)</sup>	2012	12	48,000	45,000	£7m
Bounds Green, N11	Industrial Estate	New industrial building on vacant space	Received	2012	8	–	13,000	£1m
Baldwin Gardens, EC1	Business Centre	New business centre to replace existing building	Received	2013	14	43,000	65,000	£17m
<b>Total</b>						<b>518,000</b>	<b>779,000</b>	<b>£98m</b>

(1) Consent granted for new ground floor reconfiguration. Application submitted for roof extension under delegated powers, consent expected shortly.

(2) Application being considered under delegated powers. Consent expected shortly.

(3) Excludes existing site space not subject to redevelopment.

Over time this list will be supplemented by further schemes that are being progressed through the planning process. In addition, the Group retains flexibility to sell certain assets with planning permission should it believe that this will generate higher returns.

#### 2.4.2 Mixed used redevelopments ('New for Old')

On some larger sites, consent has been obtained by Workspace for higher density mixed-use schemes, generally residential and commercial. In these cases, Workspace looks to bring in third party developers to take development and construction risk, and provide the required expertise for schemes of this nature. Value will typically be realised through receiving a completed business centre at the end of the redevelopment together with cash and/or overage on the residential component.

An example is Wandsworth Business Village, previously a 77,000 sq. ft. building built in the early part of the last century providing office and studio space with relatively low rents. Consent has been obtained for 209 apartments to be built in two phases and a new 75,000 sq. ft. business centre. A development agreement was signed in March 2011 with specialist London residential developer Mount Anvil. Mount Anvil will fund and manage the redevelopment of the site and Workspace will receive the new business centre in consideration for granting a 999 year lease to Mount Anvil on the residential component of the scheme. Workspace will retain the overall freehold of the site and will also receive 50 per cent. of any sales proceeds from the sale of the private residential component in excess of £50 million.

This model can be replicated on a number of other sites across the portfolio. We currently have mixed-use planning consents at the following sites:

<i>With planning<sup>(1)</sup></i>	<i>Estimated Timing</i>	<i>Existing Commercial Space (sq. ft.)</i>	<i>New Commercial Space (sq. ft.)</i>	<i>New Residential</i>	<i>Description</i>
Wandsworth Business Village, SW18	2011-2014	77,000 (studio/office)	75,000 (business centre)	209 units	Replacement of studio space with new business centre (in 2 phases) and residential
Aberdeen Studios, N5	2012-2014	53,000 (studio/ industrial)	63,000 (business centre)	72 units	Replacement of studio and light industrial space with new business centre and residential
Bow Enterprise Park, E3	2012-2016	76,000 (industrial)	60,000 (business centre)	557 units	Replacement of light industrial space with new business centre and residential
Grand Union Centre, W10	2012-2014	51,000 (studio/ industrial)	80,000 (business centre)	145 units	Replacement of studio and light industrial space with new business centre and residential
<b>Total</b>		<u>257,000</u>	<u>278,000</u>	<u>983 units</u>	

(1) Note: £33 million of added value in existing valuation for projects with planning as at March 2011.

In total these consented schemes will deliver some 278,000 sq. ft. of high quality business space (replacing 257,000 sq. ft. of lower grade space) and an estimated £4.3 million uplift in annualised rent roll for no capital outlay by Workspace.

We are also in active discussions with the planners at a further five sites as follows:

<i>Other current projects</i>	<i>Existing Commercial Space (sq. ft.)</i>	<i>New Commercial Space (sq. ft.)</i>	<i>Proposed Residential</i>	<i>Status</i>
Poplar, E14	75,000	60,000	392 units	In for planning
Tower Bridge, SE16 <sup>(1)</sup>	303,000	80,000	1,070 units	In discussion with planners
Creekside, SE8	106,000	50,000	215 units	In discussion with planners
Rainbow, SW20	15,000	30,000	200 units	In discussion with planners
Marshgate, E15	93,000	50,000	375 units	In discussion with planners
<b>Total</b>	<u>592,000</u>	<u>270,000</u>	<u>2,252 units</u>	

(1) Excludes existing site space not subject to planning application.

In total, these sites would replace 592,000 sq. ft. of existing space with an estimated 270,000 sq. ft. of higher quality space, with over 2,000 residential units.

## 2.5 **Portfolio activity**

### 2.5.1 *Active portfolio management*

The Group has a long record of active portfolio management, creating significant value from the acquisition and disposal of property assets. £541 million of property has been acquired and £438 million of property has been sold over the last ten years.

Significant valuation uplifts have been achieved on disposals, particularly where we have obtained planning consent for alternative use such as residential and student housing. In these instances the site was sold with the benefit of planning consent.

The Group has made a range of disposals over the last 12 months generating gross proceeds of approximately £48.3 million. The Board expects to complete a further three disposals by the end of the current financial period generating gross proceeds of approximately £9.1 million. The total expected proceeds of £57.4 million would represent an overall exit income yield of 5.9 per cent.

<i>Property</i>	<i>Price</i>	<i>Use</i>	<i>Status</i>
Langdale House	£4.3 million	Commercial	Sold in July 2010
Unit 5, Cullen Way	£0.3 million	Commercial	Sold in January 2011
Surrey House	£4.7 million	Hotel	Sold in January 2011
BlackRock Portfolio	£35.1 million	Commercial	Sold in February 2011
Ewer Street (Car Park)	£3.9 million	Student housing	Sold in April 2011
Magenta House	£4.0 million	Student housing	Contracted – subject to vacant possession
Alscot Road	£1.7 million	Residential	Contracted – subject to vacant possession
Greenheath (Car Park)	£3.4 million	Residential	Contracted – subject to planning consent

The Group will continue to look for opportunities to generate added value and cash from the sale of properties and tracts of land across the portfolio.

#### 2.5.2 *Acquisition strategy*

Over a long period we have tracked a large number of properties across London that we believe may be suitable for our business model giving us an extensive data base of potential acquisitions. Many of our property purchases in the past have been made off-market through direct negotiation with private property owners.

The Directors believe that in the current environment there are likely to be more opportunities to acquire attractively priced commercial property with asset management and/or redevelopment potential. In particular, we see potential opportunities for purchases from leveraged investors, distressed vendors and government and local authorities. The Group's strategy is to acquire interesting buildings in areas of change with good transport links and re-market the property under the Workspace brand to SMEs with intensive management and focused marketing to improve occupancy and rental pricing. In addition, over time, it is expected that some of these properties may also provide opportunities for intensification or change of use.

In February 2011, Workspace and BlackRock formed the BlackRock Joint Venture to invest in freehold properties in London or adjacent South East locations. The BlackRock Joint Venture was seeded with a portfolio of eight properties purchased directly from Workspace for £35 million. The JV partners may commit up to a further £65 million of equity into the BlackRock Joint Venture, representing an additional investment of up to £13.1 million from Workspace and £51.9 million from BlackRock.

The BlackRock Joint Venture properties are managed by Workspace and operated under the Workspace logo and brand. Workspace is responsible for sourcing and recommending investment opportunities. Over £200 million of acquisition opportunities are under review and, to date, offers have been made on three properties in addition to the eight seed properties.

The BlackRock Joint Venture targets high income yielding, multi-let, industrial or office buildings where there is potential for further rental growth and added value from active asset management. Workspace receives a property management fee, together with a performance fee based on the relative performance of the BlackRock Joint Venture against the comparator IPD index and a minimum IRR of 10 per cent. over the five year life of the BlackRock Joint Venture. Overall, including management fees (but excluding performance fees), Workspace is targeting

double-digit returns, on an ungeared basis, from investments made by the BlackRock Joint Venture. Returns may be enhanced by raising debt within the BlackRock Joint Venture, which has a gearing limit of 50 per cent.

The Group intends to earmark approximately £13 million of the net proceeds of the Rights Issue to take advantage of acquisition opportunities. Acquisitions will primarily be made by the BlackRock Joint Venture, and any investment by Workspace into the BlackRock Joint Venture over and above the approximate £13 million of the net proceeds allocated for acquisitions will be funded through internal resources and disposal proceeds. Specific acquisitions adjacent to existing Workspace properties may also be made directly by Workspace. In general, the Group remains flexible to acquisition opportunities which offer better risk adjusted returns than the redevelopment opportunities within the current portfolio.

### **3. Group funding**

In December 2009, the Group completed the acquisition of the former Glebe Joint Venture for £83 million, including the assumption of £68 million of debt within Workspace Glebe. As part of this transaction, Workspace Glebe's £134 million debt was reduced to £83 million, of which £15 million was repaid by Workspace, and restructured into a new five year facility.

In July 2010, the Group signed a new five year £200 million debt facility with a club of four banks to replace the debt facility previously provided by GE Real Estate and BayernLB. The facility was structured as a five year term loan to June 2015 with bullet repayment at maturity.

In June 2011, the Group signed a New RBS Facility of £125 million for four years to June 2015 on similar terms to its previous facility.

Bank loans at 30 June 2011 were £367 million. The borrowings are hedged by £270 million of interest rate swaps at an average rate of 3.8 per cent. to November 2012. The Group's weighted average debt maturity was four years as at 30 June 2011. As at 31 March 2011, the Group had a loan to value ratio of 51 per cent. The Rights Issue proceeds will substantially reduce the Group's loan to value ratio.

### **4. Summary and principal terms of the Rights Issue**

#### **4.1 General**

Under the terms of the Rights Issue, 288,182,835 New Ordinary Shares are being offered, by way of rights, to Qualifying Shareholders (other than, subject to certain exemptions, Excluded Overseas Shareholders) at a Rights Issue Price of 23 pence per New Ordinary Share, payable in full on acceptance by not later than 11.00 a.m. on 26 July 2011. The Rights Issue will raise approximately £63 million (net of expenses).

The Rights Issue is being made on the following basis:

#### **1 New Ordinary Share for every 4 Existing Ordinary Shares**

held by Qualifying Shareholders on the Record Date and so in proportion to any other number of Existing Ordinary Shares then held, and otherwise on the terms and conditions as set out in this document and, in the case of Qualifying non-CREST Shareholders (other than, subject to certain exemptions, Excluded Overseas Shareholders) only, the Provisional Allotment Letter.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with Existing Ordinary Shares, including the right to all future dividends or other distributions made, paid or declared after the date of issue except that the New Ordinary Shares will not rank for the final dividend for the year ended 31 March 2011 of 0.55 pence per Ordinary Share. This proposed dividend, if approved by Shareholders at the Company's annual general meeting, is expected to be paid on 5 August 2011, and the record date for the final dividend, 15 July 2011, falls prior to the issue of the New Ordinary Shares. Details of the rights attaching to Ordinary Shares appear in the Articles, a description of which appears in paragraph 6 of Part 10 of this document.

New Ordinary Shares representing fractional entitlements will not be allotted to Qualifying Shareholders and, where necessary, entitlements to New Ordinary Shares will be rounded down to the nearest whole number. Such fractional entitlements will be aggregated and, if possible, sold in the market. The net proceeds of such sales (after deduction of expenses) will be aggregated and will ultimately accrue for the benefit of the Company, save that Qualifying Shareholders will receive any proceeds in respect of a fractional entitlement in the unlikely event that such proceeds have a value of £3.00 or more. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is conditional upon:

- (a) Admission becoming effective by not later than 8.00 a.m. on 12 July 2011 (or such later time and/or date as the Company, the Sponsor and the Joint Underwriters may agree (being not later than 3.00 p.m. on 19 July 2011)); and
- (b) the Sponsor and Underwriting Agreement having become unconditional in all respects (save for conditions relating to Admission) and not having been terminated in accordance with its terms prior to Admission.

Application has been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange, nil paid, at 8.00 a.m. on 12 July 2011.

**The latest time and date for acceptance and payment in full of the New Ordinary Shares will be 11.00 a.m. on 26 July 2011.**

Based on the Closing Price of 29.25 pence per share and the Rights Issue Price of 23 pence for each New Ordinary Share, the theoretical ex-rights price of an Ordinary Share is 27.56 pence (after adjusting for the final dividend for the year ended 31 March 2011 of 0.55 pence per Existing Ordinary Share).

The terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Part 3 of this document.

#### **4.2 *Qualifying non-CREST Shareholders***

Qualifying non-CREST Shareholders (other than, subject to certain exemptions, Excluded Overseas Shareholders) will receive a Provisional Allotment Letter with this document which will indicate the number of New Ordinary Shares provisionally allotted to such Qualifying non-CREST Shareholders pursuant to the Rights Issue.

Qualifying non-CREST Shareholders should note that, other than the Provisional Allotment Letter, they will receive no further written communication from the Company in respect of the subject matter of this document.

#### **4.3 *Qualifying CREST Shareholders***

Qualifying CREST Shareholders (other than, subject to certain exemptions, Excluded Overseas Shareholders), none of whom will receive a Provisional Allotment Letter, are expected to receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 12 July 2011. The Nil Paid Rights so credited are expected to be enabled for settlement by CREST as soon as practicable after Admission.

Qualifying CREST Shareholders should note that they will receive no further written communication from the Company in respect of the subject matter of this document. They should accordingly retain this document for, amongst other things, details of the action they should take in respect of the Rights Issue. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

#### 4.4 *Settlement*

The New Ordinary Shares will be capable of being held in certificated or uncertificated form. Pending the issue of definitive certificates for the New Ordinary Shares, transfers will be certified against the register. No temporary documents of title in respect of the New Ordinary Shares will be issued.

Any New Ordinary Shares to be issued in certificated form will be represented by definitive share certificates, which are expected to be despatched by 12 August 2011 to the persons entitled thereto at that person's registered address. The share certificates will reflect the effects of both the Rights Issue and the share consolidation which is expected to occur on 5 August 2011 if approved at the annual general meeting of the Company to be held on 28 July 2011 (see paragraph 7 below).

The attention of Qualifying Shareholders with Ordinary Shares in uncertificated form or who wish to receive their New Ordinary Shares in uncertificated form is drawn to paragraph 5 of Part 3 of this document.

#### 4.5 *Overseas Shareholders*

The attention of Qualifying Shareholders who have registered addresses outside the UK, or who are citizens or residents of countries outside the UK, or who are holding Existing Ordinary Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents), or who have a contractual or other legal obligation to forward this document or the Provisional Allotment Letter to such persons, is drawn to the information which appears in paragraph 7 of Part 3 of this document.

### 5. **Financial impact of the Rights Issue**

On completion of the Rights Issue, Workspace Group's unaudited pro forma net assets as at 31 March 2011 will increase from £333.8 million to £396.8 million<sup>1</sup>. Further detail is included in the unaudited pro forma statement of net assets in Part 6 of this document.

### 6. **Current Trading and prospects**

The Group today released its Interim Management Statement covering the period from 1 April 2011 to 7 July 2011, which included the following statements:

Highlights for the first quarter ended 30 June 2011:

- Total occupancy up 0.4 per cent. in the quarter to 84.0 per cent.
- Total cash rent roll up 1.4 per cent. (£0.7 million) in the quarter to £49.6 million.
- Like-for-like occupancy stable at 86.4 per cent.
- Like-for-like cash rent roll up 1.2 per cent. (£0.5 million) in the quarter to £43.5 million.
- Underlying property valuation at 15 June 2011 up 1.3 per cent. (£9 million) to £727 million.

#### *Portfolio Performance*

We are continuing to see good levels of customer enquiries and lettings, despite the impact of the long Easter holiday in the quarter. At our like-for-like properties we have seen rent per sq. ft. improve 1.6 per cent. to £12.27 with cash rent roll up 1.2 per cent. (£0.5 million) to £43.5 million and like-for-like occupancy steady at 86.4 per cent.

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<sup>1</sup> This information has been extracted without adjustment from the unaudited pro forma statement of net assets in Part 6 of this document.

<i>Workspace Group Portfolio</i>	<i>Quarter to 30 June 2011</i>	<i>Quarter to 31 March 2011</i>	<i>Quarter to 30 June 2010</i>
Average enquiries per month	911	1,045	908
Average lettings per month	77	79	87
Total cash rent roll <sup>1</sup>	£49.6m	£48.9m	£51.2m
Total occupancy <sup>1</sup>	84.0%	83.6%	82.7%
Like-for-like cash rent roll <sup>2</sup>	£43.5m	£43.0m	£41.7m
Like-for-like occupancy <sup>2</sup>	86.4%	86.4%	84.8%
Like-for-like rent per sq. ft. <sup>2</sup>	£12.27	£12.06	£11.84

**Notes:**

1. Total cash rent roll and occupancy at June 2010 includes the 8 properties sold into the BlackRock Workspace Joint Venture in February 2011.
2. Like-for-like has been restated in the quarter for the transfer out of Aberdeen Business Centre ahead of its redevelopment and transfer in of the Kennington Park estate (excluding areas within the estate being refurbished).

**Valuation**

The valuation of the Group's properties as at 15 June 2011 was £726.8 million (31 March 2011: £718.7 million). There has been an underlying increase in the valuation of 1.3 per cent. (£9.4 million), excluding the impact of capital expenditure and the sale of the car park at Ewer Street for student housing in April 2011, for £3.9 million.

Total estimated rental value (ERV), excluding disposals, was up 2.3 per cent. (£1.4 million) in the period to £62.8 million, this includes £1.2 million at Wandsworth Business Village (£nil at March 2011) where the mixed-use redevelopment of the site is now underway.

Total existing use income yield (based on cash rent roll) was 7.7 per cent. (31 March 2011: 7.7 per cent.) and added value has increased by £3 million, excluding disposals, to £78 million. Overall net initial yield as reported by our valuers CBRE was 6.9 per cent. (31 March 2011: 6.8 per cent.).

**Banking Facilities**

On 6 July 2011, HSBC became an additional lender to the recently refinanced £125 million RBS Facility, taking up a £62.5 million participation alongside RBS. This adds a further bank to the base of high quality lenders to the Workspace Group.

**7. Share consolidation**

The Company is seeking authority from Shareholders at the Company's annual general meeting on 28 July 2011 to undertake a share consolidation, further details of which were set out in the circular to Shareholders accompanying the notice of general meeting. If approved, the record date for the share consolidation will fall after the issue of the New Ordinary Shares, and the Rights Issue is therefore being undertaken on the basis of the Company's share capital prior to any such share consolidation.

**8. Dividends**

As a REIT, the Group is required to distribute a minimum of 90 per cent. of the Group's UK profits (as defined in section 530 of the Corporation Tax Act 2010) from its qualifying property rental business by way of a PID. The Group's intention is to grow the dividend progressively on an annual basis, subject to trading profits after interest growing at a sufficient rate to support such a dividend.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to all future dividends or other distributions made, paid or declared after the date of their issue except that the New Ordinary Shares will not rank for the final dividend for the year ended 31 March 2011 of 0.55 pence per Ordinary Share. This dividend, if approved by Shareholders at the Company's annual general meeting, is expected to be paid on 5 August 2011, and the record date for the final dividend, being 15 July 2011, is prior to the issue of the New Ordinary Shares.

## **9. Taxation**

Information regarding taxation in the UK in relation to the Ordinary Shares is set out in Part 9 of this document. Shareholders which are in any doubt as to their tax position, or who are subject to tax in any jurisdiction other than the UK, should consult their appropriate professional adviser as soon as possible.

## **10. Action to be taken**

On the basis that dealings commence on 12 July 2011, the latest time for acceptance by Shareholders under the Rights Issue will be 11.00 a.m. on 26 July 2011. The procedure for acceptance and payment is set out in Part 3 of this document. Further details will also appear in the Provisional Allotment Letter which will be sent to all Qualifying Non-CREST Shareholders (other than, subject to certain exemptions, Excluded Overseas Shareholders).

If you are in any doubt as to what action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor or other independent professional adviser who, if you are taking advice in the UK, is duly authorised under FSMA or from any appropriately authorised independent financial adviser if you are in a territory outside the UK, in each case who specialises in advice on the acquisition of shares and other securities.

## **11. Further information**

Your attention is drawn to the additional information set out in Parts 2 to 10 of this document. In particular, your attention is also drawn to the section entitled “Risk Factors” set out in pages 8 to 16 of this document. You are advised to read the whole of this document and not rely solely on the information contained in this letter.

## **12. Board intentions**

The Board considers that the Rights Issue is in the best interests of the Company and its Shareholders as a whole. All of the Directors except Mr Cragg intend to take up in full their rights to subscribe for New Ordinary Shares under the Rights Issue in respect of their own beneficial holdings of Existing Ordinary Shares, which amount, in aggregate, to 13,345,805 Existing Ordinary Shares, representing approximately 1.158 per cent. of the issued share capital of the Company. Mr Cragg intends to sell sufficient of his Nil Paid Rights entitlement in order to provide sufficient funds to subscribe for New Ordinary Shares under the Rights Issue in respect of the balance of his entitlement.

## **13. Management and Board changes**

As previously announced, Harry Platt, our Chief Executive, will be 60 in September and has indicated that he would like to retire in 2012. Harry has been an excellent leader of Workspace for 15 years and will continue to be so until he hands over to his successor. The Board will now manage an orderly transition of Chief Executive.

I will be retiring as Chairman at the next Annual General Meeting after more than eight years in the role and am delighted to be handing over to Daniel Kitchen, a very capable and experienced successor.

Yours sincerely

**Tony Hales CBE**  
*Chairman*

**Daniel Kitchen**  
*Chairman Designate*

## PART 2

### QUESTIONS AND ANSWERS ON THE RIGHTS ISSUE

*The questions and answers set out in this Part 2 are intended to be in general terms only and, as such, you should read Part 3 of this document for full details of what action you should take. If you are in any doubt as to what action you should take, please consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under FSMA if you are resident in the United Kingdom, or, if not, from another appropriate authorised financial adviser.*

*This Part 2 deals with general questions relating to the Rights Issue and more specific questions relating to Ordinary Shares held by persons resident in the United Kingdom. If you are an Overseas Shareholder, you should read paragraph 7 of Part 3 of this document and you should take professional advice as to whether you are eligible and/or need to observe any formalities to enable you to take up any entitlements. If you hold your Ordinary Shares in uncertificated form (that is, through CREST), you should read Part 3 of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Ordinary Shares are in certificated or uncertificated form, you should contact the Registrar by telephone on 0870 707 1413 or, if calling from outside the UK, on +44 870 707 1413. Calls to the Registrar's 0870 707 1413 number are charged at approximately 8 pence per minute from a BT landline. Other network providers' costs may vary. Calls to the Registrar's +44 870 707 1413 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. This helpline will not provide any financial, legal or tax advice, or advice concerning the merits of the Rights Issue or whether or not you should make an application under the Rights Issue. If you are in any doubt as to the action you should take, please contact an appropriate financial adviser.*

*In making any decision about the Rights Issue, you acknowledge that: (i) you have not relied on the Sponsor or any person affiliated with the Sponsor in connection with any investigation of the accuracy of any information contained in this document, and (ii) you have relied only on the information contained in or incorporated by reference into this document. Please see paragraph 11 of Part 3 for further information.*

Ordinary Shares can be held in certificated form (that is, represented by a share certificate) or in uncertificated form (that is, through CREST). Accordingly, these questions and answers are split into four sections:

- Section 1 (“**General**”).
- Section 2 (“**Ordinary Shares in certificated form**”) answers questions you may have in respect of the procedures for Qualifying Shareholders who hold their Ordinary Shares in certificated form. You should note that sections 1 and 4 may still apply to you.
- Section 3 (“**Ordinary Shares in CREST**”) answers questions you may have in respect of the equivalent procedures for Qualifying Shareholders who hold their Ordinary Shares in CREST. You should note that sections 1 and 4 may still apply to you.
- Section 4 (“**Further procedures for Ordinary Shares whether in certificated form or in CREST**”) answers some detailed questions about your rights and the actions you may need to take and is applicable to Ordinary Shares whether held in certificated form or in CREST.

#### 1. General

##### 1.1 What is a rights issue?

A rights issue is one way for companies to raise money. They do this by issuing shares for cash and giving their existing shareholders a right of first refusal to buy these shares in proportion to their existing shareholdings. This Rights Issue is a one for four rights issue; that is, an offer of one New Ordinary Share for every four Existing Ordinary Shares held at the Record Date.

New shares are typically offered in a rights issue at a discount to the current share price. Because of this discount, the right to buy the new shares is potentially valuable. In this Rights Issue, the Rights Issue Price represents a 19.9 per cent. discount to the Adjusted Closing Price.

If you do not want to buy the New Ordinary Shares to which you are entitled, you can instead sell your rights to those shares and receive the net proceeds in cash. This is referred to as dealing 'nil paid'.

Alternatively, if you take no action in relation to the Rights Issue, the Company has made arrangements under which the Joint Underwriters will try to find investors to take up your rights. If they do find investors and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors, including any applicable commissions and amounts in respect of VAT which are not recoverable, you will be sent a cheque for the relevant amount so long as it is at least £3.00.

**1.2 *Will Shareholders be entitled to vote on the Rights Issue?***

No. The Company is relying on existing shareholder approvals granted under sections 551 and 570 of the Act pursuant to resolutions passed at the Company's 2010 Annual General Meeting. Therefore the Rights Issue will not require shareholder approval. No general meeting of Shareholders or other Shareholder vote will take place in connection with the Rights Issue.

**1.3 *The Company is seeking Shareholder approval for a share consolidation at the annual general meeting on 28 July 2011. How does this affect the Rights Issue?***

If the share consolidation is approved by Shareholders, the record date for the share consolidation is 5 August 2011 (or such later date as the Directors may determine and communicate to Shareholders via an appropriate announcement to a Regulatory Information Service), which falls after the issue of the New Ordinary Shares. The Rights Issue is therefore being undertaken on the basis of the Company's share capital prior to the proposed share consolidation. If the share consolidation is approved, the New Ordinary Shares, along with all other Ordinary Shares, will be consolidated pursuant to the share consolidation.

**1.4 *Will the New Ordinary Shares receive the final dividend for the year ended 2011?***

No. The record date for the final dividend for the year ended 31 March 2011 is 15 July 2011, which is prior to issue of the New Ordinary Shares. The New Ordinary Shares will therefore not rank for the final dividend for the year ended 31 March 2011.

**2. *Ordinary Shares In Certificated Form***

**2.1 *What are my options and what should I do with the Provisional Allotment Letter?***

The Provisional Allotment Letter shows:

**In Box 1:** how many Existing Ordinary Shares you held at close of business on the Record Date;

**In Box 2:** how many New Ordinary Shares you are entitled to buy pursuant to the Rights Issue; and

**In Box 3:** how much you need to pay if you want to take up your rights in full.

**(A) *If you want to take up your rights in full***

If you want to take up in full your rights to subscribe for the New Ordinary Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter together with your cheque or banker's draft for the full amount shown in Box 3, payable to Workspace Rights Issue and crossed 'A/C payee only', to the address shown on the front of the Provisional Allotment Letter so as to arrive before 11.00 a.m. on 26 July 2011. You can use the reply-paid envelope, which is provided with the Provisional Allotment Letter, within the United Kingdom. Paragraph 4 of Part 3 of this document has full instructions on how to accept and pay for your New Ordinary Shares. These instructions are also set out in the Provisional Allotment Letter. You will be required to pay in full for all the rights you take up. A definitive share certificate will be sent to you for the New Ordinary Shares you acquire and it is expected that such certificate(s) will be despatched to you by 12 August 2011. The definitive share certificates will

reflect the effects of both the Rights Issue and the share consolidation which is expected to occur on 5 August 2011 if approved at the annual general meeting of the Company to be held on 28 July 2011.

**You will only need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights.**

(B) *If you do not want to take up your rights at all*

If you do not want to take up any of your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter by 11.00 a.m. on 26 July 2011, the Company has made arrangements under which the Joint Underwriters will try to find investors to take up your rights by 5.00 p.m. on 28 July 2011. If they do find investors and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors (including any applicable commission and amounts in respect of non-recoverable VAT), you will be sent a cheque for the amount of that aggregate premium above the Rights Issue Price less such related expenses, so long as the amount in question is at least £3.00. Cheques will be sent to your address as it appears on the Company's register of members (or to the first named holder if you hold Ordinary Shares jointly). If the Joint Underwriters are unable to find investors who agree to pay a premium over the Rights Issue Price and such related expenses so that your entitlement would be £3.00 or more, you will not receive any payment.

(C) *If you want to take up some but not all of your rights*

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply for split Provisional Allotment Letters by completing Form X on page 2 of the Provisional Allotment Letter and then return it by post to the Registrar at Computershare, Corporate Actions Projects, Bristol BS99 6AH or by hand only (during normal business hours) to Computershare, The Pavilions, Bridgwater Road, Bristol, BS13 8AE so as to be received by 3.00 p.m. on 22 July 2011, the last time and date for splitting Provisional Allotment Letters, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights or Fully Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the right to New Ordinary Shares you wish to accept together with your cheque or banker's draft to the Registrar at Computershare, Corporate Actions Projects, Bristol BS99 6AH so as to be received by 11.00 a.m. on 26 July 2011, the last time and date for acceptance and payment in full.

Alternatively, if you want only to take up some of your rights (and do not wish to sell some or all of those you do not want to take up), you should complete Form X on page 2 of the Provisional Allotment Letter and return it by post to the Registrar at Computershare, Corporate Actions Projects, Bristol BS99 6AH or by hand only (during normal business hours) to Computershare, The Pavilions, Bridgwater Road, Bristol, BS13 8AE together with a covering letter confirming the number of New Ordinary Shares you wish to take up and a cheque or banker's draft for the appropriate amount. In this case the Provisional Allotment Letter and cheque must be received by the Registrar by 11.00 a.m. on 26 July 2011, the last time and date for payment. Further details relating to payment and acceptance are set out in paragraphs 4 and 5 of Part 3 of this document.

## 2.2 *How do I transfer my rights into the CREST system?*

If you are a Qualifying Non-CREST Shareholder, but are also a CREST member and want your New Ordinary Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on page 2 of the Provisional Allotment Letter), and ensure they are delivered to the CREST Courier and Sorting Service to be received by 3.00 p.m. on 21 July 2011 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into CREST, you should refer to paragraph 5 of Part 3 of this document for details on how to pay for the New Ordinary Shares.

**2.3 *How do I know if I am eligible to participate in the Rights Issue?***

If you receive a Provisional Allotment Letter then you should be eligible to participate in the Rights Issue (as long as you have not sold all of your Ordinary Shares before 12 July 2011, in which case you will need to follow the instructions on the front page of this document).

However, if you receive a Provisional Allotment Letter and you have a registered address in, or are a resident, citizen or national of, a country other than the United Kingdom, you must satisfy yourself as to the full observance of the applicable laws of such territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. Receipt of this document or a Provisional Allotment Letter does not constitute an offer in those jurisdictions in which it would be illegal or in breach of regulation to make an offer. Excluded Overseas Shareholders are not permitted to participate in the Rights Issue.

If you do not receive a Provisional Allotment Letter and you do not hold your shares in CREST, this probably means you are not eligible to acquire any New Ordinary Shares. However, see question 2.4 below.

**2.4 *What if I have not received a Provisional Allotment Letter?***

If you do not receive a Provisional Allotment Letter and you do not hold your Ordinary Shares in CREST, this probably means that you are not eligible to participate in the Rights Issue. Some Qualifying Shareholders, however, will not receive a Provisional Allotment Letter but may still be able to participate in the Rights Issue, namely:

- (A) Qualifying CREST Shareholders (please see section 3 below); and
- (B) Qualifying Non-CREST Shareholders who bought Ordinary Shares before 12 July 2011 but were not registered as the holders of those Ordinary Shares at the close of business on 5 July 2011 (see question 2.5 below).

If you are unsure as to whether you should receive a Provisional Allotment Letter please contact the Registrar on 0870 707 1413 or, if telephoning from outside the UK, on +44 870 707 1413. Calls to the 0870 707 1413 number are charged at approximately 8 pence per minute (from a BT landline) other network provider's costs may vary. Calls to the +44 870 707 1413 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. This helpline will not provide any financial, legal or tax advice or advice concerning the merits of the Rights Issue.

**2.5 *If I buy Ordinary Shares before 12 July 2011 (the date the New Ordinary Shares start trading ex-rights), will I be eligible to participate in the Rights Issue?***

If you buy Ordinary Shares before the Ex-Rights Date but are not registered as the holder of those Ordinary Shares on the Record Date you may still be eligible to participate in the Rights Issue. If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

You will not be entitled to Nil Paid Rights in respect of any Ordinary Shares acquired on or after the Ex-Rights Date.

**2.6 *What should I do if I sell or have sold or transferred all or some of the Ordinary Shares shown in Box 1 of the Provisional Allotment Letter before the Ex-Rights Date?***

If you sell or have sold or transferred all of your Ordinary Shares before the Ex-Rights Date (other than ex-rights), you should complete Form X on page 2 of the Provisional Allotment Letter and send the entire Provisional Allotment Letter together with this document to the stockbroker, bank or other appropriate financial adviser through whom you made the sale or transfer.

If you sell or transfer only some of your holding of Ordinary Shares before the “ex-rights” date, you will need to complete Form X on page 2 of the Provisional Allotment Letter and consult the stockbroker, bank or other appropriate financial adviser through whom you made the sale or transfer before taking any action with regard to the balance of rights due to you.

**2.7 *How many New Ordinary Shares will I be entitled to acquire?***

Box 2 on page 1 of the Provisional Allotment Letter shows the number of New Ordinary Shares you will be entitled to buy if you are a Qualifying Non-CREST Shareholder. You will be entitled to one New Ordinary Share for every four Existing Ordinary Shares held on the Record Date. All Qualifying Non-CREST Shareholders (other than, subject to certain exemptions, Excluded Overseas Shareholders) will be sent a Provisional Allotment Letter.

**2.8 *What should I do if I think my holding of Ordinary Shares (as shown in Box 1 on page 1 of the Provisional Allotment Letter) is incorrect?***

If you are concerned about the figure in Box 1, please call the Registrar on 0870 707 1413 or, if telephoning from outside the UK, on +44 870 707 1413. Calls to the 0870 707 1413 number are charged at approximately eight pence per minute (from a BT landline) other network provider’s costs may vary. Calls to the +44 870 707 1413 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. This helpline will not provide any financial, legal or tax advice or advice concerning the merits of the Rights Issue.

**2.9 *If I take up my rights, when will I receive my new share certificate?***

If you take up your rights under the Rights Issue, share certificates for the New Ordinary Shares are expected to be posted by 12 August 2011. The share certificates will reflect the effects of both the Rights Issue and the share consolidation which is expected to occur on 5 August 2011 if approved at the annual general meeting of the Company to be held on 28 July 2011.

**3. *Ordinary Shares In Crest***

**3.1 *How do I know if I am eligible to participate in the Rights Issue?***

If you are a Qualifying CREST Shareholder (save as mentioned below), and on the assumption that the Rights Issue proceeds as planned, your CREST stock account will be credited with your entitlement to Nil Paid Rights on 12 July 2011. The stock account to be credited will be the account under the participant ID and member account ID that apply to your Ordinary Shares on the Record Date. The Nil Paid Rights and the Fully Paid Rights are expected to be enabled after 8.00 a.m. on 12 July 2011. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to check that your account has been credited with your entitlement to Nil Paid Rights. The CREST stock accounts of certain Excluded Overseas Shareholders will not be credited with Nil Paid Rights. Excluded Overseas Shareholders should refer to paragraph 7 of Part 3 of this document.

**3.2 *How do I take up my rights using CREST?***

If you are a Qualifying CREST Shareholder, you should refer to paragraph 5 of Part 3 of this document for details on how to take up and pay for your rights.

If you are a CREST member you should ensure that a Many-to-Many (“MTM”) instruction has been inputted and has settled by 11.00 a.m. on 26 July 2011 in order to make a valid acceptance. If your

Ordinary Shares are held by a nominee or you are a CREST sponsored member, you should speak directly to the agent who looks after your stock or your CREST sponsor (as appropriate) who will be able to help you. If you have further questions, particularly of a technical nature regarding acceptance through CREST, you should call the CREST Service Desk on 08459 645 648 (+44 8459 645 648 if you are calling from outside the United Kingdom).

**3.3 *If I buy Ordinary Shares before the Ex-Rights Date will I be eligible to participate in the Rights Issue?***

If you buy Ordinary Shares before the Ex-Rights Date, but are not registered as the holder of those Ordinary Shares at the Record Date, you may still be eligible to participate in the Rights Issue. Euroclear will raise claims in the normal manner in respect of your purchase and your Nil Paid Rights will be credited to your stock account(s) on settlement of those claims.

You will not be entitled to Nil Paid Rights in respect of any further Ordinary Shares acquired on or after the Ex-Rights Date.

**3.4 *What should I do if I sell or transfer all or some of my Ordinary Shares before the Ex-Rights Date?***

You do not have to take any action except, where you sell or transfer all of your Ordinary Shares before the Ex-Rights Date, other than ex-rights, to send this document to the purchaser or transferee or to the stockbroker, bank or other financial adviser through whom you made the sale or transfer. A claim transaction in respect of that sale or transfer will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

**3.5 *How many New Ordinary Shares am I entitled to acquire?***

Your stock account will be credited with Nil Paid Rights in respect of the number of New Ordinary Shares which you are entitled to acquire. You will be entitled to acquire one New Ordinary Share for every four Ordinary Shares you hold on the Record Date. You can also view the claim transactions in respect of purchases/sales effected after this date, but before the Ex-Rights Date. If you are a CREST sponsored member, you should consult your CREST sponsor.

**3.6 *What should I do if I think my holding of Ordinary Shares is incorrect?***

If you buy or sell Ordinary Shares between the date of this document and the Record Date, your transaction may not be entered on the register of members before the Record Date and you should consult the stockbroker, bank or other appropriate financial adviser through whom you made the sale, purchase or transfer before taking any other action.

If you are concerned about the number of Nil Paid Rights with which your stock account has been credited, please call the Registrar on 0870 707 1413 or, if telephoning from outside the UK, on +44 870 707 1413. Calls to the 0870 707 1413 number are charged at approximately eight pence per minute (from a BT landline) other network provider's costs may vary. Calls to the +44 870 707 1413 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. This helpline will not provide any financial, legal or tax advice or advice concerning the merits of the Rights Issue.

**3.7 *If I take up my rights, when will New Ordinary Shares be credited to my CREST stock account(s)?***

If you take up your rights under the Rights Issue, it is expected that New Ordinary Shares will be credited to the CREST stock account in which you hold your Fully Paid Rights on 27 July 2011.

#### **4. Further Procedures For Ordinary Shares Whether In Certificated Form Or In Crest**

##### **4.1 *What happens if the number of Ordinary Shares I hold is not exactly divisible by four? Am I entitled to fractions of the New Ordinary Shares?***

Your entitlement is calculated by dividing your holding of Ordinary Shares by four. If the result is not a whole number, your entitlement will be rounded down to the nearest whole number of New Ordinary Shares, meaning that you will not receive a New Ordinary Share in respect of the fractional entitlement. A Provisional Allotment Letter will not be sent to a Shareholder holding fewer than four Ordinary Shares on the Record Date. The New Ordinary Shares representing the aggregated fractional entitlements of all Shareholders will, if possible, be sold in the market for the benefit of the Company, save that you will receive any proceeds in respect of a fractional entitlement in the unlikely event that such proceeds have a value of £3.00 or more.

##### **4.2 *Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?***

If you are resident in the UK for UK tax purposes, you should not have to pay UK tax when you take up your right to receive New Ordinary Shares, although the Rights Issue will affect the amount of UK tax you may pay when you sell your Ordinary Shares. However, you may be subject to UK tax on chargeable gains on any proceeds you receive from the sale of your rights.

Further information for Qualifying Shareholders who are resident in the United Kingdom for tax purposes is contained in Part 9 of this document. **Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any jurisdiction other than the United Kingdom, should consult their professional advisers as soon as possible.**

##### **4.3 *I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?***

If you do not want to buy the New Ordinary Shares being offered to you under the Rights Issue, you can instead sell or transfer your rights (called “Nil Paid Rights”) to those New Ordinary Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing “nil paid”.

If you wish to sell or transfer all or some of your Nil Paid Rights, and you hold your Ordinary Shares in certificated form, you will need to complete Form X, the form of renunciation, on page 2 of the Provisional Allotment Letter and send it to the stockbroker, bank or other agent through or by whom the sale or transfer was effected, to be forwarded to the purchaser or transferee.

If you buy Nil Paid Rights, you are buying an entitlement to take up the New Ordinary Shares, subject to your paying for them in accordance with the terms of the Rights Issue. Any seller of Nil Paid Rights who holds his Ordinary Shares in certificated form will need to forward to you his Provisional Allotment Letter (with Form X completed) for you to complete and return, with your cheque, by 11.00 a.m. on 26 July 2011, in accordance with the instructions on the Provisional Allotment Letter.

Qualifying CREST Shareholders and, subject to dematerialisation of their Nil Paid Rights as set out in the Provisional Allotment Letter, Qualifying Non-CREST Shareholders who are CREST members or CREST sponsored members can transfer Nil Paid Rights, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST. Please consult your CREST sponsor or stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, for details.

If you are a CREST member or CREST sponsored member and have received a Provisional Allotment Letter and you wish to hold your Nil Paid Rights in uncertificated form in CREST then you should send the Provisional Allotment Letter with Form X and the CREST Deposit Form on page 2 of the Provisional Allotment Letter completed (in the case of a CREST member) to the CREST Courier and Sorting Service or (in the case of a CREST sponsored member) to your CREST sponsor by 3.00 p.m. on 21 July 2011 at the latest.

**4.4 *What if I want to sell the New Ordinary Shares I have paid for?***

If you are a Qualifying Non-CREST Shareholder, provided the New Ordinary Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X, the form of renunciation, on page 2 of the receipted Provisional Allotment Letter in accordance with the instructions set out on pages 3 and 4 of the Provisional Allotment Letter until 11.00 a.m. on 26 July 2011.

After that date, you will be able to sell your New Ordinary Shares in the normal way. However, the share certificate relating to your New Ordinary Shares is expected to be despatched to you only by 12 August 2011. The share certificates will reflect the effects of both the Rights Issue and the share consolidation which is expected to occur on 5 August 2011 if approved at the annual general meeting of the Company to be held on 28 July 2011. Pending despatch of such share certificate, valid instruments of transfer will be certified by the Registrar against the register.

If you hold your New Ordinary Shares and/or rights in CREST, you may transfer them in the same manner as any other security that is admitted to CREST. Please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, for details.

**4.5 *Do I need to comply with the Money Laundering Regulations (as set out in paragraph 4.4 of Part 3 of this document)?***

If you are a Qualifying Non-CREST Shareholder, you do not need to follow these procedures if the value of the New Ordinary Shares you are subscribing for is less than €15,000 (approximately £13,000) or if you pay for them by a cheque drawn on an account in your own name and that account is one which is held with an EU or UK regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to comply with the Money Laundering Regulations unless you apply to take up all or some of your entitlement to Nil Paid Rights as agent for one or more persons and you are not an EU or UK regulated financial institution.

Qualifying Non-CREST Shareholders and Qualifying CREST Shareholders should refer to paragraphs 4.4 and 5.3 respectively of Part 3 of this document for a fuller description of the requirements of the Money Laundering Regulations.

**4.6 *What should I do if I live outside the United Kingdom?***

Your ability to take up rights to New Ordinary Shares may be affected by the laws of the country in which you live, have your registered address or are otherwise located and you should take professional advice about any formalities you need to observe. Shareholders resident or otherwise located outside the United Kingdom should refer to paragraphs 7 and 8 of Part 3 of this document.

**4.7 *What do I do if I have any further queries about the Rights Issue or the action I should take?***

If you have any other questions, please telephone the Registrars on 0870 707 1413 or, if telephoning from outside the UK, on +44 870 707 1413. Calls to the 0870 707 1413 number are charged at approximately eight pence per minute (from a BT landline) other network provider's costs may vary. Calls to the +44 870 707 1413 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. This helpline will not provide any financial, legal or tax advice or advice concerning the merits of the Rights Issue. The Registrars can explain the options available to you, which forms you need to fill in and how to fill them in correctly.

**Your attention is drawn to the further terms and conditions of the Rights Issue in Part 3 of this document and (in the case of Qualifying Non-CREST Shareholders) in the Provisional Allotment Letter.**

## PART 3

### TERMS AND CONDITIONS OF THE RIGHTS ISSUE

#### 1. Details of the Rights Issue

The Company proposes to raise approximately £63 million, net of expenses, by way of the Rights Issue.

The Rights Issue Price represents a discount of approximately 19.9 per cent. to the Adjusted Closing Price for an Existing Ordinary Share of 28.70 pence on 6 July 2011 (the latest practicable date prior to the date of this document).

#### 2. Terms and Conditions

Subject to the fulfilment of the conditions set out below, the New Ordinary Shares will be offered for subscription by way of rights to Qualifying Shareholders (other than, subject to certain exceptions, Excluded Overseas Shareholders) on the following basis and otherwise on the terms and conditions set out in this document (and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter):

##### **1 New Ordinary Share at 23 pence per New Ordinary Share for every 4 Existing Ordinary Shares**

held and registered in their name at close of business on the Record Date and so in proportion to any other number of Existing Ordinary Shares then held.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. New Ordinary Shares representing fractional entitlements will not be allotted to Qualifying Shareholders and, where necessary, entitlements to New Ordinary Shares will be rounded down to the nearest whole number. New Ordinary Shares representing fractional entitlements will be aggregated and, if possible, sold in the market. The net proceeds of such sales (after deduction of expenses including any commissions and amounts in respect of VAT that are not recoverable) will be aggregated and will ultimately accrue for the benefit of the Company, save that Qualifying Shareholders will receive any proceeds in respect of a fractional entitlement in the unlikely event that such proceeds have a value of £3.00 or more. Accordingly, Qualifying Shareholders with fewer than four Existing Ordinary Shares will not be entitled to any New Ordinary Shares.

The attention of Qualifying Shareholders and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the UK is drawn to paragraphs 7 and 8 of this Part 3. In particular, subject to the provisions of paragraph 7 of this Part 3, Qualifying Shareholders with registered addresses in the US or any of the Excluded Territories will not be sent Provisional Allotment Letters and nor will they have their CREST stock accounts credited with Nil Paid Rights.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to all future dividends or other distributions made, paid or declared after the date of their issue, except that the New Ordinary Shares will not rank for the final dividend for the year ended 31 March 2011 which, if approved by Shareholders at the Company's annual general meeting, is expected to be paid on 5 August 2011, as the record date for the final dividend, being 15 July 2011, is prior to the issue of the New Ordinary Shares.

Application has been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange, nil paid, at 8.00 a.m. on 12 July 2011 (whereupon an announcement will be made by the Company to a Regulatory Information Service).

The Rights Issue has been fully underwritten by the Joint Underwriters up to a number of 288,182,835 New Ordinary Shares and is conditional upon:

- (a) Admission becoming effective by not later than 8.00 a.m. on 12 July 2011 (or such later time and/or date as parties to the Sponsor and Underwriting Agreement may agree, being not later than 3.00 p.m. on 19 July 2011); and
- (b) the Sponsor and Underwriting Agreement otherwise becoming unconditional in all respects (other than conditions relating to Admission) and not having been terminated in accordance with its terms prior to Admission. After Admission, however, the underwriting arrangements will not be subject to any right of termination (including in respect of any statutory withdrawal rights); and
- (c) if the Underwriting Agreement is not declared or does not become unconditional in all respects or if it is terminated in accordance with its terms, the Rights Issue will be revoked and will not proceed. Revocation cannot occur after Admission, and therefore if Admission has occurred by 8.00 a.m. on 12 July 2011 (or such later time and/or date as the Company and the Joint Underwriters agree), the Rights Issue will proceed.

The Joint Underwriters may arrange sub-underwriting for some, all or none of the New Ordinary Shares which they have underwritten. A summary of the principal terms of the Underwriting Agreement is set out in paragraph 9 of Part 10 of this document.

Provisional Allotment Letters are being despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Excluded Overseas Shareholders) together with this document on 11 July 2011. Provisional Allotment Letters will not be sent to Shareholders who hold fewer than four Existing Ordinary Shares. Provisional Allotment Letters constitute temporary documents of title.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST as separate securities is required for the New Ordinary Shares and all of the New Ordinary Shares when issued and fully paid may be held and transferred by means of CREST. Applications have been made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST as separate securities. Euroclear requires the Company to confirm to it that certain conditions (imposed by the CREST manual) are satisfied before Euroclear will admit any security to CREST. As soon as practicable after Admission, the Company will confirm this to Euroclear. It is expected that these conditions will be satisfied on Admission.

Subject to the conditions above being satisfied and save as provided in this Part 3, it is expected that:

- (i) the Registrar will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, such Qualifying CREST Shareholders with registered addresses in the US or any of the other Excluded Territories) with such Shareholders' entitlements to Nil Paid Rights, with effect from 8.00 a.m. on 12 July 2011;
- (ii) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear on 12 July 2011, as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied;
- (iii) New Ordinary Shares will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renounees) who validly take up their rights, by 8.00 a.m. on 27 July 2011; and
- (iv) share certificates for the New Ordinary Shares will be despatched to relevant Qualifying Non-CREST Shareholders (or their renounees) who validly take up their rights, by 12 August 2011 at their own risk. The share certificates will reflect the effects of both the Rights Issue and the share consolidation which is expected to occur on 5 August 2011 if approved at the annual general meeting of the Company to be held on 28 July 2011.

Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a MTM instruction to Euroclear will be deemed to have given the representations and warranties set out in paragraph 8 below of this Part 3, unless such requirement is waived by the Company and the Joint Underwriters.

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

The attention of Overseas Shareholders is drawn to paragraph 7 of this Part 3.

### **3. Action to be taken**

The action to be taken in respect of New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying Non-CREST Shareholder and are not an Excluded Overseas Shareholder, please refer to paragraphs 4 and 6 to 14 (inclusive) of this Part 3.

If you hold your Existing Ordinary Shares in CREST and are not an Excluded Overseas Shareholder, please refer to paragraphs 5 to 14 (inclusive) of this Part 3 and to the CREST Manual for further information on the CREST procedures referred to above.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

### **4. Action to be taken in relation to Nil Paid Rights represented by Provisional Allotment Letters**

#### **4.1 General**

The Provisional Allotment Letters will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Excluded Overseas Shareholders) together with this document on 11 July 2011. The Provisional Allotment Letter, which constitutes a temporary document of title, sets out:

- (A) the holding of Existing Ordinary Shares on which a Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares has been based;
- (B) the aggregate number of New Ordinary Shares provisionally allotted to such Qualifying Non-CREST Shareholder;
- (C) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
- (D) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

**On the basis that Provisional Allotment Letters are being posted on 11 July 2011 and that dealings commence on 12 July 2011, the latest time and date for acceptance and payment in full will be 11.00 a.m. on 26 July 2011.**

If the Rights Issue is delayed for any reason, the expected timetable at the front of this document will be adjusted accordingly and the revised dates and times will be communicated to Shareholders via an appropriate announcement to a Regulatory Information Service. References to dates and times in this document should be read as subject to any such adjustment.

#### **4.2 Procedure for acceptance and payment**

##### **(A) Qualifying Non-CREST Shareholders who wish to accept in full**

Holders of Provisional Allotment Letters who wish to take up all of their Nil Paid Rights must return the Provisional Allotment Letter in accordance with the instructions thereon, together with a cheque or banker's draft, made payable to Workspace Rights Issue and crossed 'A/C payee only', for the full amount payable on acceptance, by post to Computershare, Corporate

Actions Projects, Bristol BS99 6AH or by hand only (during normal business hours) to Computershare, The Pavilions, Bridgwater Road, Bristol, BS13 8AE so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 26 July 2011. A reply-paid envelope is enclosed for use within the UK only. If you post your Provisional Allotment Letter, it is recommended that you allow sufficient time for delivery.

(B) *Qualifying Non-CREST Shareholders who wish to accept in part*

Holders of Provisional Allotment Letters who wish to take up some but not all of their rights should refer to paragraph 4.7 of this Part 3.

(C) *Discretion as to validity of acceptances*

If payment is not received in full by 11.00 a.m. on 26 July 2011, or if payment is rejected by 7.00 a.m. on 27 July 2011, the provisional allotment will be deemed to have been declined and will lapse. However, the Company and the Joint Underwriters may, but shall not be obliged to, jointly elect to treat as valid later acceptances including (a) Provisional Allotment Letters and accompanying remittances that are received through the post not later than 7.00 a.m. on 27 July 2011 (the cover bearing a legible postmark not later than 11.00 a.m. on 26 July 2011); and (b) acceptances in respect of which a remittance is received prior to 11.00 a.m. on 26 July 2011 from an authorised person (as defined in Section 31 (2) of FSMA) specifying the number of New Ordinary Shares to be acquired and undertaking to lodge the relevant Provisional Allotment Letter, duly completed, by 7.00 a.m. on 27 July 2011 and such Provisional Allotment Letter is lodged by that time.

The Company and the Joint Underwriters may also (in their absolute discretion) jointly elect to treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

#### 4.3 *Payments*

All payments must be made by cheque or banker's draft in Pounds Sterling payable to Workspace Rights Issue and crossed 'A/C payee only'. Third party cheques will not be accepted except for building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/banker's draft to such effect. Cheques or banker's drafts must be drawn on an account at a bank or building society (or a branch of a bank or building society) which must be in the UK, the Channel Islands or the Isle of Man and which is either a settlement member of Cheque & Credit Clearing Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies. Such cheques and banker's drafts must bear the appropriate sorting code number in the top right-hand corner.

Cheques and banker's drafts will be presented for payment on receipt. No interest will be allowed on payments made before they are due and any interest on such payments ultimately will accrue for the benefit of the Company. It is a term of the Rights Issue that cheques shall be honoured on first presentation and the Company and the Joint Underwriters may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. Acceptances where cheques have been rejected by 11.00 a.m. on 26 July 2011 will be treated as invalid unless the Company and the Joint Underwriters both determine otherwise. Return of the Provisional Allotment Letter with a remittance in the form of a cheque will constitute a warranty that the cheque will be honoured on first presentation.

If New Ordinary Shares have already been allotted to a Qualifying Non-CREST Shareholder prior to any payment not being so honoured or such acceptances being treated as invalid, the Company and the Joint Underwriters may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of such Qualifying Non-CREST Shareholder and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any commission and any stamp duty or SDRT payable on the transfer of such shares, and

of all amounts payable by such Qualifying Non-CREST Shareholder pursuant to the provisions of this Part 3 in respect of the acquisition of such shares) on behalf of such Qualifying Non-CREST Shareholder. Neither the Company nor the Joint Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by any Qualifying Non-CREST Shareholder as a result.

All enquires in connection with the Provisional Allotment Letter should be addressed to the Receiving Agent on 0870 707 1413 (or +44 870 707 1413 if calling from outside the UK). Calls to the 0870 707 1413 number cost approximately eight pence per minute from a BT landline. Different charges may apply to calls from mobile telephones and calls may be recorded or randomly monitored for security and training purposes.

#### 4.4 *Money Laundering Regulations*

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the beneficial owner by whom or on whose behalf the Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the “verification of identity requirements”). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent’s stamp should be inserted on the Provisional Allotment Letter.

The person lodging the Provisional Allotment Letter with payment (the “applicant”), including any person who appears to the Receiving Agent to be acting on behalf of some other person, shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements. Submission of a Provisional Allotment Letter with the appropriate remittance shall constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of such remittance and an undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purpose of the Money Laundering Regulations.

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and neither the Receiving Agent, the Company nor the Joint Underwriters will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, and at the latest by 11.00 a.m. on 26 July 2011, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the application moneys will be returned (at the applicant’s risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn.

The verification of identity requirements will not usually apply if:

- (A) the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (B) the applicant is an organisation required to comply with the EU Money Laundering Directive (No. 91/308/EEC) as amended by Directive 2001/97/EC and Directive 2005/60/EC; or

- (C) the applicant is a company whose securities are listed on a regulated market subject to specified disclosure obligations; or
- (D) the applicant (not being an applicant who delivers his/her application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA state which imposes requirements equivalent to those laid down in that directive; or
- (E) the aggregate subscription price for the relevant New Ordinary Shares is less than €15,000 (or its Pounds Sterling equivalent, being approximately £13,000 as at 6 July 2011 (the latest practicable date prior to publication of this document)).

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by cheque or banker's draft in Pounds Sterling drawn on a branch of a bank or building society in the UK and bears a UK bank sort code number in the top right hand corner, the following applies. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to Workspace Rights Issue and crossed 'A/C payee only'. Third party cheques will not be accepted except for building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application; or
- (ii) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in sub-paragraph (B) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, members of the Gulf Co-operation Council (being Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Hong Kong, Iceland, India, Japan, Mexico, New Zealand, Norway, the Republic of Korea the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the US), the agent should provide written confirmation that it has that status with the Provisional Allotment Letter(s) and written assurances that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent and/or any relevant regulatory or investigatory authority; or
- (iii) if a Provisional Allotment Letter is lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address.

**To confirm the acceptability of any written assurance referred to in paragraph (ii) above, or in any other case, the applicant should contact the Receiving Agent. The telephone number of the Receiving Agent is 0870 707 1413, or, if calling from outside the UK, +44 870 707 1413. Calls to the 0870 707 1413 number cost approximately eight pence per minute from a BT landline. Different charges may apply to calls from mobile telephones and calls may be recorded or randomly monitored for security and training purposes.**

#### 4.5 *Dealings in Nil Paid rights*

Subject to the fulfilment of the conditions set out in paragraph 2 above, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 12 July 2011. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the Provisional Allotment Letter to the transferee, up to the latest time for acceptance and payment in full stated in the Provisional Allotment Letter, which is 11.00 a.m. on 26 July 2011.

#### 4.6 ***Dealings in Fully Paid Rights***

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and (in the case of Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Excluded Overseas Shareholders)) in the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and lodging of the same, by post or by hand (during normal business hours only), with the Registrar so as to be received not later than 11.00 a.m. on 26 July 2011. To do this, Qualifying Non-CREST Shareholders will need to have their fully paid Provisional Allotment Letter returned to them after their acceptance has been effected by the Receiving Agent. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking the appropriate box on the Provisional Allotment Letter.

From 8.00 a.m. on 27 July 2011, the New Ordinary Shares will be registered and transferable in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

#### 4.7 ***Renunciation and splitting of Provisional Allotment Letters***

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 2 of the Provisional Allotment Letter (if it is not already marked “Original Duly Renounced”) and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been so renounced, it will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in such letter may be transferred by delivery of such letter to the transferee (provided that such transferee is not resident or otherwise located in the United States or any of the Excluded Territories). The latest time and date for registration of renunciation of Provisional Allotment Letters is 3.00 p.m. on 26 July 2011 and after such date the New Ordinary Shares will be in registered form, transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Ordinary Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights but to different persons, he may have the Provisional Allotment Letter split, for which purpose he must sign and date Form X on page 2 of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to the appropriate address as set out in paragraph 4.2 of this Part 3 by not later than 3.00 p.m. on 22 July 2011, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split Provisional Allotment Letter should be stated in an accompanying letter. Form X on page 2 of split Provisional Allotment Letters will be marked “Original Duly Renounced” before issue.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without transferring the remainder, should complete Form X on page 2 of the original Provisional Allotment Letter and return it by post or by hand (during normal business hours only) to the appropriate address as set out in paragraph 4.2 of this Part 3, together with a covering letter confirming the number of New Ordinary Shares to be taken up and a cheque or banker’s draft for the appropriate amount made payable to Workspace Rights Issue and crossed ‘A/C payee only’ and with the Reference Number (which appears on page 1 of the Provisional Allotment Letter) written on the reverse of the cheque or banker’s draft to pay for this number of shares. In this case, the Provisional Allotment Letter and the cheque or banker’s draft must be received by the Receiving Agent by 11.00 a.m. on 26 July 2011, being the last date and time for payment.

The Company and the Joint Underwriters reserve the right to refuse to register any renunciation in favour of any person in respect of which the Company and the Joint Underwriters believe such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person who is an Excluded Overseas Shareholder.

#### 4.8 *Registration in names of Qualifying Shareholders*

**A Qualifying Shareholder who wishes to have all his entitlement to New Ordinary Shares registered in his name must accept and make payment for such allotment prior to the latest time for acceptance and payment in full which is 11.00 a.m. on 26 July 2011 in accordance with the provisions set out in this document and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter and this document, but need take no further action. A share certificate is expected to be sent to him by not later than 12 August 2011.** The share certificates will reflect the effects of both the Rights Issue and the share consolidation which is expected to occur on 5 August 2011 if approved at the annual general meeting of the Company to be held on 28 July 2011.

#### 4.9 *Registration in names of persons other than Qualifying Shareholders originally entitled*

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, Form X must be signed and the renounee or his agent(s) must complete Form Y on page 2 of the Provisional Allotment Letter – see paragraph 4.7 of this Part 3 – and send the entire Provisional Allotment Letter, when fully paid, by post or (during normal business hours only) by hand to the Registrars not later than the latest time for registration of renunciation which is 11.00 a.m. on 26 July 2011. Registration cannot be effected unless and until the New Ordinary Shares comprised in a Provisional Allotment Letter are fully paid. If the renounee is a CREST member who wishes to hold such New Ordinary Shares in uncertificated form, Form X and the CREST Deposit Form (both on page 2 of the Provisional Allotment Letter) must be signed and deposited with the CCSS counter, as explained in paragraph 4.10 below.

The New Ordinary Shares comprised in two or more Provisional Allotment Letters (duly renounced where applicable) may be registered in the name of one holder (or joint holders) if Form Y on page 2 of one of the Provisional Allotment Letters (the “**Principal Letter**”) and all the Provisional Allotment Letters are delivered in one batch. Details of each Provisional Allotment Letter (including the Principal Letter) should be listed in the Consolidated Listing Form adjacent to Forms X and Y of the Principal Letter and the allotment number of the Principal Letter should be entered into the space provided on each of the other Provisional Allotment Letters.

#### 4.10 *Deposit of Nil Paid Rights or Fully Paid Rights into CREST*

The Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form; that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the next paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. Shareholders are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both set out on page 2 of the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CCSS (as such term is defined in the CREST Manual); in addition, the normal CREST stock deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act

1963) with the CCSS; and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit only some of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. A Consolidation Listing Form must not be used.

A holder of the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights or, if appropriate, the Fully Paid Rights in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 3.00 p.m. on 21 July 2011. **In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on page 2 of the Provisional Allotment Letter duly completed), with the CCSS (to enable the person acquiring the Nil Paid Rights or, if appropriate, the Fully Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 26 July 2011) is 3.00 p.m. on 21 July 2011.**

When Form X and the CREST Deposit Form (both on page 2 of the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form Y on page 2 of the Provisional Allotment Letter will not be recognised or acted upon by the Receiving Agent. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of the CREST system once such rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsors will be able to take the necessary actions to take up the entitlements or otherwise to deal with Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

#### **4.11 *Issue of New Ordinary Shares in definitive form***

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by 12 August 2011 at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders and renounees or their agents or, in the case of joint holdings, to the first-named Shareholder, in each case at their registered address (unless lodging agent details have been completed on page 1 of the Provisional Allotment Letter). The definitive share certificates will reflect the effects of both the Rights Issue and the share consolidation which is expected to occur on 5 August 2011 if approved at the annual general meeting of the Company to be held on 28 July 2011. After despatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Ordinary Shares will be certified by the Registrar against the register.

### **5. Action to be taken in relation to Nil Paid Rights or Fully Paid Rights in CREST**

#### **5.1 *General***

Each Qualifying CREST Shareholder (other than certain Qualifying CREST Shareholders with registered addresses outside the United Kingdom) is expected to receive a credit to his CREST stock account of his entitlement to Nil Paid Rights on 12 July 2011. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The Nil Paid Rights will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights, Provisional Allotment Letters shall, unless the Company and the Joint Underwriters agree otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document may, with the consent of the Joint Underwriters, be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer all or part of, their Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement, as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights.

## **5.2 Procedure for acceptance and payment**

### **(A) MTM instructions**

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a Many-to-Many (“MTM”) instruction to Euroclear UK which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (ii) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the CREST RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank of the Receiving Agent in Pounds Sterling, in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-paragraph (i) above; and
- (iii) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in sub-paragraph (i) above.

### **(B) Contents of MTM instructions**

The MTM instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Nil Paid Rights to which the acceptance relates;
- (ii) the participant ID of the accepting CREST member;
- (iii) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- (iv) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 3RA54;

- (v) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is WORKSP;
- (vi) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (vii) the amount payable by means of the CREST payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- (viii) the intended settlement date (which must be on or before 11.00 a.m. on 26 July 2011);
- (ix) the nil paid ISIN Number. This is GB00B4VH2Y54;
- (x) the fully paid ISIN Number. This is GB00B457Z640;
- (xi) the Corporate Action Number to the Rights Issue. This will be available by viewing the relevant corporate action details in CREST; and
- (xii) contact name and telephone numbers in the shared notes field.

(C) *Valid acceptance*

An MTM instruction complying with each of the requirements as to authentication and contents set out in sub-paragraph (B) of this paragraph 5.2 will constitute a valid acceptance where either:

- (i) the MTM instruction settles by not later than 11.00 a.m. on 26 July 2011; or
- (ii) at the discretion of the Company and the Joint Underwriters (i) the MTM instruction is received by Euroclear by not later than 11.00 a.m. on 26 July 2011; and (ii) the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 26 July 2011; and (iii) the relevant MTM instruction settles by 2.00 p.m. on 26 July 2011 (or such later date as the Company and the Joint Underwriters have determined).

An MTM instruction will be treated as having been received by Euroclear or these purposes at the time at which the instruction is processed by the Network Provider's Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Provider's Communications Host.

(D) *Representations, warranties and undertakings of CREST members*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 5.2(D) represents, warrants and undertakes to the Company and the Joint Underwriters that he/she has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him/her or by his/her CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 26 July 2011 and remains capable of settlement at all times after that until 2.00 p.m. on 26 July 2011 (or until such later time and date as the Company and the Joint Underwriters may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at 11.00 a.m. on 26 July 2011 and at all times thereafter until 2.00 p.m. on 26 July 2011 (or until such later time and date as the Company and the Joint Underwriters may determine) there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

If there is insufficient Headroom within the Cap in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, the Company and the Joint Underwriters may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part 3 in respect of the acquisition of such shares) on behalf of such CREST member or CREST sponsored member. Neither the Company, the Joint Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

(E) *CREST procedures and timings*

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 26 July 2011. In this connection, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(F) *CREST member's undertaking to pay*

A CREST member or CREST sponsored member, who makes a valid acceptance in accordance with the procedures set out in this paragraph 5.2(F): (a) undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in Pounds Sterling on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual), the creation of an RTGS settlement bank payment obligation in Pounds Sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual), in accordance with the RTGS payment mechanism, shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay to the Joint Underwriters the amount payable on acceptance); and (b) requests that the Fully Paid Rights and/or New Ordinary Shares, to which they will become entitled, be issued to them on the terms set out in this document and subject to the Articles.

If the payment obligations of the relevant CREST member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, the Company and the Joint Underwriters may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part 3 in respect of the acquisition of such shares) or an amount equal to the original payment of the CREST member or CREST sponsored member (whichever is the

lower) on trust for such CREST member or CREST sponsored member. Neither the Company, the Joint Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

(G) *Discretion (as to rejection and validity of acceptances)*

The Company and the Joint Underwriters may, in their absolute discretion:

- (i) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in paragraph 5.2(D) of this Part 3. Where an acceptance is made as described in this paragraph 5.2(G) which is otherwise valid, and the MTM instruction concerned fails to settle by 2.00 p.m. on 26 July 2011 (or by such later time and date as the Company and the Joint Underwriters may determine), the Company and the Joint Underwriters shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this paragraph 5.2(G), that there has been a breach of the representations, warranties and undertakings set out or referred to in paragraph 5.2(D) above unless the Company or Joint Underwriters are aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) concerned for the failure of the MTM instruction to settle;
- (ii) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 5.2(G);
- (iii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Joint Underwriters may determine;
- (iv) treat a properly authenticated dematerialised instruction (in this paragraph 5.2(G), the “first instruction”) as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in CREST Regulation 35(5)(b) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (v) accept an alternative instruction or notification from a CREST member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his/her Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST, and (at the latest) only until 10.00 a.m. on 27 July 2011.

### 5.3 ***Money Laundering Regulations***

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a bank, a broker or another UK financial institution), then, irrespective of the value of the application, the Receiving Agent is required to take reasonable measures to establish the identity of the person or

persons on whose behalf you are making the application. Such Qualifying CREST Shareholders must therefore contact the Receiving Agent before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent, having consulted with the Company and the Joint Underwriters, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If satisfactory evidence of identity has not been provided within a reasonable time, and at the latest by 11.00 a.m. on 26 July 2011, the Receiving Agent will not permit the MTM instruction concerned to proceed to settlement (without prejudice to the right of the Company and/or the Joint Underwriters to take proceedings to recover any loss suffered by it/them as a result of failure by the applicant to provide satisfactory evidence).

#### **5.4 *Dealings in Nil Paid Rights***

Subject to the Rights Issue becoming unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 12 July 2011. Dealings in Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 26 July 2011.

#### **5.5 *Dealings in Fully Paid Rights***

After acceptance and payment in full in accordance with the provisions set out in this document and (where appropriate) the Provisional Allotment Letter, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 26 July 2011. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 26 July 2011.

After 26 July 2011, the New Ordinary Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable in the usual way.

#### **5.6 *Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST***

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights from CREST is 4.30 p.m. on 20 July 2011, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 26 July 2011. Shareholders are recommended to refer to the CREST Manual for details of such procedures.

#### **5.7 *Issue of New Ordinary Shares in CREST***

New Ordinary Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from the next Business Day (expected to be 27 July 2011).

## 5.8 ***Right to allot/issue in certificated form***

Despite any other provision of this document, the Company reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by the Receiving Agent in connection with CREST, or otherwise if the Company has first obtained the Joint Underwriters' written consent.

## **6. Procedure in respect of rights not taken up**

If an entitlement to New Ordinary Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. The Joint Underwriters will as agents for the Company use reasonable endeavours to procure, by not later than 5.00 p.m. on 28 July 2011, acquirers for all (or as many as possible) of those New Ordinary Shares not taken up if a premium over the total of the Rights Issue Price and the expenses of procuring such acquirers (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable) can be obtained.

Notwithstanding the above, the Joint Underwriters may cease to endeavour to procure any such acquirers if, in the opinion of the Joint Underwriters, it is unlikely that any such acquirers can be so procured on the basis outlined above. If and to the extent that acquirers cannot be procured on the basis outlined above, the relevant New Ordinary Shares will be acquired by the Joint Underwriters as principal pursuant to the Underwriting Agreement or by sub-underwriters procured by the Joint Underwriters, in each case, at the Rights Issue Price on the terms and subject to the conditions of the Underwriting Agreement.

If subscribers can be procured, it will be a term of such subscription that any premium over the aggregate of the Rights Issue Price and the expenses of procuring acquirers (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable) shall be paid (subject as provided in this paragraph 6):

- (A) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter;
- (B) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (C) where an entitlement to New Ordinary Shares was not taken up by an Excluded Overseas Shareholder, to that Excluded Overseas Shareholder.

New Ordinary Shares for which acquirers are procured on this basis will be re-allotted to such acquirers and the aggregate of any premiums (being the amount paid by such acquirers after deducting the price at which the New Ordinary Shares are offered pursuant to the Rights Issue and the expenses of procuring such acquirers including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), if any, will be paid (without interest) to those persons entitled (as referred to above) *pro rata* to the relevant lapsed provisional allotments, save that no payment will be made of amounts of less than £3.00, which amounts will be aggregated and will ultimately accrue to the benefit of the Company. Cheques for the amounts due will be sent in Pounds Sterling, by post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first named in the case of joint holders), provided that where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of a payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Any transactions undertaken pursuant to this paragraph 6 shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments and none of the Company, the Joint Underwriters nor any other person procuring or seeking to procure acquirers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such acquisition, any decision not to endeavour to procure acquirers or the failure to procure acquirers on the basis described above.

## **7. Excluded Overseas Shareholders**

### **7.1 General**

**The offer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares to persons resident in, or who are citizens of, or who have a registered address in a jurisdiction other than the UK may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights. It is the responsibility of all persons outside the UK receiving this document and/or a Provisional Allotment Letter and/or a credit of Nil Paid Rights to a stock account in CREST and wishing to accept the offer of New Ordinary Shares to satisfy themselves as to full observance of the laws of the relevant territory, including obtaining all necessary governmental or other consents which may be required, observing all other requisite formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.**

This paragraph 7 sets out the restrictions applicable to Shareholders (i) who have registered addresses outside the UK, (ii) who are citizens or residents of countries other than the UK, or (iii) who are persons (including, without limitation, custodians, nominees and trustee) who have a contractual or legal obligation to forward this document to a jurisdiction outside the UK or who hold Ordinary Shares for the account or benefit of any such person.

New Ordinary Shares will be provisionally allotted to all Qualifying Shareholders on the register of members of the Company at the close of business on the Record Date, including all Overseas Shareholders. However, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights will not be credited to CREST accounts of, Excluded Overseas Shareholders with addresses in Excluded Territories, or to their agent or intermediary, except where the Company and the Joint Underwriters are satisfied that such action would not result in the contravention of any registration or other legal requirement in such jurisdiction.

Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal or in breach of regulations to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed. No person receiving a copy of this document and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him and the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST could lawfully be used or dealt with without contravention of any unfulfilled registration or other legal or regulatory requirements.

Accordingly, persons receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same in or into, or transfer Nil Paid Rights or Fully Paid Rights to any person in or into any jurisdiction, including, without limitation, the Excluded Territories, where to do so would or might contravene local securities laws or regulations. If a Provisional Allotment Letter or credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such territory, or by their agent or nominee in any such territory, he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST unless the Company and the Joint Underwriters determine that such actions would not violate applicable legal or regulatory requirements. Any person who does forward this document or a Provisional Allotment Letter into any such territories (whether under contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 7.

Subject to this paragraph 7, any person (including, without limitation, nominees, agents and trustees) outside the UK wishing to take up his rights under the Rights Issue (or to do so on behalf of someone

else) must satisfy himself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 7 are intended as a general guide only and any Shareholder who is in doubt as to his position should consult his own independent professional adviser without delay.

The Company and the Joint Underwriters may treat as invalid any acceptance or purported acceptance of the offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares which appears to the Company or the Joint Underwriters or their respective agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if it believes or they believe that the same may violate applicable legal or regulatory requirements or if, in the case of a Provisional Allotment Letter, it provides for an address for delivery of the definitive share certificates for New Ordinary Shares, or, in the case of a credit of New Ordinary Shares in CREST, the CREST member's or a CREST sponsored member's registered address is, in the US or any of the Excluded Territories or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates or make such a credit, or if the Company and the Joint Underwriters believe or their respective agents believe that the same may violate applicable legal or regulatory requirements. The attention of Shareholders with registered addresses in the US or any of the Excluded Territories or holding shares on behalf of persons with such addresses is drawn to this paragraph 7.

Despite any other provisions of this document or the Provisional Allotment Letter, the Company and the Joint Underwriters reserve the right to permit any Qualifying Shareholder to take up his rights if the Company and the Joint Underwriters in their sole and absolute discretion are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restriction in question. If the Company and the Joint Underwriters are so satisfied, the Company will arrange for the relevant Qualifying Shareholder to be sent a Provisional Allotment Letter if he/she is a Qualifying Non-CREST Shareholder or, if he/she is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 4 and 5 of this Part 3.

The provisions of paragraph 6 of this Part 3 will apply generally to Overseas Shareholders who do not or are unable to take up New Ordinary Shares provisionally allotted to them.

## **7.2 *Offering restrictions relating to the United States***

The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been and will not be registered under the US Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States absent registration or an applicable exemption from the registration requirements of the US Securities Act and in compliance with state securities laws. The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letter have not been approved or disapproved by the SEC, any states securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Accordingly, the offer by way of rights is not being made in the United States and neither this document nor the Provisional Allotment Letter constitutes or will constitute an offer, or an invitation to apply for, or an offer or an invitation to acquire, any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights by any person in the United States. Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights have not been, and will not be, credited to the CREST account of, any Qualifying Shareholder with a registered address in the United States, subject to certain

exceptions. Accordingly, this document is being sent to such Qualifying Shareholders for information only, is confidential and should not be copied or redistributed by them.

Subject to certain limited exceptions, envelopes containing Provisional Allotment Letters and postmarked in the United States or otherwise despatched from the United States will not be accepted, and all persons acquiring New Ordinary Shares and wishing to hold such shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain limited exceptions, any person who acquires New Ordinary Shares, Nil Paid Rights or Fully Paid Rights will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Provisional Allotment Letter and delivery of the New Ordinary Shares, Nil Paid Shares or Fully Paid Rights, that it is not, and that at the time of acquiring the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights it will not be, in the United States.

The Company and the Joint Underwriters reserve the right to treat as invalid any Provisional Allotment Letter: (i) that appears to the Company or the Joint Underwriters or their respective agents to have been executed in or despatched from the United States; (ii) that does not include the relevant warranty set out in the Provisional Allotment Letter headed "Overseas Shareholders" to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address (and is not otherwise located) in the United States and is not acquiring rights to Nil Paid Rights, Fully Paid Rights or New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States; or (iii) where the Company or the Joint Underwriters believe acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements, and the Company and the Joint Underwriters shall not be bound to allot (on a non-provisional basis) or issue any New Ordinary Shares, Nil Paid Rights, Fully Paid Rights in respect of any such Provisional Allotment Letter. In addition, the Company and the Joint Underwriters reserve the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of Nil Paid Rights.

Until 40 days after the commencement of the Rights Issue, any offer, sale or transfer of the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

### **7.3 *Other overseas territories***

Provisional Allotment Letters, where relevant, will be posted to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Excluded Overseas Shareholders) and Nil Paid Rights have been and, where relevant, will be credited to the CREST stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, Excluded Overseas Shareholders). Due to restrictions under the securities laws of the Excluded Territories, and subject to certain exemptions, no offer of or invitation to subscribe for New Ordinary Shares is being made by virtue of this document or the Provisional Allotment Letters into any of the Excluded Territories and no Nil Paid Rights or Fully Paid Rights will be credited to a stock account in CREST of Qualifying Shareholders with registered addresses in an Excluded Territory, and their entitlements will be sold if possible in accordance with the provisions of paragraph 6 of this Part 3. The Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be transferred or sold to any Excluded Overseas Shareholder, or renounced or delivered in or into, any Excluded Territory, except in accordance with certain exemptions. Qualifying Shareholders in jurisdictions other than those specified above may, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter.

No offer of New Ordinary Shares is being made by virtue of this document or the Provisional Allotment Letter into Australia, Canada, Japan or the Republic of South Africa.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Ordinary Shares.

**If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser immediately.**

## **8. Representations and warranties relating to overseas territories**

### **8.1 *Qualifying Non-CREST Shareholders***

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein represents and warrants to the Company and the Joint Underwriters that, except where proof has been provided to the Company's and the Joint Underwriters' satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting and/or renouncing the Provisional Allotment Letter from within the US or any of the Excluded Territories; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within the US or any Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept or renounce was given; and (iv) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the US or any Excluded Territory or any territory referred to in (ii) above.

The Company and the Joint Underwriters may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it: (a) appears to the Company and the Joint Underwriters to have been executed in or despatched from the US or any Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction, or if the Company or the Joint Underwriters believe the same may violate any applicable legal or regulatory requirement; (b) provides an address in the US or any Excluded Territory for delivery of definitive share certificates for New Ordinary Shares (or any jurisdiction outside the UK in which it would be unlawful to deliver such certificates); or (c) purports to exclude the warranty required by this paragraph 8.

### **8.2 *Qualifying CREST Shareholders***

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedure set out in paragraph 5 of this Part 3 represents and warrants to the Company and the Joint Underwriters that, except where proof has been provided to the Company's and the Joint Underwriters' satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) he is not within the US or any of the other Excluded Territories; (ii) he is not in any territory in which it is unlawful to make or accept an offer to acquire or subscribe for Nil Paid Rights, Fully Paid Rights or New Ordinary Shares; (iii) he is not acting on a non-discretionary basis for a person located within the US or any Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) he is not acquiring Nil Paid Rights, Fully Paid Rights or New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares into the US or any Excluded Territory or any territory referred to in (ii) above.

The Company and the Joint Underwriters may treat as invalid any MTM instruction which: (a) appears to the Company and the Joint Underwriters to have been despatched from the US or any other of the Excluded Territories or otherwise in a manner which may involve a breach of the laws of

any jurisdiction or they or their agents believe may violate any applicable legal or regulatory requirement; or (b) purports to exclude the warranty required by this paragraph 8.2.

### **8.3 Waiver**

The provisions of this paragraph 8 and paragraph 7 of this Part 3 and of any other terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholder(s) or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 8 and paragraph 7 which refer to Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 8 and paragraph 7 shall apply jointly to each of them.

## **9. Taxation**

Information on taxation in the United Kingdom with regard to the Rights Issue is set out in Part 9 of this document. The information contained in Part 9 is intended only as a general guide to the current tax position in the United Kingdom and Qualifying Shareholders in the United Kingdom should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Any person taking up, acquiring or otherwise dealing in rights pursuant to the Rights Issue represents and warrants to the Company and the Joint Underwriters that such person is not (and the person receiving New Ordinary Shares issued pursuant to such rights will not be) a person as mentioned in section 67, 70, 93 or 96 of the Finance Act 1986. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

## **10. Withdrawal Rights**

Qualifying Shareholders wishing to exercise statutory withdrawal rights after the issue by the Company of a prospectus supplementing this document (if any) must do so by lodging a written notice of withdrawal, which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member with the Registrar either by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH, by sending a fax to 0870 707 6113, so as to be received no later than two Business Days after the date on which a supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal save that the Company shall treat as valid any notice of withdrawal received through the post by not later than four Business Days after the date on which a supplementary prospectus is published provided that its envelope bears a legible postmark not later than the date falling two Business Days after the date on which such supplementary prospectus was published. No faxes or emails received after the expiry of two Business Days after the date on which a supplementary prospectus is published will be treated as valid.

Furthermore, the exercise of withdrawal rights will not be permitted after payment by the relevant person in respect of their New Ordinary Shares in full and the allotment of the New Ordinary Shares to such person becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers.

## **11. Basis for investment decisions**

In making any investment decision about the Rights Issue, Qualifying Shareholders are deemed to have agreed that (i) they have not relied on the Sponsor or any person affiliated with them in connection with any investigation of the accuracy of any information contained in or incorporated by reference into this document or their investment decision; and (ii) they have relied only on the information contained in or incorporated by reference into this document, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries, the Rights Issue, or the New Ordinary Shares (other than as contained in or incorporated by reference into this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Sponsor.

## **12. Times and dates**

The Company shall in its discretion and after consultation with its financial and legal advisers (and with the agreement of the Joint Underwriters) be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall announce such amendment, via a Regulatory Information Service, and notify the UK Listing Authority and, if appropriate, Shareholders.

## **13. Governing law**

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter shall be governed by, and construed in accordance with, the laws of England and Wales.

## **14. Jurisdiction**

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document and the Provisional Allotment Letter. By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## PART 4

### INFORMATION ON THE GROUP AND OPERATING AND FINANCIAL REVIEW

#### 1. Information on the Group

##### 1.1 *Background and history*

Workspace Group PLC was established in 1987 as London Industrial PLC, the vehicle for the privatisation of part of the former Greater London Council's industrial property portfolio, and floated on the London Stock Exchange in 1993.

In June 2006, a portfolio of properties totalling 1.2 million sq. ft. was transferred to a joint venture with Glebe for a cash consideration of £146 million in order to seek development opportunities and maximise value of a number of estates.

The Group converted to REIT status on 1 January 2007 in order to benefit from the exemption on paying UK direct tax on the profits and gains arising from the Group's qualifying property rental business.

The Group raised £81 million through a rights issue in March 2009 to strengthen its balance sheet in the light of reducing property values and the economic downturn.

In December 2009, the Glebe Joint Venture assets, which by then comprised 1.1 million sq. ft. of lettable space on 34 acres of freehold land, were repurchased for £15 million cash consideration and £68 million of stapled debt. The acquisition was immediately enhancing to both NAV and earnings per share and gave Workspace full control of a portfolio of 18 commercial properties across London.

In February 2011, Workspace entered into a five year joint venture with BlackRock, to be known as the BlackRock Workspace Property Trust ("BWPT"). BWPT will invest in freehold properties in London or adjacent South East locations which are high income yielding multi-let industrial or office buildings, and where there is potential for further rental growth and added value from active asset management. Workspace contributed eight properties to BWPT for £35 million and will be responsible for sourcing and recommending investment opportunities for BWPT. All BWPT owned properties will be managed by Workspace and will be operated under the Workspace logo and brand. The joint venture provides Workspace with a new income stream with growth potential and a broader platform backed by a highly regarded partner to deliver shareholder value from portfolio and brand expansion.

##### 1.2 *Group strengths*

*Successful operational track record and stable business model*

- Over the last 10 years, like-for-like occupancy has been stable at between 83 per cent. and 91 per cent. The Company's latest full year results for the twelve months ended 31 March 2011 show like-for-like cash rent roll was up 3.9 per cent. year on year and like-for-like occupancy up 2.6 per cent. at 86.2 per cent.
- Over the same 10 year time period, total dividend payments have grown at a compound annual growth rate of 8 per cent. The business's strong cash generation characteristics allowed the Group to maintain the 2009/10 dividend per share at prior year levels despite challenging trading conditions, and the Group was able to resume its progressive dividend policy in 2010/11. Full year dividend per share for the year ended 31 March 2011 was 10 per cent. higher than for the year ended 31 March 2010.

- Enquiries remain high, with a consistent level of conversions being achieved. Demand for space at the Group's properties has been maintained through the year to 31 March 2011, with enquiries averaging 960 per month and new lettings running at some 88 per month.
- Workspace achieves consistently high levels of customer satisfaction, as confirmed by regular customer surveys.

#### *Diverse property portfolio and customer base*

- The Group owns a diverse portfolio of 94 properties, making up total lettable floor area of 5.1 million sq. ft., of which 3.3 million sq. ft. is located within 6 miles of the London Eye, with the remainder located elsewhere within Greater London. These properties were independently valued by the Valuer at £726.8 million as at 15 June 2011. The property portfolio covers a full range of uses from light industrial to business centres (including studios, workshops and a small number of serviced offices).
- As at 31 March 2011, Workspace had approximately 4,000 customers, with the largest 5 customers combined representing less than 3 per cent. of turnover.
- Many of the Group's properties are located in geographical clusters, enabling Workspace's customers to 'trade-up' or 'trade-down' within the Group's portfolio without leaving the locality in which they already operate.

#### *Strategic focus on London SME market*

- Workspace is one of the leading providers of space to SMEs within London. All except two of the Group's properties are within boundary of the M25 motorway circling London.
- The number of SMEs continues to grow, and there are now over 160,000 small owner-managed businesses in London. Workspace customers work in all sectors of the London economy. Around a quarter of customers are creatives in businesses such as web design, jewellery manufacture, media and architecture.
- Workspace is sympathetic to the operational challenges faced by SMEs by allowing expansion and contraction easily on short-term leases. The Company's lease offering provides businesses with operational flexibility and opportunity, as customers are in control of their cost base.

#### *Latent value*

- Workspace's estates in London are often near to good transport links, with capital values (£137 per sq. ft.) which are well below replacement cost and they often have low building densities. Many of these estates have considerable potential for intensification, regeneration or change of use. The Group has a minimum target IRR of double digit returns from investments in new and existing assets.

### **1.3 Objectives**

The Group's vision is to be the leading provider of flexible space and services that enable growing businesses to succeed. The Group has a four-part strategy for achieving the vision:

- owning properties that are attractive to our customers and intensively managing these properties to drive occupancy and rents;
- maximising the value of our London based property portfolio and its wide opportunities for regeneration;
- understanding our customers and enhancing our brand by responding to customers' evolving needs, including by partnering with other organisations; and
- working sustainably as part of everyday business for us, our customers and our partners.

## **2. Operating and financial review**

### **2.1 Incorporation by reference**

The operating and financial review of the Company as set out in the Company's Annual Report and Accounts for each of 2009, 2010 and 2011, which are available on the Company's website at [www.workspacegroupplc.co.uk](http://www.workspacegroupplc.co.uk), are hereby incorporated by reference into this document.

### **2.2 Cross reference list**

The following list is intended to enable Shareholders to easily identify specific items of financial information which have been incorporated by reference into this document.

#### *Operating and financial review for the year ended 31 March 2011*

The page numbers below refer to the relevant pages of the Company's Annual Report and Accounts for the year ended 31 March 2011:

- The section headed "Managing our risks" on pages 27 to 29.
- The section headed "Business Review" on pages 20 to 25.
- The section headed "Key Statistics" on page 26.
- The section headed "Key Performance Indicators" on page 85.

#### *Operating and financial review for the Company for the year ended 31 March 2010*

The page numbers below refer to the relevant pages of the Company's Annual Report and Accounts for the year ended 31 March 2010:

- The section headed "Managing our risks" on page 29.
- The section headed "Business Review" on pages 30 to 35.
- The section headed "Key Statistics" on page 36.
- The section headed "Key Performance Indicators" on page 86.

#### *Operating and financial review for the Company for the year ended 31 March 2009*

The page numbers below refer to the relevant pages of the Company's Annual Report and Accounts for the year ended 31 March 2009:

- The section headed "Managing our risks" on pages 26 to 27.
- The section headed "Business Review" on pages 28 to 33.
- The section headed "Key Statistics" on pages 34 to 35.
- The section headed "Key Performance Indicators" on page 85.

## **PART 5**

### **FINANCIAL INFORMATION**

#### **Basis of Financial Information**

The financial statements of the Company included in the consolidated audited Annual Report and Accounts of the Company for each of the financial years ended 31 March 2009, 31 March 2010 and 31 March 2011, which have been audited by PricewaterhouseCoopers LLP (which is a member of the Institute of Chartered Accountants in England and Wales), together with the audit reports of PricewaterhouseCoopers LLP thereon, are incorporated by reference into this document. The audit reports for the financial years ended 31 March 2009, 31 March 2010 and 31 March 2011 were unqualified. The financial statements for the years ended 31 March 2009, 31 March 2010 and 31 March 2011 were prepared in accordance with IFRS.

#### **Cross-Reference List**

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document.

#### ***Financial Statements for the year ended 31 March 2011 and Independent Audit Report thereon***

The page numbers below refer to the relevant pages of the Annual Report and Accounts of the Company for the financial year ended 31 March 2011:

- Auditors' report on page 54.
- Consolidated income statement on page 55.
- Consolidated balance sheet on page 56.
- Consolidated statement of changes in equity on page 57.
- Consolidated statement of cash flows on page 58.
- Notes to the consolidated financial statements on pages 59 to 81.

#### ***Financial Statements for the year ended 31 March 2010 and Independent Audit Report thereon***

The page numbers below refer to the relevant pages of the Annual Report and Accounts of the Company for the financial year ended 31 March 2010:

- Auditors' report on page 56.
- Consolidated income statement on page 57.
- Consolidated balance sheet on page 58.
- Consolidated statement of changes in equity on page 59.
- Consolidated cash flow statement on page 60.
- Notes to the consolidated financial statements on pages 61 to 82.

#### ***Financial Statements for the year ended 31 March 2009 and Independent Audit Report thereon***

The page numbers below refer to the relevant pages of the Annual Report and Accounts of the Company for the financial year ended 31 March 2009:

- Auditors' report on page 54.
- Consolidated income statement on page 55.
- Consolidated balance sheet page on 56.
- Consolidated cash flow statement on page 57.
- Notes to the consolidated financial statements on pages 58 to 80.

## PART 6

### UNAUDITED PRO FORMA FINANCIAL INFORMATION

#### A. UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

The following unaudited pro forma statement of net assets is based on the audited consolidated balance sheet of the Group as at 31 March 2011, as adjusted to illustrate the estimated pro forma effects of the Rights Issue as if the Rights Issue had been completed on 31 March 2011.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, is therefore not intended to represent or to be indicative of the financial position that the Company would have reported had the Rights Issue been completed as at the date described, and should not be taken as representative of the Group's actual financial position. The pro forma statement of net assets has been prepared on the basis set out in the notes below and in accordance with the requirements of item 20.2 of Annex I and items 1 to 6 of Annex II to the PD Regulation.

#### *Unaudited pro forma statement of net assets, as at 31 March 2011<sup>3</sup>*

	<i>Workspace Group PLC historical<sup>1</sup> (£ million)</i>	<i>Adjustments for Rights Issue<sup>2</sup> (£ million)</i>	<i>Pro forma net assets for the Group (£ million)</i>
<b>Non-current assets</b>			
Investment properties	713.4	—	713.4
Intangible assets	0.4	—	0.4
Property, plant and equipment	4.6	—	4.6
Investment in joint venture	6.7	—	6.7
Trade and other receivables	4.9	—	4.9
	<u>730.0</u>	<u>—</u>	<u>730.0</u>
<b>Current assets</b>			
Trade and other receivables	8.3	—	8.3
Cash and cash equivalents	2.3	34.3	36.6
	<u>10.6</u>	<u>34.3</u>	<u>44.9</u>
<b>Current liabilities</b>			
Bank overdraft	(3.2)	3.2	—
Derivative financial instruments	(10.9)	—	(10.9)
Trade and other payables	(28.0)	—	(28.0)
	<u>(42.1)</u>	<u>3.2</u>	<u>(38.9)</u>
<b>Net current liabilities</b>	<b>(31.5)</b>	<b>37.5</b>	<b>6.0</b>
<b>Non-current liabilities</b>			
Borrowings	(363.8)	25.5	(338.3)
Other non-current liabilities	(0.9)	—	(0.9)
	<u>(364.7)</u>	<u>25.5</u>	<u>(339.2)</u>
<b>Net assets</b>	<b>333.8</b>	<b>63.0</b>	<b>396.8</b>

1. The financial information in respect of the Group has been extracted without material adjustment from the audited consolidated balance sheet of the Group contained in the audited consolidated accounts of the Company for the financial year ended 31 March 2011.
2. The net proceeds of the Rights Issue of approximately £63 million are calculated on the basis that the Company issues 288,182,835 New Ordinary Shares at a price of 23 pence per share, net of estimated expenses in connection with the Rights Issue of approximately £3.3 million (exclusive of VAT).
3. No adjustment has been made to reflect any trading or other transactions undertaken by the Group since 31 March 2011 nor any other event, save as referred to above.

## B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA NET ASSETS STATEMENT



The Directors  
Workspace Group PLC  
Magenta House  
85 Whitechapel Road  
London  
E1 1DU

N M Rothschild & Sons Limited  
New Court  
St. Swithin's Lane  
London  
EC4P 4DU

7 July 2011

Dear Sirs,

### ***Workspace Group PLC (the "Company")***

We report on the pro forma net assets statement (the "**Pro forma net assets statement**") set out in Part 6A of the Company's prospectus dated 7 July 2011 (the "**Prospectus**") which has been prepared on the basis described in the notes to the Pro forma net assets statement, for illustrative purposes only, to provide information about how the proposed Rights Issue might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 March 2011. This report is required by item 20.2 of Annex I to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

### ***Responsibilities***

It is the responsibility of the directors of the Company to prepare the Pro forma net assets statement in accordance with item 20.2 of Annex I to the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation as to the proper compilation of the Pro forma net assets statement and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma net assets statement, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation.

*PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH*  
*T: +44 (0) 20 7583 5000, F: +44 (0) 20 7822 4652, [www.pwc.co.uk](http://www.pwc.co.uk)*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

***Basis of opinion***

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma net assets statement with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma net assets statement has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

***Opinion***

In our opinion:

- a) the Pro forma net assets statement has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Company.

***Declaration***

For the purposes of Prospectus Rule 5.5.3 R(2)(f), we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP  
*Chartered Accountants*

## PART 7

### CAPITALISATION, INDEBTEDNESS AND CAPITAL RESOURCES

#### 1. Capitalisation

Set out below is a statement of the Company's capitalisation as at 31 March 2011, extracted without material adjustment from the Company's audited consolidated accounts for the year ended 31 March 2011.

##### Shareholder's equity

	<i>£ million</i>
Ordinary Shares	115.3
Share premium	25.0
Investment in own shares	(8.0)
Other reserves	15.0
<b>Total</b>	<b>147.3</b>

There has been no material change in the capitalisation of the Company since 31 March 2011.

#### 2. Indebtedness

The following tables, sourced from the Company's internal accounting records, show the Company's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at the close of business on 31 May 2011:

##### *Indebtedness as at 31 May 2011*

	<i>£ million</i>
<b>Total current debt</b>	
Guaranteed	—
Secured	4.0
Unguaranteed/Unsecured	—
	<b>4.0</b>
	<i>£ million</i>
<b>Total non-current debt (excluding current portion of long-term debt)</b>	
Guaranteed	—
Secured <sup>1</sup>	366.2
Unguaranteed/Unsecured <sup>2</sup>	0.3
	<b>366.5</b>

1. Included in this balance is £3.2 million of finance lease obligations in respect of leased investment property.

2. Represents unsecured finance lease obligations in respect of leased investment property.

### *Net indebtedness as at 31 May 2011*

	<i>£ million</i>
Cash	0.2
Cash equivalent (restricted cash – tenants’ deposit deeds)	2.0
Trading securities	–
<b>Liquidity</b>	<u>2.2</u>
<b>Current financial receivables</b>	
Current Bank debt	(4.0)
Current portion of non current debt	–
Other current financial debt	–
<b>Current financial debt</b>	<u>(4.0)</u>
<b>Net current financial indebtedness</b>	<u>(1.8)</u>
Non current bank loans	(363.0)
Bonds issued	–
Other non current loans <sup>1</sup>	(3.5)
<b>Non current Financial Indebtedness</b>	<u>(366.5)</u>
<b>Net Financial Indebtedness</b>	<u>(368.3)</u>

1. Other non current loans comprise finance lease obligations in respect of leased investment property.

### **3. Capital resources and liquidity**

#### ***Overview***

The Group has primarily financed its operations through a mixture of cash generated from operating activities, equity issues and secured bank financing.

#### ***Equity issues***

During the three year period ended 31 March 2011, the Group has undertaken two share issues:

- rights issue launched on 27 January 2009, raising net proceeds of £81.1 million; and
- placing carried out on 11 December 2009, raising net proceeds of £18.8 million.

#### ***Bank financing***

##### ***Introduction***

Total bank loans amounted to £356.0 million as at 31 March 2009, £380.6 million as at 31 March 2010 and £360.3 million as at 31 March 2011. In addition, the Group had part secured finance leases amounting to £3.9 million as at 31 March 2009, £3.5 million as at 31 March 2010 and £3.5 million as at 31 March 2011, and overdrafts amounting to £nil as at 31 March 2009, £2.3 million as at 31 March 2010 and £3.2 million as at 31 March 2011. As at 30 June 2011, being for these purposes the latest practicable date prior to the publication of this document, the Group’s indebtedness under its Existing Facilities amounted to approximately £367 million.

The group has three Existing Facilities, the details of which are set out below. The Group’s average debt maturity as at June 2011 was four years. The earliest debt maturity is in December 2014.

<i>Facility</i>	<i>Facility amount</i>	<i>Drawn amount as at 30 June 2011</i>	<i>Margin over LIBOR</i>	<i>Term</i>
<b>New RBS Facility</b>				
Term facility	£70m	£70m	2.50%	June 2015
Revolving facility	£55m	£29m	2.75%	June 2015
<b>BayernLB Facility</b>				
Term facility	£200m	£200m	2.25%	June 2015
<b>Lloyds BoS Facility</b>				
Term facility	£68m	£68m	1.25%	December 2014
<b>Total</b>	<u>£393m</u>	<u>£367m</u>		

#### *New RBS facility*

On 3 June 2011, the Group signed the New RBS Facility of £125 million for four years to June 2015. The facility is structured as a term and revolving loan. On 6 July 2011, HSBC became an additional lender, taking up a £62.5 million participation alongside RBS.

#### *BayernLB Facility*

In July 2010, the Group signed a new five year £200 million debt facility with a club of four banks to replace the debt facility previously provided by GE Capital and BayernLB. The facility is structured as a five year term loan to June 2015, with bullet repayment at maturity.

#### *Lloyds BoS Facility*

In December 2009, the Group acquired Workspace Glebe for £83 million, which included the assumption of Workspace Glebe's debt. Workspace Glebe's £134 million debt was reduced to £83 million, of which £15 million was repaid by Workspace, and restructured into a new £68 million five year facility provided by Bank of Scotland plc and Bank of East Asia, Limited, London Branch.

#### *Financial covenants*

Each of Workspace's Existing Facilities contains valuation and interest cover related financial covenants. The Group tests financial covenants on each facility every calendar quarter.

#### *Interest rate hedging*

The Group enters into derivative transactions such as interest rate swaps and collars in order to manage its interest rate risk. At 30 June 2011, the Group had current interest rate swaps covering total borrowings of £270 million at a weighted interest rate of 3.84 per cent. and interest rate caps of £115.5 million at a weighted average rate of 5.37 per cent.

#### *Cash flows*

The following table sets out, for the twelve months ended on each of 31 March 2009, 2010 and 2011, the Group's cash flow from operating activities, cash flow from investing activities, cash flow from financing activities and the net increase or decrease in cash and cash equivalents at the end of the period. The information has been extracted without material adjustment from, and should be read together with, the Group's audited consolidated financial statements, which were prepared in accordance with IFRS, included in its Annual Report and Accounts for the financial years ended 31 March 2011, 31 March 2010 and 31 March 2009.

	<i>Year ended 31 March 2011 £ million</i>	<i>Year ended 31 March 2010 £ million</i>	<i>Year ended 31 March 2009 £ million</i>
Net cash inflow from operating activities	14.0	11.1	16.5
Net cash inflow/(outflow) for investing activities	27.1	48.1	(3.9)
Net cash (outflow) from financing activities	(41.8)	(63.1)	(7.8)
Net increase/(decrease) in cash and cash equivalents	(0.7)	(3.9)	4.8
Cash and cash equivalents at beginning of year	(0.2)	3.7	(1.1)
Cash and cash equivalents at end of year	(0.9)	(0.2)	3.7

Net cash inflow from operating activities represented a net inflow of £16.5 million, £11.1 million and £14.0 million in the twelve months ended 31 March 2009, 2010 and 2011 respectively. The net inflow of £16.5 million in 2009 included interest paid of £29.4 million and a tax refund of £4.9 million relating to prior years. The net inflow of £11.1 million on 2010 included interest paid of £25.3 million. The net inflow of £14.0 million in 2011 included a tax payment of £2.1 million for the REIT conversion charge of the Glebe Joint Venture acquired in 2010 and interest paid of £21.9 million.

Net cash inflow/(outflow) for investing activities represented a net outflow of £3.9 million and inflow of £48.1 million and £27.1 million in the twelve months ended 31 March 2009, 2010 and 2011 respectively. The net outflow in 2009 included an investment in the Glebe Joint Venture of £3.8 million and proceeds from disposal of investment property of £11.4 million. The net inflow in 2010 included proceeds from disposal of investment property of £57.1 million and in 2011 proceeds from disposal of investment property of £43.9 million, less investment in the BlackRock Joint Venture of £7.4 million

Net cash (outflow) from financing activities represented a net outflow of £7.8 million, £63.1 million and £41.8 million in the twelve months ended 31 March 2009, 2010 and 2011 respectively. The net outflow in 2009 included repayment of bank borrowings of £78.8 million and dividend payments of £7.8 million, less net proceeds from rights issue of £83.6 million. The net outflow in 2010 included repayment of bank borrowings of £58.2 million, settlement of derivative financial instruments of £8.6 million and dividend payments of £8.1 million, less net share issue proceeds of £16.3 million. The net outflow in 2011 included £17.3 million repayment of bank borrowings and dividend payments of £8.2 million.

**PART 8**  
**VALUATION REPORT**

**VALUATION REPORT**  
**AS AT**  
**15 JUNE 2011**  
**ON BEHALF OF**  
**WORKSPACE GROUP PLC**

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## **PART I VALUATION REPORT**

REPORT DATE	7 July 2011
ADDRESSEE	<p>The Directors Workspace Group PLC Magenta House 85 Whitechapel Road London E1 1DU</p> <p>N M Rothschild &amp; Sons Limited New Court St. Swithin's Lane London EC4P 4DU</p> <p>Execution Noble Limited (which conducts its UK investment banking activities as Espirito Santo Investment Bank) 10 Paternoster Square London EC4M 7AE</p> <p>Investec Bank plc 2 Gresham Street London EC2V 7QP</p>
THE PROPERTIES	The property assets of Workspace Group PLC, as listed in the Schedule of Capital Values attached.
INSTRUCTION	To value on the basis of Market Value the Properties as at the valuation date in accordance with your instructions.
VALUATION DATE	15 June 2011
CAPACITY OF VALUER	External
PURPOSE OF VALUATION	For inclusion in the Prospectus on which investors will rely in making their investment decisions in connection with the rights issue.
MARKET VALUE	<b>£726,825,000 (SEVEN HUNDRED AND TWENTY SIX MILLION EIGHT HUNDRED AND TWENTY FIVE THOUSAND POUNDS)</b> exclusive of VAT, as shown in the Schedule of Capital Values set out below:

	<p>We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.</p> <p>Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.</p>
COMPLIANCE WITH VALUATION STANDARDS	<p>The valuations have been prepared in accordance with The RICS Valuation Standards, Seventh Edition (the "Red Book").</p> <p>We confirm that we have sufficient current local and national knowledge of the particular markets, and the skills and understanding to undertake the valuations competently. Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CB Richard Ellis, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.</p>
ASSUMPTIONS	<p>The property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.</p> <p>If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.</p>
VARIATION FROM STANDARD ASSUMPTIONS	None
VALUER	The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RCIS Valuation Standards.
INDEPENDENCE	The total fees, including the fee for this assignment, earned by CB Richard Ellis Ltd (or other companies forming part of the same group of companies within the UK) from the Addressee (or other companies forming part of the same group of companies) is less than 5.0 per cent. of the total UK revenues.
DISCLOSURE	<p>The principal signatory of this report has continuously been the signatory of valuations for the same addressee and valuation purpose as this report since 2008. CB Richard Ellis Ltd has continuously been carrying out valuation instructions for the addressee of this report since 1996.</p> <p>CB Richard Ellis Ltd has carried out Valuation, Agency and Professional services on behalf of the addressee for between 10 and 15 years.</p>
RELIANCE AND PUBLICATION	No reliance may be placed upon the contents of this Report by any party for any purpose other than in connection with the Purpose of Valuation. Before the Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, the valuer's

written approval as to form and context of such publication or disclosure must first be obtained such approval not to be unreasonably withheld or delayed. Such publication or disclosure will not be permitted unless, where relevant it incorporates the Assumptions referred to herein.

Yours faithfully,

**Michael Brodtman FRICS**  
*Executive Director*  
*RCIS Registered Valuer*

*For and on behalf of*  
*CB Richard Ellis Ltd*

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*Senior Director*  
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## SCHEDULE OF CAPITAL VALUES

<i>Investments</i>				<i>Owner Occupied</i>	<i>Totals All Properties</i>
<i>Freehold</i>	<i>Long Leasehold</i>	<i>Short Leasehold</i>	<i>Total</i>	<i>Freehold</i>	
£629,435,000	£93,450,000	£40,000	<b>£722,925,000</b>	£3,900,000	<b>£726,825,000</b>

## **SCOPE OF WORK & SOURCES OF INFORMATION**

<b>SOURCES OF INFORMATION</b>	We have carried out our work based upon information supplied to us by Workspace Group PLC, as set out within this report, which we have assumed to be correct and comprehensive.
<b>THE PROPERTIES</b>	Our report contains a brief summary of the property details on which our valuation has been based.
<b>INSPECTIONS</b>	We have inspected all the Properties internally during 2011 with the exception of Tower Bridge Block F and Ladbroke Grove where we could not gain access.
<b>AREAS</b>	We have not measured the Properties but have relied upon the floor areas provided.
<b>ENVIRONMENTAL MATTERS</b>	<p>We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination. We have not carried out any investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.</p> <p>We have assumed that the properties possess current Energy Performance Certificates (EPCs) as required under the Government's Energy Performance of Buildings Directive.</p>
<b>REPAIR AND CONDITION</b>	We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.
<b>TOWN PLANNING</b>	We have not undertaken planning enquiries.
<b>TITLES, TENURES AND LETTINGS</b>	<p>Details of title/tenure under which the Properties are held and of lettings to which they are subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.</p> <p>We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.</p>

## VALUATION ASSUMPTIONS

### CAPITAL VALUES

Each valuation has been prepared on the basis of “Market Value” which is defined as:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

It should be noted that the interpretive commentary of the Valuation Standards makes it clear that, amongst other things, the valuation assumes that the appropriate marketing period had occurred prior to the valuation date and that simultaneous exchange and completion of the sale took place on the valuation date. Our valuations are, therefore, based upon the facts and evidence available as at the date of valuation.

We would also draw your attention to the fact that we are required to assume that the buyer will purchase in accordance with the realities of the current market, and with current market expectations, and that the seller will sell the property at market terms for the best price attainable in the open market after proper marketing, whatever that price may be.

### RENTAL VALUES

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent.

### THE PROPERTIES

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord’s fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants’ fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

### ENVIRONMENTAL MATTERS

In the absence of any information to the contrary, we have assumed that:

- (a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;

- (b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.

High voltage electrical supply equipment may exist within, or in close proximity of, the Properties. The National Radiological Protection Board (NRPB) has advised that there may be a risk, in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the property. Our valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this equipment.

#### REPAIR AND CONDITION

In the absence of any information to the contrary, we have assumed that:

- (a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the Properties;
- (b) the Properties are free from rot, infestation, structural or latent defect;
- (c) no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to, the Properties; and
- (d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

#### TITLE, TENURE, PLANNING AND LETTINGS

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

- (a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- (b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;
- (c) the Properties are not adversely affected by town planning or road proposals;
- (d) all buildings comply with all statutory and local authority requirements, including building, fire and health and safety regulations;
- (e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the Disability Discrimination Act 1995;
- (f) all rent reviews are upward only and are to be assessed by reference to full current market rents;

- (g) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (h) tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge;
- (i) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- (j) where more than 50 per cent. of the floorspace of a property is in residential use, the Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in the property. Where this is applicable, we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest. Disposal on the open market is therefore unrestricted;
- (k) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- (l) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

## PART II DETAILS OF MATERIAL PROPERTIES

### WORKSPACE GROUP PLC

#### VALUATION AS AT 15 JUNE

<i>PROPERTY</i>	<i>DESCRIPTION, AGE AND TENURE</i>	<i>TERMS OF MAIN TENANCIES</i>	<i>NET ANNUAL RENTS RECEIVABLE</i>	<i>MARKET VALUE</i>
Tower Bridge Business Complex, Bermondsey, London, SE16 4DG	<p>Formerly known as the 'Peek Frean Biscuit Factory' this triangular site comprises a substantial office and warehouse estate. There are 12 blocks, labelled A to N, which are typically constructed of steel/concrete frame with brick walls, concrete floors, metal windows and a mix of pitched and flat roofs. (Block F does not form part of this valuation and there is no block I).</p> <p>The site is accessed from two gated entrances, one off Drummond Road and the other off Clements Road. The estate management office lies in the centre of the property adjacent to the on-site cafe. Building construction dates vary considerably, with Blocks A and B dating back to the 1880s, Blocks J and H from the 1930s, Block C and H from 1948 and Blocks D, E and F constructed in the late 1960s.</p> <p>The estate has undergone a significant refurbishment programme over the last five years with the refurbishing of the ground floor of Block A, parts of Block B and the first floor of Block K have been refurbished and now provide smaller studio accommodation. Block N (Nutmeg) now accommodates the management office, cafe and additional workshop space. Block L was gutted and re-configured to provide office accommodation over three levels.</p> <p>Office/studio accommodation is located within Blocks C, G, K, L and N and on the upper floors of Blocks A, B and J.</p> <p>Specification varies from building to building but generally comprises carpeted solid floors, painted brick walls, exposed steel and concrete ceilings with fluorescent tube or category II lighting, single glazed windows, and perimeter radiators and electrical sockets. Blocks A, J, K, C, N and L benefit from a passenger lift.</p> <p>Warehouse accommodation is basic offering average eaves heights of circa 6.10 metres (20 ft) and loading bay roller shutter doors in Blocks D, E and H.</p> <p>Tower Bridge Business Complex is approximately 416,849 sq ft. The property is held freehold.</p>	<p>The property is let on 142 licences/leases with the majority expiring between 2011 and 2013 with a small number of expiries extending beyond this.</p> <p>There are a total of 17 vacant units totalling 69,564 sq ft.</p>	£2,587,283	£36,875,000

<i>PROPERTY</i>	<i>DESCRIPTION, AGE AND TENURE</i>	<i>TERMS OF MAIN TENANCIES</i>	<i>NET ANNUAL RENTS RECEIVABLE</i>	<i>MARKET VALUE</i>
Kennington Park, Brixton Road, London SW9	<p>Kennington Park consists of office and workshop space and is configured as 150 units within 10 buildings, which were constructed at varying dates.</p> <p>The buildings are a mix of both concrete and steel framed construction with both red brick and blockwork elevations. They all vary in terms of design, number of floors and specification, and are set around three separate tarmacadam car parks for 177 cars in total.</p> <p>Canterbury Court is the largest building on the estate and a redevelopment was completed in 2007. The building is rectangular shaped comprising ground to third storeys of steel framed construction with brickwork elevations, set under a slightly pitched roof. The windows are both arched and rectangular Edwardian boxed sash windows.</p> <p>Access to each unit varies with the front ground floor units via a lower walk way and rear units off the rear courtyard. The units are generally open plan with internal demountable partitioning forming part of the tenant fit-out.</p> <p>Chester and Chichester House are currently undergoing a significant refurbishment to amalgamate them into one building which will provide refurbished office accommodation of varying sizes.</p> <p>The total floor area of Kennington Park is approximately 353,208 sq ft. The property is held freehold.</p>	<p>The property is let on 91 licences/leases with the majority of them expiring between 2011 and 2012.</p> <p>There are a total of 60 vacant units totalling 61,137 sq ft.</p> <p>There are 11 vacant units within Canterbury Court totalling 26,978 sq ft.</p>	£3,730,363	£59,070,000

### PART III GEOGRAPHICAL SPLIT OF CAPITAL VALUES

<i>PROPERTY NAME</i>	<i>TENURE TYPE</i>	<i>TOTAL AREA</i>	<i>NO. OF UNITS</i>	<i>TOTAL ANNUAL RENT RECEIVABLE</i>
<b>CENTRAL LONDON – OFFICES</b>				
Archer Street, London W1	Freehold	14,981	31	£536,777
Baldwin Gardens (Hatton Sq), London EC1*	Freehold	43,382	55	£698,153
Clerkenwell Workshops, London EC1	Freehold	51,428	113	£1,825,473
Exmouth House, London EC1*	Leasehold	53,795	23	£964,762
Great Guildford St, Southwark SE1	Freehold	93,585	137	£1,227,274
Greville Street, London EC1	Freehold	10,958	48	£317,198
Holywell Centre, London EC2,	Freehold	21,794	77	£359,749
Leathermarket, London SE1	Freehold	120,493	164	£2,450,145
Linton House, Southwark SE1*	Freehold	34,179	52	£659,537
Magenta House, London E1*	Freehold	12,037	1	£0
Neil House, 1-15 Whitechapel, London E1	Freehold	40,853	54	£525,928
Quality Court, London WC2	Freehold	17,328	58	£759,451
Southbank House, London SE1	Freehold	62,317	199	£1,350,085
Westminster Bus/C, London SE11*	Freehold	62,855	68	£818,126
Whitechapel Bus/C, London E1	Freehold	35,402	41	£520,166
Whitechapel Road (57/59), London E1	Freehold	2,760	3	£20,016
Enterprise Ho(ALL), London SE1	Freehold	72,823	80	£2,024,451
<b>TOTALS</b>		<b>750,970</b>	<b>1,204</b>	<b>£15,057,291</b>

#### CENTRAL LONDON OFFICES – SUMMARY

##### VALUATION AS AT 15 JUNE 2011

<b>TOTAL ANNUAL RENT RECEIVABLE</b>	<b>TOTAL ESTIMATED NET ANNUAL RENTAL VALUE</b>	<b>TOTAL MARKET VALUE</b>
<b>£15,057,291</b>	<b>£18,286,429</b>	<b>£211,570,000</b>
<b>EAST LONDON – OFFICES</b>		
Alpha Bus Centre, London, E17	Leasehold	22,168
Highway Bus Park, London E1*	Freehold	19,969
Mare Street Studios, London Fields E8	Mixed	39,399
Stratford Off Village, Stratford	Freehold	52,036
<b>TOTALS</b>	<b>133,572</b>	<b>144</b>

#### EAST LONDON OFFICES – SUMMARY

##### VALUATION AS AT 15 JUNE 2011

<b>TOTAL ANNUAL RENT RECEIVABLE</b>	<b>TOTAL ESTIMATED NET ANNUAL RENTAL VALUE</b>	<b>TOTAL MARKET VALUE</b>
<b>£1,330,900</b>	<b>£1,899,762</b>	<b>£19,550,000</b>

<i>PROPERTY NAME</i>	<i>TENURE TYPE</i>	<i>TOTAL AREA</i>	<i>NO. OF UNITS</i>	<i>TOTAL ANNUAL RENT RECEIVABLE</i>
<b>NORTH LONDON – OFFICES</b>				
Aberdeen Centre, London, N5*	Freehold	61,408	133	£546,389
Chocolate Factory, Wood Green N22	Mixed	119,009	77	£716,336
Ivories, London, N1 2HY	Freehold	24,802	24	£413,288
Leroy House, London N1	Freehold	46,922	107	£676,509
Parma House, Wood Green N22	Freehold	35,031	23	£223,236
Spectrum House, London NW5	Freehold	46,487	39	£529,605
Wharf Road, London N1	Freehold	27,945	47	£571,674
<b>TOTALS</b>		<b>361,604</b>	<b>450</b>	<b>£3,677,037</b>

#### NORTH LONDON OFFICES – SUMMARY

##### VALUATION AS AT 15 JUNE 2011

TOTAL ANNUAL RENT RECEIVABLE	TOTAL ESTIMATED NET ANNUAL RENTAL VALUE		TOTAL MARKET VALUE	
£3,677,037	£4,146,323		£56,615,000	
SOUTH LONDON – OFFICES				
Avro House & Hewlett House, Havelock Terrace SW8 4AS	Freehold	58,363	57	£562,857
Bendon Valley, SW18	Freehold	19,371	6	£186,359
Homesdale Road, Bromley	Freehold	14,043	15	£122,547
Kennington Park*	Freehold	373,676	189	£3,730,363
Lombard House, Croydon	Freehold	67,246	71	£512,908
Morie Street (No 1), London SW18	Freehold	21,695	19	£258,460
Riverside Bus Centre (excl 55), London SW18	Freehold	80,130	179	£786,887
Sundial House, Kingston	Freehold	26,110	29	£220,254
Tower Br Complex, London SE16*	Freehold	416,849	244	£2,587,283
Wandsworth B/Vill, London SW18	Freehold	20,004	32	£28,861
TOTALS		1,097,487	841	£8,996,779

#### SOUTH LONDON OFFICES – SUMMARY

##### VALUATION AS AT 15 JUNE 2011

<b>TOTAL ANNUAL RENT RECEIVABLE</b>	<b>TOTAL ESTIMATED NET ANNUAL RENTAL VALUE</b>	<b>TOTAL MARKET VALUE</b>
<b>£8,996,779</b>	<b>£12,144,224</b>	<b>£138,330,000</b>

<i>PROPERTY NAME</i>	<i>TENURE TYPE</i>	<i>TOTAL AREA</i>	<i>NO. OF UNITS</i>	<i>TOTAL ANNUAL RENT RECEIVABLE</i>
<b>WEST LONDON – OFFICES</b>				
Barley Mow Centre, Chiswick W4*	Freehold	73,819	212	£1,244,949
Canalot Studios, London W10*	Mixed	32,550	98	£516,508
Chiswick Studios, Chiswick	Freehold	14,244	6	£153,443
Grand Union Cent, Ladbroke Grove W10*	Freehold	50,671	36	£511,705
Ladbroke Hall, London W10	Freehold	15,220	12	£239,028
Lightbox (111 Power Road), Chiswick*	Freehold	71,123	65	£869,085
Long Island House, Acton W3	Freehold	29,968	19	£178,700
Pall Mall Deposit, London W10	Freehold	49,610	113	£825,126
Park Royal - 10 Cullen Way	Freehold	10,304	4	£16,188
Park Royal Business Centre, Park Royal	Freehold	30,347	88	£291,480
Park Royal House, Park Royal	Freehold	10,203	2	£14,301
Park Royal Road, 28-30, Park Royal	Freehold	28,175	9	£170,593
Q West, Brentford	Leasehold	40,391	84	£266,596
Shaftesbury Centre, London W10	Freehold	12,595	29	£192,368
Westbourne Studios, London, W10 5YG	Leasehold	56,486	109	£1,496,961
<b>TOTALS</b>		<b>525,706</b>	<b>886</b>	<b>£6,987,031</b>

#### WEST LONDON OFFICES – SUMMARY

##### VALUATION AS AT 15 JUNE 2011

<b>TOTAL ANNUAL RENT RECEIVABLE</b>	<b>TOTAL ESTIMATED NET ANNUAL RENTAL VALUE</b>	<b>TOTAL MARKET VALUE</b>	
<b>£6,987,031</b>	<b>£8,511,152</b>	<b>£97,440,000</b>	
<b>OFFICES GRAND TOTAL</b>	<b>2,869,339</b>	<b>3,525</b>	<b>£36,049,038</b>

#### EAST LONDON – INDUSTRIAL

Bow Ent. Park, London E3*	Freehold	75,677	32	£511,230
Bow Exchange, London	Freehold	37,585	12	£290,052
Buzzard Creek Ind Est, Barking	Leasehold	45,000	17	£274,250
Cremer Bus Cent, London E2	Freehold	41,363	42	£428,396
Fairways Business Centre, Leyton, E10	Freehold	47,091	43	£299,982
Greenheath B/Cent, London E2*	Leasehold	56,527	89	£145,465
Leyton Industrial Village, London E10*	Freehold	122,338	102	£429,766
Leyton studios, London E10	Leasehold	18,962	11	£119,702
Marshgate Bus Centre, London E15	Freehold	92,674	30	£284,918
Poplar Bus Park, London E14*	Leasehold	74,755	62	£1,196,016
Redbridge Ent/Centre, Ilford,	Freehold	20,064	20	£203,097
Uplands Business Park, London E17	Freehold	283,197	50	£1,355,325
<b>TOTALS</b>		<b>915,233</b>	<b>510</b>	<b>£5,538,199</b>

#### EAST LONDON INDUSTRIAL – SUMMARY

##### VALUATION AS AT 15 JUNE 2011

<b>TOTAL ANNUAL RENT RECEIVABLE</b>	<b>TOTAL ESTIMATED NET ANNUAL RENTAL VALUE</b>	<b>TOTAL MARKET VALUE</b>
<b>£5,538,199</b>	<b>£6,810,581</b>	<b>£93,780,000</b>

<i>PROPERTY NAME</i>	<i>TENURE TYPE</i>	<i>TOTAL AREA</i>	<i>NO. OF UNITS</i>	<i>TOTAL ANNUAL RENT RECEIVABLE</i>
<b>NORTH LONDON – INDUSTRIAL</b>				
Atlas Business Centre, London NW2	Freehold	152,140	118	£925,532
Belgravia Wk/shops, London N19	Freehold	32,324	52	£314,908
Bounds Green I/E, London N11*	Freehold	123,418	60	£629,907
Mallard Place, Wood Green N22	Leasehold	10,150	1	£82,500
Quicksilver Place, Wood Green N22	Leasehold	27,810	1	£135,445
<b>TOTALS</b>		<b>345,842</b>	<b>232</b>	<b>£2,088,292</b>

#### NORTH LONDON INDUSTRIAL – SUMMARY

##### VALUATION AS AT 15 JUNE 2011

TOTAL ANNUAL RENT RECEIVABLE	TOTAL ESTIMATED NET ANNUAL RENTAL VALUE		TOTAL MARKET VALUE	
<u>£2,088,292</u>		<u>£2,711,157</u>		<u>£28,280,000</u>
OUTER LONDON – INDUSTRIAL				
Clyde House, Maidenhead	Leasehold	29,652	8	£194,124
Harlow Enterprise Centre, Essex	Freehold	51,851	28	£332,082
TOTALS		<u>81,503</u>	<u>36</u>	<u>£526,206</u>

#### OUTER LONDON INDUSTRIAL – SUMMARY

##### VALUATION AS AT 15 JUNE 2011

TOTAL ANNUAL RENT RECEIVABLE	TOTAL ESTIMATED NET ANNUAL RENTAL VALUE		TOTAL MARKET VALUE	
£526,206	£616,412		£5,400,000	
SOUTH LONDON – INDUSTRIAL				
Alscot Rd Ind Est, London SE1*	Freehold	6,370	6	£67,600
Canterbury Ind Pk, London SE15	Freehold	18,893	14	£160,898
Creekside, Faircharm Trading Est, Deptford SE8 3DX	Freehold	106,010	86	£491,081
Hamilton Rd Ind, London SE27	Freehold	23,531	12	£193,765
Mahatma Gandhi Est II, London SE2	Freehold	16,750	17	£92,845
Michael Manley Ind Est, London SW8,	Freehold	5,800	4	£72,975
Parkhall Trad Est, London SE21	Freehold	125,725	113	£667,978
Pensbury Ind Est, London SW8	Freehold	19,971	20	£248,287
Rainbow Ind Park, Raynes Park SW20	Freehold	157,552	21	£299,735
T Marchant Trading Estate, London SE16	Freehold	51,721	14	£330,174
Thurston Road Ind Est, London SE13	Freehold	39,436	26	£0
Tower Br - Block F, London SE16	Freehold	141,881	1	£0
Zennor Rd Ind Est, London SW12,	Freehold	66,054	29	£385,775
TOTALS		779,694	363	£3,011,113

#### SOUTH LONDON INDUSTRIAL – SUMMARY

##### VALUATION AS AT 15 JUNE 2011

<b>TOTAL ANNUAL RENT RECEIVABLE</b>	<b>TOTAL ESTIMATED NET ANNUAL RENTAL VALUE</b>	<b>TOTAL MARKET VALUE</b>
<b>£3,011,113</b>	<b>£4,891,656</b>	<b>£45,410,000</b>

<i>PROPERTY NAME</i>	<i>TENURE TYPE</i>	<i>TOTAL AREA</i>	<i>NO. OF UNITS</i>	<i>TOTAL ANNUAL RENT RECEIVABLE</i>
<b>WEST LONDON – INDUSTRIAL</b>				
Enterprise House, Hayes	Freehold	111,433	33	£186,325
Acton Bus Centre, London, NW10	Freehold	50,361	95	£475,403
Arches Bus Centre, Southall	Freehold	40,725	20	£309,026
Artesian Close Ind Est, London NW10	Freehold	15,814	17	£194,808
Barratt Way I/Estate, Harrow	Freehold	48,506	10	£312,079
Littleton House, Ashford	Freehold	41,716	45	£218,269
Maple Ind Est, Feltham	Freehold	18,210	18	£204,907
Park Royal - 2 Cullen Way	Freehold	1,562	1	£16,532
Westwood Bus/C, Acton NW10*	Freehold	47,415	17	£343,774
<b>TOTALS</b>		<b>375,742</b>	<b>256</b>	<b>£2,261,123</b>

#### WEST LONDON INDUSTRIAL – SUMMARY

##### VALUATION AS AT 15 JUNE 2011

<b>TOTAL ANNUAL RENT RECEIVABLE</b>	<b>TOTAL ESTIMATED NET ANNUAL RENTAL VALUE</b>	<b>TOTAL MARKET VALUE</b>	
<b>£2,261,123</b>	<b>£2,801,141</b>	<b>£29,020,000</b>	
<b>INDUSTRIAL GRAND TOTAL</b>	<b>2,498,014</b>	<b>1,397</b>	<b>£13,424,933</b>
<b>SOUTH LONDON – RESIDENTIAL</b>			
9 Grand Drive, Raynes Park, SW20	Freehold	–	1
<b>TOTALS</b>	<b>–</b>	<b>1</b>	<b>£0</b>
<b>WEST LONDON – RESIDENTIAL</b>			
Ladbroke Grove (No 330), London W10	Freehold	2,000	1
<b>TOTALS</b>	<b>2,000</b>	<b>1</b>	<b>£33,800</b>

#### RESIDENTIAL – SUMMARY

##### VALUATION AS AT 15 JUNE 2011

<b>TOTAL MARKET VALUE</b>			
<b>£1,430,000</b>			
<b>RESIDENTIAL GRAND TOTAL</b>	<b>2,000</b>	<b>2</b>	<b>£33,800</b>
<b>GRAND TOTAL</b>	<b>5,369,353</b>	<b>4,924</b>	<b>£49,507,771</b>

\*Property includes development value

## **PART 9**

### **TAXATION**

#### **UNITED KINGDOM TAX CONSIDERATIONS**

##### **1. General**

The following statements do not constitute tax advice and are intended only as a general guide to current UK law and the published practice of HMRC, as currently understood (which are both subject to change at any time, possibly with retrospective effect). They relate only to certain limited aspects of the UK taxation treatment of Shareholders and are intended to apply only to persons who are resident and, in the case of individuals, ordinarily resident in the UK for UK tax purposes, who are the absolute beneficial owners of their Ordinary Shares and who hold those Ordinary Shares as investments. They may not apply to certain Shareholders, such as Substantial Shareholders, dealers in securities, insurance companies, collective investment schemes, Shareholders who are exempt from taxation and Shareholders who have (or who are deemed to have) acquired their Ordinary Shares by virtue of an office or employment. Such persons may be subject to special rules. Any person who is in any doubt as to his or her tax position, or who is subject to taxation in any jurisdiction other than the UK, should consult his or her own professional adviser without delay.

##### **2. Taxation of chargeable gains**

###### **2.1 *Issue of New Ordinary Shares***

For the purposes of UK tax on chargeable gains, the issue of New Ordinary Shares to a Qualifying Shareholder should be regarded as a reorganisation of the share capital of the Company. Accordingly, a Qualifying Shareholder should not be treated as making a disposal of his or her holding of Existing Ordinary Shares and therefore no liability to UK tax on chargeable gains should arise to a Qualifying Shareholder to the extent that the Qualifying Shareholder takes up his or her entitlement to New Ordinary Shares in full. On that basis, for the purposes of UK tax on chargeable gains, New Ordinary Shares allotted to a Qualifying Shareholder pursuant to the Rights Issue will be treated as the same asset as, and as having being acquired at the same time as, the Qualifying Shareholder's Existing Ordinary Shares. The amount paid to acquire the New Ordinary Share should be added to the base cost of the Qualifying Shareholder's existing holding(s).

###### **2.2 *Disposal or lapse of rights to acquire New Ordinary Shares***

If a Qualifying Shareholder disposes of all or some of his or her rights to acquire New Ordinary Shares, or if a Qualifying Shareholder allows or is deemed to have allowed his or her rights to lapse and receives a cash payment in respect of them, her or she may, depending on his or her circumstances, incur a liability to tax on any chargeable gain realised. However, if the proceeds resulting from the disposal or lapse of those rights are "small" as compared with the value of the Existing Ordinary Shares in respect of which the rights arose, the proceeds will instead be deducted from the base cost of the Qualifying Shareholder's holding of Existing Ordinary Shares for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal of Existing Ordinary Shares to which the rights related. HMRC will normally treat proceeds as "small" if the amount of the proceeds either does not exceed 5 per cent. of the market value of the Existing Ordinary Shares held (measured immediately before disposal or lapse) or does not exceed £3,000.

###### **2.3 *Disposal of New Ordinary Shares***

###### **2.3.1 *Individual Qualifying Shareholders***

A disposal of New Ordinary Shares may give rise to a chargeable gain (or an allowable loss) for the purposes of UK capital gains tax, depending on the circumstances and subject to any available exemption or relief.

An individual Qualifying Shareholder who is resident or ordinarily resident in the UK for UK tax purposes and whose total taxable gains and income in a given tax year, including any gains made on the disposal or deemed disposal of his New Ordinary Shares, are less than or equal to the upper limit of the income tax basic rate band applicable in respect of that tax year (the “**Band Limit**”) will generally be subject to capital gains tax at the flat rate of 18 per cent. in respect of any gain arising on a disposal or deemed disposal of his New Ordinary Shares.

An individual Qualifying Shareholder who is resident or ordinarily resident in the UK for UK tax purposes and whose total taxable gains and income in a given tax year, including any gains made on the disposal or deemed disposal of his New Ordinary Shares, are more than the Band Limit will generally be subject to capital gains tax at the flat rate of 18 per cent. in respect of any gain arising on a disposal or deemed disposal of his New Ordinary Shares (to the extent that, when added to the Qualifying Shareholder’s other taxable gains and income in that tax year, the gain is less than or equal to the Band Limit) and at the flat rate of 28 per cent. in respect of the remainder of the gain arising on a disposal or deemed disposal of his New Ordinary Shares.

No indexation allowance will be available to an individual Qualifying Shareholder in respect of any disposal of New Ordinary Shares. However, each individual has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £10,600 for the tax year 2011–2012.

### 2.3.2 *Corporate Qualifying Shareholders*

Where a Qualifying Shareholder is within the charge to UK corporation tax, a disposal of New Ordinary Shares may give rise to a chargeable gain (or an allowable loss) for the purposes of corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate of corporation tax applicable to that company. It should be noted for the purposes of calculating an indexation allowance available on a disposal of New Ordinary Shares that generally the expenditure incurred in acquiring the New Ordinary Shares will be treated as incurred only when the Qualifying Shareholder made, or became liable to make, payment, and not at the time those shares are otherwise deemed to have been acquired.

## 3. **Taxation of dividends**

### 3.1 *General*

As part of a REIT, UK resident members of the Workspace REIT Group and non-UK resident members of the Workspace REIT Group with a UK qualifying property rental business do not pay UK direct taxes on income and capital gains from their qualifying property rental businesses in the UK and elsewhere (the “**Tax-Exempt Business**”), provided that certain conditions are satisfied. Instead, distributions in respect of the Tax-Exempt Business will generally be treated for UK tax purposes as UK property income in the hands of Shareholders. However, corporation tax will still be payable in the normal way in respect of income and gains from Workspace REIT Group’s business (generally including any property trading business) not included in the Tax-Exempt Business (the “**Residual Business**”). A dividend paid by the Company in respect of income or gains of the Tax-Exempt Business of the UK resident members of the Workspace REIT Group, or in respect of the income or gains of a non-UK resident member of the Workspace REIT Group, insofar as such profits derive from their UK qualifying property rental business, is referred to as a “**Property Income Distribution**” or “**PID**”. A dividend paid by the Company that is not a PID will be referred to as a “**Non-PID Dividend**”.

### 3.2 *Taxation of PIDs*

#### 3.2.1 *Individual Shareholders*

The Company will not be required to withhold tax at source when paying a Non-PID dividend. Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are individuals as the profit of a single UK property business (as defined in section 264 of the

Income Tax (Trading and Other Income) Act 2005). A PID is, together with any PID from any other company to which Part 12 of the Corporation Tax Act 2010 applies, treated as a separate UK property business from any other UK property business (a “**different UK property business**”) carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder’s different UK property business cannot be offset against a PID as part of a single calculation of the profits of the Shareholder’s UK property business. No tax credit will be available in respect of PIDs.

Please also see paragraph 3.2.3 (Withholding tax) below.

### 3.2.2 *Corporate Shareholders*

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are within the charge to corporation tax as profit of a UK property business (as defined in Part 4 of the Corporation Tax Act 2009). A PID is, together with any PID from any other company to which Part 12 of the Corporation Tax Act 2010 applies, treated as a separate UK property business from any other UK property business (a “**different UK property business**”) carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder’s different UK property business cannot be offset against a PID as part of a single calculation of the Shareholder’s UK property business profits.

Please also see paragraph 3.2.3 (Withholding tax) below.

### 3.2.3 *Withholding tax*

#### 3.2.3.1 *General*

Subject to certain exceptions summarised at paragraph 3.2.3.3 below, the Company will be required to withhold tax at source at the basic rate (currently 20 per cent.) from its PIDs. The Company will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld and the net amount of the PID.

#### 3.2.3.2 *Shareholders solely resident and ordinarily resident in the UK*

Where tax has been withheld at source, Shareholders who are individuals may, depending on their particular circumstances, either be liable to further tax on their PID at their applicable marginal rate, or be entitled to claim repayment of some or all of the tax withheld on their PID. Shareholders who are corporates may, depending on their circumstances, be liable to pay corporation tax on their PID (see paragraph 2.2.2 above) and if (exceptionally) income tax is withheld at source, the tax withheld can be set against their liability to corporation tax in the accounting period in which the PID is received.

#### 3.2.3.3 *Exceptions to requirement to withhold income tax*

Shareholders should note that in certain circumstances the Company must not withhold income tax at source from a PID. These include where the Company reasonably believes that the person beneficially entitled to the PID is (i) a company resident for tax purposes in the UK, (ii) a charity or (iii) a company resident for tax purposes outside the UK with a permanent establishment in the UK which is required to bring the PID into account in computing its chargeable profits. They also include where payments are made to certain government and local authority bodies and where the Company reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, the sub-scheme administrator of certain pension sub-schemes, the account manager of an Individual Savings Account, the plan manager of a Personal Equity Plan, or the account provider for a child trust fund, in each case, provided the Company reasonably believes that the PID will be applied for the purposes of the relevant fund, scheme, account or plan. In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose the Company will require such Shareholders to submit a valid claim form.

### 3.3 *Taxation of Non-PID Dividends*

#### 3.3.1 *Individual Shareholders*

A Shareholder who is an individual resident for UK tax purposes in the UK and who receives a Non-PID Dividend from the Company will be entitled to a tax credit equal to one-ninth of the sum of the dividend received.

The Non-PID Dividend received plus the related tax credit (the “**Gross Dividend**”) will be part of the Shareholder’s total income for UK income tax purposes and will be regarded as the top slice of that income. However, in calculating the Shareholder’s liability to UK income tax in respect of the Gross Dividend, the tax credit (which equates to 10 per cent. of the Gross Dividend) will be set off against the tax chargeable on the Gross Dividend.

In the case of such a Shareholder who is not liable to UK income tax at either the higher or the additional rate, that Shareholder will be subject to UK income tax on the Gross Dividend at the rate of 10 per cent. The tax credit will, in consequence, satisfy in full the Shareholder’s liability to UK income tax on the Gross Dividend.

In the case of a Shareholder who is liable to UK income tax at the higher rate, the Shareholder will be subject to UK income tax on the Gross Dividend at the rate of 32.5 per cent., to the extent that the Gross Dividend falls above the threshold for the higher rate of UK income tax but below the threshold for the additional rate of UK income tax when it is treated (as mentioned above) as the top slice of the Shareholder’s income. The tax credit will, in consequence, satisfy only part of the Shareholder’s liability to UK income tax on the Gross Dividend and the Shareholder will have to account for UK income tax equal to 22.5 per cent. of the Gross Dividend. For example, if the Shareholder received a dividend of £80 from the Company, the dividend received would carry a tax credit of £8.89 and therefore represent a Gross Dividend of £88.89. The Shareholder would then be required to account for UK income tax of £20 on the Gross Dividend (being £28.89 (i.e. 32.5 per cent. of £88.89) less £8.89 (i.e. the amount of the tax credit)).

In the case of an Shareholder who is liable to UK income tax at the additional rate, the Shareholder will be subject to UK income tax on the Gross Dividend at the rate of 42.5 per cent., to the extent that the Gross Dividend falls above the threshold for the additional rate of UK income tax when it is treated (as mentioned above) as the top slice of the Shareholder’s income. After setting off the tax credit comprised in the Gross Dividend, the Shareholder will, accordingly, have to account for UK income tax equal to 32.5 per cent. of the Gross Dividend. For example, if the Shareholder received a dividend of £80 from the Company, the dividend received would carry a tax credit of £8.89 and therefore represent a Gross Dividend of £88.89. The Shareholder would then be required to account for UK income tax of £28.89 on the Gross Dividend (being £37.78 (i.e. 42.5 per cent. of £88.89) less £8.89 (i.e. the amount of the tax credit)).

A UK resident individual Shareholder whose liability to UK income tax in respect of a dividend received from the Company is less than the tax credit attaching to the dividend will not be entitled to any payment from HMRC in respect of any part of the tax credit attaching to the dividend.

#### 3.3.2 *Corporate Shareholders*

A Shareholder within the charge to UK corporation tax which is a “small company” (for the purposes of UK taxation of dividends) will not generally be subject to tax on dividends from the Company, provided certain conditions are met.

Other Shareholders within the charge to UK corporation tax will not be subject to tax on dividends from the Company so long as the dividends fall within an exempt class and do not fall within certain specified anti-avoidance provisions. Examples of dividends that are within an exempt class are dividends paid on “non-redeemable ordinary shares” for UK tax purposes and dividends in respect of portfolio holdings, where the recipient owns less than 10 per cent. of the issued share capital of the payer (or any class of that share capital).

#### 4. United Kingdom stamp duty and SDRT

The following statements are intended as a general and non-exhaustive guide to the current UK stamp duty and SDRT position and apply regardless of whether or not a Shareholder is resident or ordinarily resident in the UK.

It should be noted that certain categories of persons, including market makers, brokers, dealers and other specified market intermediaries are entitled to exemption from UK stamp duty and SDRT in respect of purchases of securities in specified circumstances.

Except in relation to the issue of New Ordinary Shares to persons providing clearance services or issuing depositary receipts (or, in either case, their nominee or agent) as described below, no liability to UK stamp duty or SDRT will generally arise in respect of the issue of New Ordinary Shares by the Company pursuant to the Rights Issue.

No UK stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters, split Provisional Allotment Letters or definitive share certificates, on the registration of Provisional Allotment Letters or split Provisional Allotment Letters (whether by the original holders or their renounees) or on the crediting of Nil Paid Rights or Fully Paid Rights to accounts in CREST.

Persons who purchase rights to New Ordinary Shares represented by Provisional Allotment Letters (whether nil paid or fully paid), or Nil Paid Rights or Fully Paid Rights held in CREST, on or before the latest time for registration or renunciation, will not generally be liable to pay UK stamp duty. However, such a purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the actual consideration paid and any such SDRT should be collected and accounted for the HMRC through CREST.

Where New Ordinary Shares are issued or transferred to, or to a nominee or agent for, a person whose business is or includes (a) the provision of clearance services (a “**Clearance Service**”) or (b) issuing depositary receipts (a “**Depository Receipt System**”), UK stamp duty or SDRT may be payable at the higher rate of 1.5 per cent. (rounded up to the nearest £5 in the case of UK stamp duty) of the amount or value of the consideration payable or, in certain circumstances, the value of the New Ordinary Shares. Where such a charge to UK stamp duty or SDRT applies, the Clearance Service or the Depository Receipt System would be required to account for such UK stamp duty or SDRT but would, in practice, generally be reimbursed by participants in the Clearance Service or Depository Receipt System. Clearance Services may opt, provided certain conditions are satisfied, for the normal rate of UK stamp duty or SDRT (0.5 per cent. of the amount or value of the consideration payable, rounded up to the nearest £5 in the case of UK stamp duty) to apply to transfers of and agreements to transfer New Ordinary Shares within the Clearance Service instead of the higher rate of 1.5 per cent. applying to an issue or transfer of New Ordinary Shares into the clearance service.

Following a decision of the European Court of Justice on 1 October 2009, HMRC have announced that they will not seek to apply the 1.5 per cent. SDRT charge where new shares are first issued into an EU Depository Receipt System or an EU Clearance Service. In light of this announcement it would seem that, in the view of HMRC, the 1.5 per cent. SDRT charge will continue to apply to the issue of new shares to non-EU Depository Receipt Systems or non-EU Clearance Services. However, such a charge to SDRT is arguably not consistent with the aforementioned decision of the European Court of Justice. Section 54 of the Finance Act 2010 has removed certain exemptions which applied to transfers from Clearance Services or Depository Receipt Systems based in the EU to Clearance Services or Depository Receipt Systems based outside the EU.

Except in relation to the transfer of New Ordinary Shares to persons providing clearance services or issuing depositary receipts (or, in either case, their nominee or agent) as described above, and subject to an exemption for certain low value transactions, the transfer on sale of New Ordinary Shares effected outside CREST will generally be liable to UK stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration payable (rounded up to the nearest multiple of £5) or, if an unconditional agreement to transfer the New Ordinary Shares is not duly completed by a duly stamped transfer, or where the transfer is effected in CREST, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable.

## PART 10

### ADDITIONAL INFORMATION

#### 1. Group organisation

- 1.1 The Company was incorporated and registered in England and Wales on 29 July 1986 under the Companies Act 1985 as a private limited company with number 2041612 and was re-registered as a public limited company on 12 June 1987. On 3 December 1993 the name of the Company was changed from London Industrial Public Limited Company to London Industrial PLC. On 31 July 1997 the name of the Company was changed from London Industrial PLC to Workspace Group PLC. The Company operates under the Companies Act 2006.
- 1.2 The Company's registered office and principal place of business is Magenta House, 85 Whitechapel Road, London, ED1 1DU (the telephone number of which is +44 (0)20 7247 7614).
- 1.3 The Company is the ultimate parent company of the Group. The UK is the only jurisdiction in which the Group operates.

#### 2. Subsidiaries

The table below shows the significant subsidiaries of the Company (being those that the Company considers are likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses) as at the date of this document:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Percentage ownership and voting interest of the Company</i>
Workspace 11 Limited	England & Wales	Property investment	100%
Workspace 12 Limited <sup>1</sup>	England & Wales	Property investment	100%
Workspace 13 Limited	England & Wales	Property investment	100%
Workspace 14 Limited <sup>1</sup>	England & Wales	Property investment	100%
Workspace 15 Limited	England & Wales	Property investment	100%
Workspace 16 Limited	Jersey	Investor in Joint Venture	100%
Workspace Holdings Limited	England & Wales	Holding company	100%
Workspace Management Limited	England & Wales	Property management	100%
LI Property Services Limited	England & Wales	Insurance agents	100%
Workspace Glebe Limited	England & Wales	Property investment	100%
Glebe 3 Limited <sup>1</sup>	England & Wales	Property investment	100%
Anyspacedirect.co.uk Limited	England & Wales	Property advertising Website service	100%

- <sup>1</sup> The Company indirectly owns 100 per cent. of the share capital and 100 per cent. of the voting interest in this subsidiary via its interest in other group companies.

#### 3. Share capital

- 3.1 The Company's issued share capital as at the date of this document and the completion of the Rights Issue are as follows:\*

	<i>Ordinary Shares at the date of this document</i>		<i>Ordinary Shares upon completion of the Rights Issue</i>	
	<i>Number</i>	<i>Amount (£)</i>	<i>Number</i>	<i>Amount (£)</i>
Issued and fully paid Ordinary Shares of 10 pence each	1,152,731,338	115,273,133.80	1,440,914,173	144,091,417.30

\* This table assumes that no Ordinary Shares are issued after the date of this document under any of the Company's share schemes (further details of which are set out in paragraph 5.4 and paragraph 8 below).

The Company is seeking authority from Shareholders at the Company's annual general meeting on 28 July 2011 to undertake a share consolidation. If approved, the record date for the share consolidation will fall after the issue of the New Ordinary Shares. The above is therefore based on the Company's share capital prior to any share consolidation.

- 3.2 The Company has not issued any partly paid shares nor any convertible securities, exchangeable securities or securities with warrants. The Company does not hold any shares in treasury. There are no shares in the issued share capital of the Company that do not represent capital.
- 3.3 The following table shows the changes in the issued share capital of the Company in the financial years ended 31 March 2009, 31 March 2010 and 31 March 2011, and as at 5 July 2011 (being the latest practicable date prior to the publication of this document):\*

<i>Ordinary Shares</i>	<i>Number of Ordinary Shares issued</i>	<i>Nominal value (£)</i>
At 31 March 2009	1,046,116,842	104,611,684.20
At 31 March 2010	1,149,459,056	114,945,905.60
At 31 March 2011	1,152,731,338	115,273,133.80
At 5 July 2011	1,152,731,338	115,273,133.80

\* All changes in the issued share capital relate to Ordinary Shares issued under the Company's share schemes (further details of which are set out in paragraph 5.4 and paragraph 8 below) and/or under the scrip dividend made available in 2010.

- 3.4 Save for any obligation to allot Ordinary Shares pursuant to the Company's share schemes (further details of which are set out in paragraph 5.4 and paragraph 8 below) or pursuant to the Rights Issue, there are no acquisition rights and/or obligations over share capital or an undertaking to increase the capital of the Company.
- 3.5 Save pursuant to options or awards granted under the Company's share schemes (further details of which are set out in paragraph 5.4 and paragraph 8 below), no capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

#### **4. Major Shareholders**

- 4.1 As at 5 July 2011 (being the latest practicable date prior to the publication of this document), so far as is known to the Company by virtue of the notifications made to it pursuant to the Disclosure and Transparency Rules, the persons (other than Directors and Senior Managers), who are, directly or indirectly, interested in 3 per cent. or more of the Company's share capital are as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Shareholding percentage</i>
S N Roditi*	310,013,445	26.89
F&C Asset Management	114,525,949	9.94
BlackRock Inc	88,822,780	7.71
Columbia Wanger Asset Management	87,878,100	7.62
Legal & General Investment (Management) Group PLC	63,667,496	5.52
Newton Investment Management Ltd	56,356,279	4.89
Standard Life Investments	37,861,878	3.28

\* held via a number of trusts and legal entities.

#### **Note:**

The holdings above may include both beneficial and non-beneficial holdings.

- 4.2 None of those persons identified in paragraph 4.1 have voting rights that differ from the voting rights of other Shareholders.

4.3 As at 5 July 2011 (being the latest practicable date prior to the publication of this document), the Company is not aware of any person who:

- directly or indirectly, jointly or severally, by any entity, exercises or could exercise control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company; and
- following the Rights Issue, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.

## 5. Directors, senior management and supervisory bodies

### 5.1 *Directors and Senior Managers*

The Directors and Senior Managers, all of whose business addresses are at Magenta House, 85 Whitechapel Road, London, E1 1DU are as follows:

#### *Directors*

##### (A) **Antony Hales, CBE** (*Non-executive Chairman*)

Antony Hales was appointed to the Board in November 2002 and was appointed as Non-executive Chairman in December 2002. He is currently Chairman of British Waterways and Senior Independent Director of International Personal Finance PLC. He retired as Chairman of NAAFI Ltd in October 2008, and now chairs NAAFI Pension Fund Trustees. 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. Tony will be retiring as Non-executive Chairman of the Company with effect from the conclusion of the 2011 annual general meeting.

##### (B) **Harry Platt** (*Chief Executive*)

Harry Platt was appointed to the Board as Director and General Manager in April 1991, became Managing Director in April 1992 and Chief Executive in October 1999. He was Chief Executive of Harlow District Council between 1983 and 1989 and before that Assistant Chief Executive at the London Borough of Greenwich. Prior to joining the Group he was Operations Director of Dixons Commercial Properties Limited. Harry intends to retire from his role as Chief Executive of the Company during 2012.

##### (C) **John Bywater** (*Non-executive Director*)

John Bywater 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 and Realis Estates, a private property company, a non-executive director of Low Carbon Workspace Limited and a Trustee of Opera North. Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees.

##### (D) **Bernard Cragg** (*Senior Independent Non-executive Director*)

Bernard Cragg was appointed to the Board in June 2003. He is a non-executive director of Astro Overseas Limited and Astro Malaysia Holdings SDN BHD and the Senior Independent Director of Mothercare PLC and Progressive Digital Media PLC. He was previously Chairman of i-mate PLC, Datamonitor Limited and a non-executive director of Bristol & West PLC. He was formerly Group Finance Director and Chief Financial Officer of Carlton Communications PLC and a non-executive director of Arcadia PLC. Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees.

(E) **Jamie Hopkins** (*Non-executive Director*)

Jamie Hopkins was appointed to the Board in June 2010. He is currently a director of Chester Properties. He was previously Chief Executive and a non-executive director of Mapeley PLC. A member of the Remuneration, Audit and Nominations Committees.

(F) **Daniel Kitchen** (*Non-executive Director*)

Daniel Kitchen was appointed to the Board on 6 June 2011 and, subject to election by shareholders at the AGM, will be appointed as Chairman in succession to Antony Hales. He was previously Deputy Chief Executive at Heron International plc and prior to that was Finance Director at Green Property for 8 years. He is currently non-executive Chairman of Key Capital Real Estate Ltd and a non-executive director of Minerva PLC, LXB Retail Properties PLC, Kingspan Group PLC and Irish Takeover Panel Limited, having just retired as non-executive Chairman of Irish Nationwide Building Society.

(G) **Graham Clemett** (*Finance Director*)

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

*Senior Managers*

(H) **Angus Boag** (*Development Director*)

Angus Boag joined the Group in June 2007 as Development Director responsible for identifying and implementing improvement and regeneration opportunities within the Group's property portfolio. He is also responsible for investment management, valuations and leads on social environmental and ethical issues. Prior to joining the Group he was at Manhattan Loft Corporation for 12 years joining as development director and then being appointed as managing director in 2001.

(I) **Chris Pieroni** (*Operations Director*)

Chris Pieroni joined the Group as Operations Director in October 2007. Prior to this date, he worked at KPMG specialising in real estate and infrastructure finance. He began his professional career teaching economics at Cambridge University. He joined Colliers Erdman Lewis in 1993, later becoming Chief Operating Officer. Chris was a Non-Executive Director of the Group from 2000 until his retirement from the Board in August 2006.

5.2 ***Directorships and partnerships***

The table below states the names of all companies and partnerships of which the Directors and Senior Managers have been a director or partner at any time in the period of 5 years immediately preceding the date of this document (other than directorships held in Group companies).

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
Antony Hales	Mirodas Properties Limited International Personal Finance PLC NAAFi Incorporated Trustees NAAFI Pension Fund Trustees Services Sound and Vision Corporation(The) Welsh National Opera Limited	Aston Villa Limited Aston Villa FC Limited Navy, Army and Air Force Institutes,(The) Satellite Information Services (Holdings) Limited Silver Cross (IP) Limited Provident Financial PLC

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
Harry Platt	Business Centre Association Limited	The Real Hotel Company Limited Bernie Grant Centre Partnership 06645862 PLC
John Bywater	Astor House Limited Caddick Developments Limited EBE Music Opera North Limited Realis Estates Limited Low Carbon Workplace Limited	Hammerson Plc Hammerson UK Properties PLC Hammerson International Holdings Limited 99 Bishopsgate Management Limited Hammerson (Brent Cross) Limited Hammerson (Euston Square) Limited Hammerson (Exeter) Limited Hammerson Group Management Limited Hammerson Investments Limited Hammerson Share Option Scheme Trustees Limited G.P.E. (Hanover Square) Limited Hammerson Group Limited Hammerson London Wall (GP) Limited Reading Residential Properties Limited Harbour Exchange Management Company Limited Hammerson Investments (No 12) Limited Hammerson Employee Share Plan Trustees Limited Bristol Investments (No. 2) Limited Oracle Nominees Limited Oracle Shopping Centre Limited Hammerson (Croydon) Limited Hammerson (Estate House) Limited Hammerson (Newcastle) Limited 18/19 Hanover Square (No.1) Limited 18/19 Hanover Square (No.2) Limited Oracle Nominees (No.1) Limited Oracle Nominees (No.2) Limited Hammerson (Bicester No.2) Limited Hammerson Investments (No.13) Limited Hammerson Peterborough (No 1) Limited Hammerson Peterborough (No 2) Limited Hammerson Investments (No.16) Limited Hammerson Operations Limited Hammerson Project Management Limited West Quay Shopping Centre Limited Hammerson (9-13 Grosvenor Street) Limited

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
John Bywater (continued)		Hammerson (Kingston) Limited Hammerson (Moor House) Properties Limited Hammerson (Victoria) Limited Hammerson Investments (No. 19) Limited Hammerson Investments (No. 22) Limited Hammerson Investments (No. 23) Limited Hammerson (Leicester GP) Limited Highcross (GP) Limited 280 Bishopsgate Investments Limited Hammerson (Abbey) Limited Hammerson (Leeds Investments) Limited Rook (HPL) Limited Hammerson Peterborough (GP) Limited Crocusford Limited Grantchester Demerger Subsidiary Limited Grantchester Developments (Birmingham) Limited Grantchester Developments (Falkirk) Limited Grantchester Group PLC Grantchester Holdings Limited Grantchester Investment Properties Company Limited Grantchester Investments Limited Grantchester Limited Grantchester Properties (Gloucester) Limited Grantchester Properties (Luton) Limited Grantchester Properties (Middlesbrough) Limited Grantchester Properties (Nottingham) Limited Grantchester Properties (Port Talbot) Limited Grantchester Properties (Riviera) Limited Grantchester Properties (Sunderland) Limited Grantchester Property Finance Limited Grantchester Property Management Limited Grantchester Retail Parks PLC Grantchester Securities Limited Hammerson (Coventry) Limited

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
John Bywater (continued)		Hammerson (Folkestone) Limited Hammerson (Rugby) Limited Heathcove Limited IKEA Properties (Reading) Limited IKEA Properties (Theale) Limited Limitgood Limited London & Metropolitan Northern Osterhold Limited Oysterland Limited Prizedome Limited Sunny Day Trading Westchester Holdings Limited Westchester Nominees (Thanet 1) Limited Westchester Properties (Thanet) Limited Westchester Property Holdings Limited Precis (1474) Limited Hammerson Investments (No.26) Limited Christchurch UK Limited New Southgate Limited RT Group Developments Limited RT Group Property Investments Limited Governeffect Limited Hammerson (Cricklewood) Limited Hammerson (Paddington) Limited Hammerson Investments (No.27) Limited Bristol Alliance (GP) Limited Bristol Alliance Nominee No.1 Limited Bristol Alliance Nominee No.2 Limited Land Management Limited MGP Harbour Exchange Limited Hammerson Bull Ring Limited Spitalfields Developments Limited Spitalfields Holdings Limited Spitalfields Space Management Limited BRLP Rotunda Limited Bull Ring (GP) Limited Bull Ring No. 1 Limited Bull Ring No. 2 Limited Martineau Galleries (GP) Limited Martineau Galleries No. 1 Limited Martineau Galleries No. 2 Limited Martineau No. 1 Limited Martineau No. 2 Limited

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
John Bywater (continued)		Hammerson Investments (No. 28) Limited Abbey Retail Park Limited Hammerson (Cramlington I) Limited Hammerson (Didcot II) Limited Hammerson (Didcot) Limited Hammerson (Newtownabbey) Holdings Limited Hammerson (Newtownabbey) Limited Hammerson (Parc Tawe I) Holdings Limited Hammerson (Parc Tawe I) Limited Hammerson Borrower Limited Hammerson Retail Parks Holdings Limited Hammerson Sheffield (NRQ) Limited Alpha Gamma (Holdings) Limited Monesan Limited 125 OBS (Nominees 1) Limited 125 OBS (Nominees 2) Limited GECC (OBS Investment Company) Limited Alpha Gamma Limited Gamma City Developments Limited Gamma Estates Limited Gamma Leasing Limited Gamma Property Company Limited National Loose Leaf Company Limited Northern England Estates Limited Hammerson (125 OBS LP) Limited Hammerson Ravenhead Holdings Limited Hammerson Ravenhead Limited Trinity Quarter Developments Limited 99 Bishopsgate Limited Amethyst Properties Limited Hammerson Developments Limited Kinhigh Hammerson (1 Harbour Exchange) Limited Hammerson (2 Harbour Exchange) Limited Hammerson (Grimsby) Limited Hammerson (Euston Square) Estates Limited Bristol Investments (No.1) Limited 21 Moorfields (No. 1) Limited 21 Moorfields (No.2) Limited 99 Bishopsgate (No.1) Limited 99 Bishopsgate (No.2) Limited Centennium House (No.1) Limited Centennium House (No.2) Limited

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
John Bywater (continued)		Harbour Exchange (No.1) Limited Harbour Exchange (No.2) Limited Liberty Centre (No.1) Limited Liberty Centre (No.2) Limited Hammerson (Sheffield No. 2) Limited Hammerson (Sheffield No. 1) Limited Broadweir (No.1) Limited Broadweir (No.2) Limited Bettertrade Limited Dreamcourt Edenhold Limited Edge Developments (Broadstairs) Edge Developments Limited Edge Properties Holdings Limited Grantchester Capital One Grantchester Capital Three Grantchester Capital Two Grantchester Developments (Norwich) Limited Grantchester Estates Grantchester Estates Holdings Grantchester International Limited Grantchester Land Limited Grantchester Nominees (Luton 1) Limited Grantchester Nominees (Luton 2) Limited Grantchester Nominees (Nottingham 1) Limited Grantchester Nominees (Nottingham 2) Limited Grantchester Nominees (Port Talbot 1) Limited Grantchester Nominees (Port Talbot 2) Limited Grantchester Nominees (Riviera 1) Limited Grantchester Nominees (Riviera 2) Limited Grantchester Properties (Cardiff) Limited Grantchester Properties (Falkirk) Limited Grantchester Properties (Merthyr Tydfil) Grantchester Properties (Norwich) Limited Grantchester Properties (Romford A12) Limited Grantchester Properties (Southend) Limited Grantchester Properties (Southport) Limited

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
John Bywater (continued)		Grantchester Properties (Theale) Limited Grantchester Properties (Torbay) Limited Grantchester Properties (Welsh Star No.1) Grantchester Properties (Wren Torquay) Limited L & M Project Management Limited London & Metropolitan Investments Limited Maidhelm Unlimited Westchester Properties (Thanet No. 2) Limited Haywards Heath Limited RT Group Developments L.I.F.E. Limited Staplehurst UK (No. 2) Limited Staplehurst UK Limited Merseyway Two Limited Hammerson (Newchat) Properties Latham House One Limited Bristol Investments Nominee No. 1 Limited Bristol Investments Nominee No. 2 Limited GMHGP Limited MHGPSUB1 Limited Hammerson Romford Limited Hammerson (Cramlington II) Limited Hammerson (Cramlington) Limited Hammerson (Oxford I) Limited Hammerson (Oxford) Holdings Limited 125 OBS (GP) Limited Northern England Property Co. Limited
Bernard Cragg	Cragg Enterprises Limited Mothercare PLC Astro All Asia Networks PLC Progressive Digital Media Group PLC	Datamonitor Limited Ovum Limited Ovum Europe Limited Bank of Ireland UK Holdings PLC Bristol & West PLC Bristol & West Pensions Trustees Limited Four Cross Media Limited i-mate PLC

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
Jamie Hopkins	Chester Properties Asset Management No.3 Limited Motherwell (GP) Limited Chester Properties Asset Management No.4 Limited	Mapeley Estates Limited Mapeley ABI Provider Limited Mapeley Management Services Limited Willen Lake Limited Mapeley Services Limited Bradford 21 Limited
Daniel Kitchen	Minerva PLC LXB Retail Properties PLC Kingspan Group PLC Key Capital Real Estate Ltd Strathspey Limited Quattrocento Ltd Irish Takeover Panel Ltd	Irish Nationwide Building Society Arrona Limited Ardea Eight Ltd Ardea Eighteen Ltd Ardea Eleven Ltd Ardea Fifteen Ltd Ardea Five Ltd Ardea Four Ltd Ardea Fourteen Ltd Ardea Nine Ltd Ardea Nineteen Ltd Ardea One Ltd Ardea Seven Ltd Ardea Seventeen Ltd Ardea Six Ltd Ardea Sixteen Ltd Ardea Ten Ltd Ardea Thirteen Ltd Ardea Three Ltd Ardea Twelve Ltd Ardea Twenty Ltd Ardea Twenty One Ltd Ardea Two Ltd Alemeda Security Limited Amaford Properties Limited Bonivir Investments Limited Brackhurst Limited Brycrust Limited First Computer Limited H.H. Investment Trading HDP Management Heron (Devonshire House No.1) Limited Heron (Devonshire House No. 2) Limited Heron (Devonshire Row No.1) Limited Heron (Devonshire Row No.2) Limited Heron (QVS) Investments Limited Heron (QVS) Limited Heron (Staple Hall No.2) Limited Heron (Stone House No.2) Limited Heron 40-66 Queen Victoria Street Limited Heron Alton House Limited

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
Daniel Kitchen (continued)		Heron Bishops House Limited Heron City Limited Heron City Managements Limited Heron Corporation Heron Estate Holdings Limited Heron Finance UK Limited Heron Group International Heron Home Entertainment Limited Heron International Holdings Heron International Investments Heron Investments (Germany) Limited Heron Kempson House Limited Heron Land Developments Limited Heron Land Holdings Limited Heron Leicester Investments (No. 1) Limited Heron Leisure Holdings Limited Heron London Investments Limited Heron London Properties Limited Heron Maple House Limited Heron Motor Group Limited Heron Northern Properties Limited Heron Petroleum Co. Limited Heron Plaza Nominee (No.1) Limited Heron Plaza Nominee (No.2) Limited Heron Portfolio Investments Limited Heron Procession House Limited Heron Productions Limited Heron Property Corporation Limited Heron Property Holdings (Europe) Limited Heron Property Holdings Limited Heron Property Investments Limited Heron Quay Investments (No. 1) Limited Heron Service Stations Limited Heron Southampton Investments (No. 1) Limited Heron Southampton Properties Limited Heron St. James's Street Investments Limited Heron St. James's Street Limited Heron Stoke Investments (No. 1) Limited Heron Strand Developments Limited Heron Treasury Services Limited Heron Wigmore Street Limited HLD Property Holdings Limited HPC Property Holdings Limited Interland Estates Lawnglade Limited

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
Daniel Kitchen (continued)		Merchants Quay Developments Limited New Crane Wharf Limited Orchidum Overley Investments Overley Properties Limited Ronex Properties Limited Silverston Properties (Western) Limited Herax Nominees (No.1) Limited Herax Nominees (No. 2) Limited Zuccato Europe Limited Heron International N.V. Heron International Limited Heron Estate Corporation Limited Heron Garden Estates Limited
Graham Clemett		Lombard North Central Plc Lombard North Central Public Limited Company Royscot Trust Public Limited Company Charterhouse Japhet Credit Limited D J S Contracts Limited Europe Equipment Services Limited Farming and Agricultural Finance Limited Jaguar Cars Finance Limited Lombard Asset Leasing Limited Lombard Business Finance Limited Lombard Business Leasing Limited Lombard Discount Limited Lombard Facilities Limited Lombard Finance Limited Lombard Initial Leasing Limited Lombard Lessors Limited Lombard Maritime Limited Lombard North Central Leasing Limited Lombard North Central Leasing Limited Lombard North Central Wheelease Limited Lombard North Central Wheelease Limited Lombard Venture Leasing Limited Royal Bank Business Asset Finance Limited Royscot Industrial Leasing Limited Royscot Leasing Limited Rover Finance Holdings Limited Rover Finance Limited Lombard Venture Finance Limited

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
Graham Clemett (continued)		Natwest Corporate Investments RBS Trade Services Limited Dixon Motors Developments Limited Royscot Auto Credit Limited Lombard HP Finance Charterhouse Japhet Leasing Europe Equipment Services UN FAF Growbook Limited Farming and Agricultural Finance (Holdings) Lombard Asset Finance Limited Lombard Commercial Limited Lombard Corporate Finance Limited Lombard Finance Leasing Limited Lombard Industrial Leasing Limited Lombard Industrial Limited Lombard Initial Finance Limited Lombard Leasing Limited Lombard Leasing Metropolitan Lombard Leasing Network Limited Lombard Leasing Services Limited Lombard Plant Leasing Limited Royscot Commercial Leasing Limited Royscot S.A.V. Limited Royscot SPA Leasing Limited Royscot Taxi Finance Limited
Angus Boag	Beechall Limited	West India Quay Development Company (Eastern) Limited West India Quay Development Company Limited Manhattan Loft (WIQ Leisure) Corporation Ltd Manhattan Loft (WIQ Warehouses) Corporation Ltd WIQ Hotel Corporation Limited West India Quay Management Company Limited Manhattan Loft Commercial Limited L. P. Estates Limited Manhattan Loft (Fulham Island) Corporation Ltd Manhattan Loft Corporation Limited Crispin Street Limited Gun Street Limited Manhattan Loft (Providence Row) Limited Baytown (Trustee No. Two) Limited Crispin Street (Trustee No. Two) Limited Fulham Village (Trustee No. Two) Limited

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
Angus Boag (continued)		Gun Street (Trustee No. Two) Limited LP Estates (Trustee No. 2) Limited Manhattan Loft (Tokenhouse Yard) Limited Farlane Management (U.K.) Limited Manhattan Loft (Bolsover Street) Limited Manhattan Loft St. Pancras Apartments Limited Manhattan Loft St. Pancras Hotel Limited Bolsover Street Limited Baytown Limited West India Quay Development Company (Ledger) Limited West India Quay Development Company (Northern) Limited West India Quay Development Company (Warehouses) Limited West India Quay Management Company (Car Park) Limited West India Quay Management Company (Museum) Limited West India Quay Management Company (Northern) Limited Port East Apartments (Management) Limited West India Quay Development Company (Warehouses No.2) Limited
Christopher Pieroni	None	None

### 5.3 *Director's service contracts and letters of appointment*

#### *Executive Directors' service contracts*

Details of the executive Directors' contracts are summarised below:

<i>Name</i>	<i>Contract commencement date</i>	<i>Notice period</i>
Harry Platt	25 May 2010 <sup>1</sup>	12 months <sup>2</sup>
Graham Clemett	31 July 2007	12 months

1 The Company entered into an updated service contract with Harry Platt on 25 May 2010. Harry Platt's continuous employment with the Company began on 1 December 1993.

2 An amendment to the agreement on 12 May 2011 provides that 12 months' notice shall be reduced to 3 months if notice is served by him during the period for 30 December 2011 to 27 April 2012 (inclusive).

The Executive Directors' service contracts have no express provision for the payment of compensation on termination of contract other than in the form of written notice provisions. However, in the event of termination of either of the Executive Directors' service contracts, the Company reserves the right to make phased payments which are paid in monthly instalments and this is subject to mitigation of loss. Other fixed elements of all executive Directors' remuneration comprise a car allowance of £15,000 per annum, and private medical, personal accident and life insurance.

Please refer to paragraph 6.1(R) below for a summary of the provisions relating to Directors' retirement by rotation and re-election.

*Non-executive Directors' letters of appointment*

Dates of the non-executive Directors' letters of appointment and the unexpired period of their appointments (subject to election and/or re-election at any annual general meeting of the Company) are set out below:

<i>Name</i>	<i>Date of letter</i>	<i>Unexpired term as at June 2011</i>
Antony Hales	December 2008	6 months
John Bywater	July 2010 <sup>1</sup>	26 months
Bernard Cragg	June 2009	12 months
Jamie Hopkins	June 2010	24 months
Daniel Kitchen	June 2011	36 months

<sup>1</sup> The Company appointed John Bywater as a Non-executive Director in June 2004. His appointment was renewed in July 2010.

#### 5.4 *Interests of the Directors and Senior Managers*

*Ordinary Shares*

Set out below are the interests of the Directors and the Senior Managers in the issued share capital of the Company, including the interests of persons connected with those Directors and Senior Managers for the purposes of DTR 3.1.2 of the Disclosure and Transparency Rules, as notified to the Company pursuant to DTR 3.1.2 of the Disclosure and Transparency Rules.

The following table has been prepared on the basis of information available as at 5 July 2011 (being the latest practicable date prior to the publication of this document):\*

	<i>As at 5 July 2011</i>	
<i>Directors</i>	<i>Number of Ordinary Shares</i>	<i>Shareholding percentage</i>
Antony Hales	7,805,555	0.677
Harry Platt	4,027,919	0.349
Graham Clemett	795,715	0.069
Bernard Cragg	646,316	0.056
John Bywater	31,190	0.003
Jamie Hopkins	39,110	0.003

\* This table does not include options and awards granted under the Company's share schemes which are listed separately below.

Save as disclosed in this paragraph 5.4, as at 5 July 2011, none of the Directors or the Senior Managers had any interest, beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries.

*Share schemes*

Prior to 23 April 2008, the Company had the following share schemes in place:

- the approved employee share option plan (the “**Approved ESOP**”);
- the non-approved employee share option plan (the “**Non-approved ESOP**”);
- the executive co-investment plan (the “**Executive Co-Investment Plan**”); and
- the share option scheme (the “**SOS**”).

Following the adoption of the long term equity incentive plan 2008 (the “**LTIP**”) at the extraordinary general meeting of the Company on 23 April 2008, the Approved ESOP, the Non-approved ESOP and the Executive Co-Investment Plan were each replaced by the LTIP. As at 5 July 2011 (being the latest practicable date prior to the publication of this document), the only ongoing share schemes that the Company has in place are the SOS, the LTIP and the deferred bonus plan (“**DBP**”).

Details of options and awards over shares in the Company held by the Directors and Senior Managers which are outstanding under the Company’s share schemes are set out in the tables below.

#### Approved ESOP and Non-approved ESOP

Outstanding options granted under the Approved ESOP and the Non-approved ESOP as at 5 July 2011 (being the latest practicable date prior to the publication of this document) are set out below:<sup>1</sup>

<i>Optionholder</i>	<i>Date of grant</i>	<i>No of options</i>	<i>Exercise price</i>	<i>Date from which exercisable</i>	<i>Expiry date</i>
Harry Platt	24.07.2001	232,879	£0.8202	24.07.2004	24.07.2011
	29.07.2002	545,603	£0.8939	29.07.2005	29.07.2012
	30.06.2003	363,282	£0.8510	30.06.2006	30.06.2013
	30.06.2004	183,642	£1.3583	30.06.2007	30.06.2014
	17.06.2005	109,287	£1.8373	17.06.2008	17.06.2015
	15.06.2007	— <sup>2</sup>	£3.2824	15.06.2010	15.06.2017
Graham Clemett	25.06.2007	— <sup>2</sup>	£3.0378	25.06.2010	25.06.2017
Angus Boag	15.06.2007	— <sup>2</sup>	£4.3675	15.06.2010	15.06.2017
Chris Pieroni	12.02.2008	— <sup>2</sup>	£3.3700	12.02.2011	12.02.2018

1 A summary of the principal terms of the Approved ESOP and the Non-approved ESOP is set out in paragraph 8 below.

2 Options which have not met performance criteria and have lapsed.

#### SOS

Options granted under the SOS as at 5 July 2011 (being the latest practicable date prior to the publication of this document) are set out below:<sup>2</sup>

<i>Optionholder</i>	<i>Date of grant</i>	<i>Exercisable options</i>	<i>Exercise price</i>	<i>Date from which exercisable</i>	<i>Expiry date</i>
Harry Platt	21.07.2009	76,260	£0.1190	01.09.2012	01.03.2013
Graham Clemett	21.07.2009	76,260	£0.1190	01.09.2012	01.03.2013
Angus Boag	21.07.2009	76,260	£0.1190	01.09.2012	01.03.2013
Chris Pieroni	21.07.2009	30,504	£0.1190	01.09.2012	01.03.2013
	20.07.2010	21,052	£0.1710	01.09.2013	01.03.2014

2 A summary of the principal terms of the SOS is set out in paragraph 8 below.

#### LTIP

Share awards granted under the LTIP as at 5 July 2011 (being the latest practicable date prior to the publication of this document) are set out in the table below:<sup>3</sup>

<i>Awardholder</i>	<i>Date of award</i>	<i>Performance award</i>	<i>Invested shares</i>	<i>Matching award</i>	<i>Vesting date of awards</i>
Harry Platt	12.06.2009	2,067,188	609,819	2,067,183	12.06.2012
	06.07.2010	1,446,429	354,375	1,446,429	06.07.2013
Graham Clemett	12.06.2009	1,697,656	400,644	1,358,115	12.06.2012
	06.07.2010	950,292	232,821	950,292	06.07.2013

3 A summary of the principal terms of the LTIP is set out in paragraph 8 below.

## 5.5 *Confirmations*

None of the Directors or Senior Managers has had any convictions in relation to fraudulent offences in the five years preceding the date of this document.

There have been no official public incriminations and/or sanctions of any of the Directors or Senior Managers by any statutory or regulatory authorities (including designated professional bodies) and none of the Directors or Senior Managers has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company within the 5 years preceding the date of this document.

There are no potential or actual conflicts of interests between any duties to the Company of any of the Directors and/or Senior Managers and their private interests or other duties.

## 5.6 *Remuneration and benefits*

In the last full financial year to 31 March 2011, the Directors and Senior Managers were paid the following remuneration (including contingent or deferred consideration but excluding pension contributions which are described in paragraph 5.7 below) and granted the following benefits in kind by the Company and its subsidiaries:

<i>Name</i>	<i>Fees/basic salary (£'000)</i>	<i>Performance bonus (£'000)</i>	<i>Other benefits (£'000)</i>	<i>Other (£'000)</i>	<i>Total (£'000)</i>
<b>Executive Directors</b>					
Harry Platt	330.8	339.4	23.9	—	694.1
Graham Clemett	217.3	232.3	17.5	—	467.1
<b>Non-executive Directors</b>					
Antony Hales	100.0	—	—	—	100.0
John Bywater	45.0	—	—	—	45.0
Bernard Cragg	45.0	—	—	—	45.0
Rupert Dickinson	12.9	—	—	—	12.9
Jamie Hopkins	32.8	—	—	—	32.8
<b>Senior Managers</b>					
Chris Pieroni	213.2	218.7	20.4	—	452.3
Angus Boag	213.2	218.7	22.9	—	454.8

Other benefits include a company mobile, a car allowance, private health insurance, death in service cover and an employer's contribution equal to 16.5 per cent. of basic salary to a defined contribution (money purchase) scheme.

The Group operates an annual bonus scheme which provides for a capped variable (performance related) cash bonus. During the financial year ended 31 March 2011, the maximum bonus potential for the Executive Directors was set at 120 per cent. of basic annual salary. The overall bonus comprised three distinct elements based on trading profit before tax, portfolio performance and personal targets. The bonus is awarded by the Remuneration Committee (as defined in paragraph 5.8 below) after consideration of the Group's and the individual's performance targets for the year. The annual total bonus for the financial year ended 31 March 2011 for all executive Directors was between 102.6 per cent. and 106.9 per cent. of base salary.

The aggregate emoluments disclosed do not include any amounts for the value of options to acquire Ordinary Shares granted or held by the Directors.

## 5.7 *Directors' and Senior Managers' pension entitlements*

In the last full financial year to 31 March 2011, all full-time executive Directors and the Senior Managers received a contribution of 16.5 per cent. of basic salary to be used for personal money purchase schemes.

The following executive Directors and Senior Managers are members of personal money purchase schemes. Contributions paid by the Group in respect of such Directors were as follows:

	<i>Pension scheme contributions, financial year ended 31 March 2011</i>
	<i>(£'000)</i>
<i>Directors</i>	
Harry Platt	54.6
Graham Clemett	35.9
<b>Total for Directors</b>	<b>90.5</b>
<i>Senior Managers</i>	
Angus Boag	35.2
Chris Pieroni	35.2
<b>Total for Senior Managers</b>	<b>70.4</b>
<b>Total for Directors and Senior Managers</b>	<b>160.9</b>

## 5.8 *Board practices and governance*

### *Corporate governance*

The Board is committed to principles of good corporate governance and supports the principles set out in the new UK Corporate Governance Code. The Board confirms that the Company complied throughout the financial year ended 31 March 2011 with the provisions of the Combined Code on Corporate Governance issued in June 2008 and has complied with the provisions of the UK Corporate Governance Code for the period from 1 April 2011 up to and including the date of this document. The way in which it applied and continues to apply these principles is set out on pages 38 to 54 of the 2011 Annual Report and Accounts, which are incorporated by reference.

### *Committees*

The Board has appointed a nomination committee (the “**Nominations Committee**”), a remuneration committee (the “**Remuneration Committee**”) and an audit committee (the “**Audit Committee**”) with formally delegated duties and responsibilities with written terms of reference. The Board has also appointed a risk committee (the “**Risk Committee**”) and a City committee (the “**City Committee**”).

#### (A) *Nominations Committee*

The Nominations Committee is comprised of Antony Hales (the Nominations Committee Chairman), John Bywater, Bernard Cragg and Jamie Hopkins. The Nominations Committee meets as required, and met three times during the year ended 31 March 2011.

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.

Whilst the Nominations Committee leads the process of appointing additional directors and/or members of the executive committee (which comprises Harry Platt, Graham Clemett, Chris Pieroni and Angus Boag), the Nominations Committee Chairman consults with all of the Directors on a regular basis throughout the process. In addition, all appointments are subject to the review and approval of the full Board and all directors are invited to meet with a candidate before their appointment is recommended to the Board.

#### (B) *Remuneration Committee*

The Remuneration Committee meets at least two times per calendar year although additional meetings will be held if required. The Remuneration Committee met eight times in the year ended 31 March 2011. The Remuneration Committee is exclusively comprised of the Non-executive Directors: John Bywater (Remuneration Committee Chairman), Bernard Cragg,

Antony Hales and Jamie Hopkins. The objective of the Remuneration Committee is to develop remuneration packages for the executive Directors, including both short-term and long-term incentive arrangements, to enable the Group to attract, retain and motivate executive directors of the necessary calibre without paying more than is necessary for this purpose. The Remuneration Committee is also responsible for recommending the Chairman's remuneration to the Board in compliance with the UK Corporate Governance Code.

(C) Audit Committee

The Audit Committee comprises Bernard Cragg (Audit Committee Chairman), John Bywater and Jamie Hopkins and meets three times per calendar year. The Audit Committee met three times in the year ended 31 March 2011.

During the Company's last financial year, the Audit Committee was responsible for reviewing and reporting to the Board on a range of matters including:

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

The Audit Committee's terms of reference cover the Group's risk management activities as a whole and extend to advising the Board on the appointment of external auditors, their remuneration for audit and non-audit work, their cost effectiveness, independence and objectivity, as well as discussing the nature, scope and results of the audit with the external auditors.

Due to its size and structure, the Group does not have an internal audit function. This is kept under annual review by the Audit Committee. However, the Audit Committee has strengthened the Company's resources on managing areas of risk through the appointment of external advisers, PKF (UK) LLP ("**PKF**"). PKF assists 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 attends meetings of the Risk Committee and is invited to attend Audit Committee meetings to report to the Audit Committee on specific areas of risk.

(D) Risk Committee

The Risk Committee is comprised of Chris Pieroni (the Risk Committee Chairman) and other representatives from senior management. 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 work together to ensure that the appropriate preventative, detective and responsive controls are in place and that these controls are checked on a regular basis. The Risk Committee meets on a regular basis and at least twice per financial year and regularly reports to the Audit Committee.

(E) City Committee

The City Committee is comprised of Antony Hales, Harry Platt, Bernard Cragg and Graham Clemett. The City Committee reviews the quarterly, interim and annual reports and associated announcements prior to their review by the Audit Committee and the Board.

## **6. Articles of association of the Company**

### **6.1 Articles of association**

The Articles of the Company include provisions to the following effect:

#### **(A) Voting rights**

At a general meeting of the Company, every holder of Ordinary Shares who is present in person (including any corporation present by its duly authorised representative) shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is the holder. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

Unless the board of directors of the Company otherwise determines, no member is entitled to vote at a general meeting or at a separate general meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by him, or to exercise any rights as a member, unless all calls or other sums presently payable by him in respect of that share to the Company have been paid or if he, or any other person appearing to be interested in such shares, has been issued with a default notice (requiring disclosure of interests in shares) and has failed in relation to any such shares to give the Company the information required by the default notice within 14 days.

#### **(B) Shareholders' meetings**

The board of directors of the Company must call an annual general meeting once in every year, subject to the Act. All other general meetings are to be called general meetings and may be called by the Company's directors whenever they think fit. Two members present in person or by proxy and entitled to vote shall be a quorum for these purposes.

The directors of the Company must also convene a meeting upon the request of Shareholders representing at least 10 per cent. of the Company's paid-up capital carrying voting rights at general meetings of Shareholders. A request for a general meeting of Shareholders must state the general nature of business to be dealt with at the meeting and include the text of any resolution to be moved. The request may be in hard copy or electronic form and must be authenticated by the requesting Shareholders. If the Company's directors fail to give notice of such meeting to Shareholders within 21 days from receipt of notice, the Shareholders that requested the general meeting, or any of them representing more than one-half of the total voting rights of all Shareholders that requested the meeting, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months. Any such meeting must be convened in the same manner, as reasonably as possible, as that in which meetings are to be convened by the Company's directors.

The Company must give at least 21 clear days' notice in writing of an annual general meeting. All other general meetings may be called by at least 14 clear days' notice in writing as long as a Shareholders' resolution is passed at the annual general meeting of the Company authorising the calling of general meetings (other than annual general meetings) on 14 clear days' notice. Notice shall be given to the auditors and to every member of the Company, other than those who are not entitled to receive such notice under the provisions of the Articles.

A meeting may be called by shorter notice provided that:

- (i) in the case of an annual general meeting, all the members entitled to attend and vote at the meeting agree to the short notice; and
- (ii) in the case of a general meeting, by a majority in number of the members having a right to attend and vote thereat, being a majority holding not less than 95 per cent. in nominal value of the shares giving that right.

The notice calling a general meeting must specify:

- (iii) whether the meeting is an annual general meeting or a general meeting;
- (iv) the place, day and time of the meeting;
- (v) the general nature of the business to be transacted at the meeting;
- (vi) if the meeting is convened to consider a special resolution, the text of the resolution and the intention to propose the resolution as such; and
- (vii) with reasonable prominence, that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not also be a member.

(C) *Dividends*

Subject to the provisions of the Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the board of directors of the Company.

Subject as aforesaid, the Company's board of directors may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the board of directors of the Company to be justified by the profits of the Company available for distribution.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. All dividends unclaimed for a period of 12 years after having become due for payment shall (if the Company's board of directors so resolves) be forfeited and shall cease to remain owing by the Company.

The Company's board of directors may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other Company, or in any one or more of such ways.

Unless the Company's board of directors otherwise determines, the payment of any dividend or other money that would otherwise be payable in respect of Ordinary Shares will be withheld if the holder has at least a 0.25 per cent., interest in shares of their class and he, or any other person appearing to be interested in those shares, has been duly served with a default notice and has failed to supply the information required by the default notice within 14 days.

(D) *Transfer of shares*

Any member may transfer all or any of his shares by instrument of transfer in writing in any usual or common form or in any form approved by the Company's board of directors. The instrument of transfer must be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor is deemed to remain the holder until the transferee's name is entered in the register of members.

The Company's board of directors may, in its absolute discretion and without giving any reason, refuse to register any share transfer unless:

- (i) it is in respect of a share which is fully paid up;
- (ii) it is in respect of a share on which the Company has no lien;
- (iii) it is in respect of only one class of shares;
- (iv) it is in favour of a single transferee or not more than four joint transferees;

- (v) it is duly stamped (if so required); and
- (vi) it is delivered for registration to the registered office for the time being of the Company or such other place as the Company's board of directors may from time to time determine, accompanied (except in the case of (a) transfer by a recognised person where a certificate has not been issued, (b) a transfer of an uncertificated Share or (c) a renunciation) by the certificate for the shares to which it relates and such other evidence as the Company's board of directors may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.

Unless the Company's board of directors otherwise determines, a transfer of shares will not be registered if the transferor or any other person appearing to be interested in the transferor's shares has been duly served with a default notice, has failed to supply the information required by the default notice within 14 days and the shares in respect of which a default notice has been served represent at least 0.25 per cent. of their class, unless the member is not himself in default as regards supplying the information required and proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless such transfer is in acceptance of a takeover offer, a sale on a recognised stock exchange or a *bona fide* sale to an unconnected party.

(E) *Disclosure of holdings*

Pursuant to the Act, the Company may also send a notice to any person whom the Company knows or believes to be interested in the Company's shares requiring that person to confirm whether he has such an interest and if so details of that interest.

Under the Articles, if a person fails to comply with such a notice or provides information that is false in a material particular in respect of any shares (the "**default shares**"), such person shall not be entitled to attend or vote at any general meeting of the Company.

In respect of a person with a 0.25 per cent. or more interest in the issued ordinary share capital of the Company, any dividends or other payments on the shares shall be retained by the Company and subject to certain exceptions, no transfers of shares held by such person (in certificated or uncertificated form) shall be registered.

(F) *Variation of rights*

If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class. The quorum at any such meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class in question or, at an adjourned meeting, not less than one person holding Shares of the class in question or his proxy.

(G) *Borrowing powers*

The Company's board of directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, or any part thereof, and, subject to the provisions of the Act, to create and issue debenture and other loan stock and to issue debentures and other securities, whether outright or as collateral security for any debt liability or obligation of the Company or of any third party. The Company's board of directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation

to its subsidiary undertakings (if any) so as to secure (but as regards subsidiary undertakings only in so far as by the exercise of such rights or powers of control the Company's board of directors can secure) that the aggregate amount from time to time outstanding of all borrowings by the Company and its subsidiary undertakings which are consolidated (exclusive of borrowings owing by one such company to another such company) shall not at any time without the previous sanction of an ordinary resolution exceed an amount equal to three times the Adjusted Capital and Reserves (as defined in the Articles).

(H) *Issue of shares*

Subject to the provisions of the Acts and to any special rights for the time being attached to any shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Company's board of directors may determine, and any such share may be issued which is, or is liable to be, redeemed at the option of the Company or the holder in accordance with the Articles.

(I) *Pre-emption rights*

There are no pre-emption rights under the Articles in respect of transfers of issued Ordinary Shares.

Unless disapplied in accordance with the Act, Shareholders will have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company for cash. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing Shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Shareholders.

(J) *Remuneration of directors*

The Company's directors (other than alternate directors) shall be entitled to receive by way of fees for their services as directors such sum as the Company's board of directors may from time to time determine (not exceeding £400,000 per annum or such other sum as the Company in general meeting shall from time to time determine). Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the Company's directors in such proportions and in such manner as the board of directors of the Company may determine or, in default of such determination, equally. Such fees are distinct from any salary, remuneration or other amounts payable to a director as referred to below.

The salary or remuneration of any director of the Company appointed to hold employment or executive office may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Company's board of directors, and may be in addition to or in lieu of any fee payable to him for his services as director.

(K) *Pensions and gratuities for directors*

The directors of the Company may provide and maintain pensions, other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, and may pay pensions, gratuities or similar allowances or benefits to persons who are or were directors of any Company in the Group and their relatives or dependants.

(L) *Directors' interests in contracts*

Subject to the provisions of the Acts and provided that his interest is disclosed at a meeting of the Company's board of directors in accordance with the Articles, a director of the Company, notwithstanding his office, may be a party to or otherwise be interested in any transaction,

arrangement or proposal with the Company or in which the Company is otherwise interested, may hold any other office or place of profit under the Company (except that of auditor or of auditor of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Company's board of directors may arrange, may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested and shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any office or employment or from any transaction or arrangement or from any interest in any body corporate, no such transaction, or arrangement or proposal shall be liable to be avoided on the grounds of such interest or benefit nor shall the receipt of any such profit, remuneration or any other benefit constitute a breach of his duty under the Act or under the law not to accept benefits from third parties.

(M) *Conflicts of interest*

A director of the Company must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with, the interests of the Company (including the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it, but excluding any situation which cannot reasonably be regarded as likely to give rise to a conflict of interest). The Company's board of directors may authorise conflicts and potential conflicts in accordance with the Articles, which would, if not so authorised, involve a breach by a director of the Company of his duty to avoid conflicts of interest under the Act. Only the directors of the Company who have no interest in the matter being considered may take the relevant decision. In taking the decision, the directors of the Company must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors of the Company may impose limits or conditions when giving authorisation, if they think this is appropriate.

(N) *Entitlement to keep information confidential*

Subject to the provisions of the Articles, the directors of the Company shall be under no duty to the Company with respect to any information which he obtains or has obtained otherwise than as a director of the Company and in respect of which he has a duty of confidentiality to another person. This provision only applies where the position giving rise to the potential conflict has previously been authorised by the Company's board of directors.

(O) *Avoiding conflicts of interest*

Where the position giving rise to the potential conflict has been previously been authorised by the Company's board of directors, a director shall not be in breach of the general duties he owes to the Company under the Act because he:

- (i) absents himself from meetings of the Company's board of directors at which any matter relating to the potential conflict will or may be discussed or from the discussion of any such matter at a meeting or otherwise; and/or
- (ii) makes arrangements not to receive documents and information relating to any matter which gives rise to the potential conflict sent or supplied by the Company and/or makes arrangements for such documents to be received and read by a professional adviser,

for so long as he reasonably believes such potential conflict subsists.

(P) *Restrictions on directors' voting*

A director of the Company may not vote on, or be counted in the quorum in relation to, any resolution of the Company's board of directors or of a committee of the board concerning any arrangement, transaction or proposal in which he has an interest which may reasonably be

regarded as likely to give rise to a conflict of interest and, if he purports to do so, his vote shall not be counted, but this prohibition shall not apply in respect of any resolution concerning any one or more of the following matters:

- (i) any transaction or arrangement in which he is interested by means of an interest in shares, debentures or other securities or otherwise in or through the Company;
- (ii) the giving of any guarantee, security or indemnity in respect of money lent to, or obligations incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;
- (iii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (iv) the giving of any other indemnity where all other directors of the Company are also being offered indemnities on substantially the same terms;
- (v) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is, or may be, entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (vi) any proposal concerning any other body corporate in which he does not to his knowledge have an interest (as the term is used in Part 22 of the Act) in one per cent. or more of the issued equity share capital of any class of such body corporate (calculated exclusive of any shares of that class in that company held as treasury shares) nor to his knowledge hold one per cent. or more of the voting rights which he holds as Shareholder or through his direct or indirect holding of financial instruments (within the meaning of the Disclosure and Transparency Rules) in such body corporate;
- (vii) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (viii) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons who include directors;
- (ix) any proposal concerning the funding of expenditure for the purposes referred to in the Articles or doing anything to enable such director or directors to avoid incurring such expenditure; or
- (x) any transaction or arrangement in respect of which his interest, or the interest of the directors or the Company generally, has been authorised by ordinary resolution.

(Q) *Number of directors*

Until otherwise determined by an ordinary resolution of the Company, the number of directors shall be not less than two nor more than ten.

(R) *Directors' appointment and retirement by rotation*

Directors may be appointed by the Company by ordinary resolution or by the Company's board of directors. If appointed by the Company's board of directors, a director holds office only until the next annual general meeting and is not taken into account in determining the directors who are to retire by rotation.

At each annual general meeting of the Company as near as possible to one-third of the directors will retire by rotation and be eligible for re-election. Subject to the Act and to the Articles, any

director of the Company who has been a director at each of the preceding two annual general meetings without retiring by rotation and who has not otherwise ceased to be a director shall retire by rotation. If that number is less than the minimum number required by rotation the directors to retire will be those who have been longest in office since their last appointment or re-appointment, but as between those who have been in office an equal length of time, those to retire shall (unless they otherwise agree) be determined by lot. While not required by the Articles, the Company is adopting the requirements of the UK Corporate Governance Code (June 2010) in relation to directors' appointments, and in particular the annual re-election of all directors. Therefore, in accordance with provision B.7.1 of the UK Corporate Governance Code, all of the continuing directors of the Company will retire at the annual general meeting to be held on 28 July 2011 and, being eligible, offer themselves up for re-election

(S) *Untraced shareholders*

Subject to the Articles, the Company may sell any shares in the Company registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the member, the net proceeds of sale will be available for use in the business in the Company or for investment, in either case at the discretion of the Company's board of directors. The net proceeds will not carry interest.

(T) *REIT status*

The Articles include provisions similar to those adopted by other REITs in order to enable the Company to demonstrate to HMRC that it has taken reasonable steps to avoid paying a dividend (or making any other distribution) to a Substantial Shareholder. If a distribution is paid to a Substantial Shareholder and the Company has not taken reasonable steps to avoid doing so, the Company would become subject to a tax charge. For these purposes, a "Substantial Shareholder" is a company that:

- (i) is beneficially entitled, directly or indirectly, to 10 per cent. or more of the Company's dividends;
- (ii) is beneficially entitled, directly or indirectly, to 10 per cent. or more of the Company's share capital; or
- (iii) controls, directly or indirectly, 10 per cent. or more of the voting rights of the Company.

For the purposes of the above definition of Substantial Shareholder, "company" includes any body corporate and certain entities which are deemed to be bodies corporate for the purposes of overseas jurisdictions with which the UK has a double taxation agreement or for the purposes of such double tax agreements.

The relevant provisions of the Articles:

- (i) provide directors with powers to identify Substantial Shareholders;
- (ii) prohibit the payment of dividends on shares that form part of a Substantial Shareholding, unless certain conditions are met;
- (iii) allow dividends to be paid on shares that form part of a Substantial Shareholding where the shareholder has disposed of its rights to dividends on its shares; and
- (iv) seek to ensure that if a dividend is paid on shares that form part of a Substantial Shareholding (and the Company's board of directors is not satisfied that the right to the dividend has been transferred to a person who is not, and does not thereby become, a Substantial Shareholder), the Substantial Shareholder concerned does not become beneficially entitled to that dividend. The Company's board of directors may be satisfied

that the right to the dividend has been transferred if it receives a certificate containing appropriate confirmations and assurances from the Substantial Shareholder.

The Company's board of directors may require a Substantial Shareholder to pay the Company the amount of any tax payable (and other costs incurred) as a result of a distribution having been paid to a Substantial Shareholder. Without prejudice to the right of the Company to claim such amount from the Substantial Shareholder, recovery may be made out of the proceeds of a disposal of the relevant Ordinary Shares. Any such amount may also be recovered out of the distributions to which the Substantial Shareholder concerned may become entitled in the future.

The Articles also allow the directors of the Company to require the disposal of Ordinary Shares forming part of a Substantial Shareholding if:

- (i) a Substantial Shareholder has been identified and a distribution has been announced or declared and the Company's board of directors has not been satisfied that the Substantial Shareholder has transferred the right to the distribution (or otherwise is not beneficially entitled to it);
- (ii) there has been a failure to provide information requested by the Company's board of directors; or
- (iii) any information provided by any person proves materially inaccurate or misleading.

If a disposal of Ordinary Shares required by the directors of the Company is not completed within the timeframe specified by the Company's board of directors or the Company incurs a charge to tax as a result of a distribution having been paid on a Substantial Shareholding, the board may arrange for the sale of the relevant shares.

The Articles do not prevent a person from acquiring control of the Company through a takeover or otherwise, although such an event may cause the Company to cease to qualify as a REIT.

References in this paragraph (T) to a "Substantial Shareholding" are to the shares in respect of which a Substantial Shareholder is entitled to dividends, directly or indirectly, and/or to which a Substantial Shareholder is beneficially entitled, directly or indirectly, and/or the votes attached to which are controlled, directly or indirectly, by the Substantial Shareholder, and references to dividends include other distributions.

## **7. Mandatory takeover bids, squeeze-out and sell-out rules**

The Company is subject to the City Code on Takeovers and Mergers. Other than as provided by the Act and the City Code on Takeovers and Mergers, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares. There is not in existence any current mandatory takeover bid in relation to the Company.

## **8. Company's share schemes**

As referred to in paragraph 5.4 above, the Approved ESOP, the Non-approved ESOP and the Executive Co-Investment Plan were each replaced by the LTIP on 23 April 2008. As at 5 July 2011 (being the latest practicable date prior to the publication of this document), the only ongoing share schemes that the Company has in place are the SOS, the LTIP, and the DBP.

Details of options and awards over shares in the Company held by the Directors and Senior Managers under the Company's share schemes are set out in paragraph 5.4 above. Summaries of the principal terms of each of these share schemes are set out below.

***Approved ESOP and Non-approved ESOP (replaced by the LTIP on 23 April 2008)***

*Eligibility*

Any employee or any full-time Director of the Company or of a participating company within the Group was eligible to participate.

*Grant of options*

The Remuneration Committee granted options to acquire Ordinary Shares within six weeks following the Company's announcement of its results for any period. No payment was required for the grant of an option.

*Individual participation*

The Remuneration Committee determined which employees and/or directors of the Company or a participating company within the Group were able to participate and the extent of their participation. The maximum value of Ordinary Shares over which options were granted to an employee or a director of the Company or a participating company within the Group were set at the discretion of the Remuneration Committee, subject to the limits specified in the rules of the particular plan.

*Option price*

With respect to the outstanding options, the price per Ordinary Share payable upon exercise of an option will be not less than the average market value of an Ordinary Share for the five dealing days immediately prior to the date of grant.

*Performance conditions*

The exercise of outstanding options will be conditional upon the satisfaction of objective performance conditions set by the Remuneration Committee at the date of grant. The Remuneration Committee may vary the performance conditions applying to existing options if an event has occurred which causes the Remuneration Committee to consider that it would be appropriate to amend the performance conditions (provided that the Remuneration Committee considers the varied conditions are fair and reasonable and not materially less challenging).

*Exercise of options*

Outstanding options will normally become capable of exercise three years after date of grant to the extent that the performance conditions have been satisfied and provided that the participant remains employed in the Group or remains a director of the Company or a participating company within the Group. Existing options will lapse on the day before the tenth anniversary of the date of grant.

Ordinary Shares will normally be allotted or transferred to participants within 30 days of receipt of a notice of exercise.

*Leaving employment and corporate events*

An outstanding option will lapse upon a participant ceasing to hold employment or ceasing to be a director of the Company or a participating company within the Group. However, if a participant ceases to be an employee or a director of the Company or a participating company within the Group by reason of his death, ill-health, injury, disability, redundancy, retirement, his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the Remuneration Committee, then his option will become exercisable on the date of his cessation or on such later date as the Remuneration Committee may decide and remain exercisable for a limited period thereafter.

Similarly, in the event of a takeover any option may be exercised immediately prior to and conditional upon a change of control, or within six months of the time when the person making the offer has obtained control of the Company and any condition to which the offer for the Company was made has been satisfied.

## ***Executive Co-Investment Plan (replaced by the LTIP on 23 April 2008)***

### *Eligibility*

All employees and executive Directors of the Company or of a participating company within the Group were eligible to participate in the Executive Co-Investment Plan. However, such opportunity was only offered to executive Directors. No further awards will be made under the Executive Co-Investment Plan.

### *Types of awards*

Under the terms of the Executive Co-Investment Plan, up to 100 per cent. of the net annual bonus awarded to Directors can be invested in the Company's shares ("**Invested Shares**"). The Company then bought shares in the market which, after settlement of the tax liability, yielded a one for one matching award when compared with the invested holding ("**Matching Shares**"). The Matching Shares are required to be held over a three-year qualification period (the "**Vesting Period**").

### *Performance criteria*

To qualify for full distribution of Matching Shares, the total shareholder return ("TSR") of the Company over the Vesting Period must exceed that of the company at the bottom of the top quartile of the FTSE Real Estate Index (of which the Company is a constituent member). To qualify for any Matching Shares, the TSR performance must be above that of the company at the bottom of the fourth decile. In between these two measures there is a scaled award.

## ***SOS***

### *Eligibility*

Employees and directors of the Company and any designated participating subsidiary who are ordinarily resident in the United Kingdom for tax purposes will be eligible to participate. The Board may require employees and directors to have completed a qualifying period of employment or directorship, as the case may be, of up to one year before options can be granted.

### *Grant of options*

Options can only be granted to employees or directors of the Company and any designated participating subsidiary who enter into approved savings contracts. Options must be granted within 30 days (or 42 days if applications are scaled back) of the first day by reference to which the option price is set. The number of Ordinary Shares over which an option is granted will be such that the total option price payable will correspond to the proceeds on maturity of the related approved savings contract.

### *Individual participation*

Monthly savings by an employee or a director of the Company and any designated participating subsidiary under all approved savings contracts linked to options granted under the SOS may not exceed the statutory maximum (currently £250 in the United Kingdom). The Board can set a lower limit in relation to any particular grant.

### *Option price*

The price per Ordinary Share payable upon the exercise of an option will not be less than 80 per cent. of the average middle-market quotation of an Ordinary Share on the London Stock Exchange on the three business days preceding a date specified in an invitation to participate. The option price will be determined by reference to dealing days which fall within the period of six weeks following the announcement by the Company of its results for any period or at any other time which the Board considers to be sufficiently exceptional to justify offering options.

### *Exercise of options*

Options will normally be exercisable for a six-month period after the end of the term of the relevant savings contract. Earlier exercise is however permitted in certain circumstances. Options will lapse on cessation of employment or directorship with the Group (as the case may be).

## **LTIP**

### *Eligibility*

Participation in the LTIP extends to members of the Executive Committee (which comprises Harry Platt, Graham Clemett, Chris Pieroni and Angus Boag) and other members of the senior management team. It is currently envisaged that this will remain the case for any future awards.

### *Types of award*

The LTIP provides for the grant of two types of awards:

- (i) **“Performance Awards”** – these are 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 performance criteria over a fixed three-year period; and
- (ii) **“Matching Awards”** – these are similar to Performance Awards. To align the interests of participants with those of Shareholders, the granting and vesting of Matching Awards is contingent on the participant acquiring and retaining linked “invested shares” (shares which are purchased using funds provided by the participant which are then held in trust during the fixed three year vesting period). The vesting of Matching Awards is also subject to the satisfaction of performance criteria over a fixed three-year period.

Joint ownership awards may also be granted under the LTIP.

### *Performance criteria*

The vesting of both Performance Awards and Matching Awards will be subject to performance criteria set by the Remuneration Committee. There are three parts to each award, each part being assessed over the same three-year period:

- (i) one-third will be dependent on the growth in net asset value of the Company relative to the companies in the FTSE 350 Real Estate Index over a three-year period (**“Relative NAV”**);
- (ii) one-third will be dependent on the Company’s total shareholder return (share price growth plus reinvested dividends) relative to companies in the FTSE 350 Real Estate Index over a three-year period (**“Relative TSR”**); and
- (iii) one third will be dependent on the Company’s total shareholder return (share price growth plus reinvested dividends) over a three-year period (**“Absolute TSR”**).

For any Ordinary Shares to vest on either Relative TSR or Absolute TSR, the Remuneration Committee must satisfy itself that the recorded total shareholder return is a genuine reflection of the underlying business performance of the Company.

In addition, in the financial year ending 31 March 2011 the Committee introduced a requirement that for any shares to vest on absolute TSR, the Company’s TSR must exceed the median TSR of its comparator group by +1.5 per cent. per annum over the performance period.

## **DBP**

### *Eligibility*

Any employee of the Company or a participating company within the Group may receive some proportion of any annual bonus to which he would otherwise be entitled as a share award under the DBP.

### *Vesting*

Such awards will normally vest on the second anniversary of the date of grant subject to continued employment or leaving employment in certain prescribed circumstances.

## 9. Material contracts

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group (a) within the two years immediately preceding the date of this document which are or may be material to the Group or (b) at any time and contain provisions under which any member of the Group has an obligation or entitlement which is, or may be material, to the Group as at the date of this document:

### *Sponsor and Underwriting Agreement*

On 7 July 2011, the Company, the Sponsor and the Joint Underwriters entered into the Sponsor and Underwriting Agreement, pursuant to which: (i) the Sponsor has been appointed to act as the sponsor of the Company in connection with the application for admission of the Nil Paid Rights and the New Ordinary Shares under the Rights Issue to the premium segment of the Official List and to trading on the main market of the London Stock Exchange; and (ii) the Joint Underwriters have agreed severally, subject to certain conditions, to use reasonable endeavours to procure subscribers for, or failing which, to severally subscribe for the New Ordinary Shares to the extent not taken up by Qualifying Shareholders under the Rights Issue, in each case at the Rights Issue Price.

In consideration of the services to be provided by the Joint Underwriters under the Sponsor and Underwriting Agreement, the Company will pay an aggregate commission of 2.9 per cent. of the value of the gross proceeds of the Rights Issue at the Rights Issue Price. Such commission shall not be paid in the event that the Sponsor and Underwriting Agreement is terminated prior to Admission.

In addition to the commissions set out above, the Company shall pay all costs and expenses of, and in connection with, the Sponsor and Underwriting Agreement, the Rights Issue, the allotment, issue, registration and delivery of the Nil Paid Rights or the New Ordinary Shares, the crediting of Nil Paid Rights to any stock account in CREST or the registration of New Ordinary Shares (including without limitation such part of any such costs or expenses as relates to the VAT chargeable on any supply or supplies for which such costs or expenses are all or any part of the consideration).

The obligations of the Joint Underwriters under the Sponsor and Underwriting Agreement are subject to certain conditions including, amongst others:

- (a) Admission of the New Ordinary Shares (nil paid) occurring not later than 8.00 a.m. on 12 July 2011 (or at such later time and date as the Company and the Joint Underwriters may agree); and
- (b) the fulfilment by the Company of certain of its obligations under the Sponsor and Underwriting Agreement, including the delivery of certain documents to the Joint Underwriters, by the times and dates specified in the Sponsor and Underwriting Agreement.

Neither the Sponsor or the Joint Underwriters are entitled to terminate the Sponsor and Underwriting Agreement after Admission. However, prior to Admission, the Sponsor or any Joint Underwriter may terminate the Sponsor and Underwriting Agreement in certain circumstances, including if: (i) any statement contained in this document, or certain related documents and announcements has become or been discovered to be untrue, inaccurate or misleading in any respect; (ii) an event occurs or a circumstance arises such that section 87G(2) applies pursuant to section 87G(1) of, in each case, the Financial Services and Markets Act 2000 (as amended); (iii) there has been a breach by the Company of any of the representations, warranties or undertakings in the Sponsor and Underwriting Agreement or any of the same were untrue or inaccurate or misleading when made; (iv) there has occurred any event which has or will result in a material adverse change in or affecting the operations or condition of the Group taken as a whole; or (v) certain other *force majeure* events, including any changes in national or international financial, political, economic or stock market conditions, or any war or act of terrorism, in each case in this sub-paragraph (v) which in the opinion of the Sponsor and the Joint Underwriters (acting in good faith) makes it impracticable or inadvisable to proceed with the Rights Issue and Admission.

The parties to the Sponsor and Underwriting Agreement have agreed that if a supplementary prospectus is issued by the Company two or fewer Business Days prior to the date specified in this document as being the last date for acceptance and payment in full under the Rights Issue (or such later date as may be agreed

between the parties), such date shall be extended to the date which is three Business Days after the date of issue of the supplementary prospectus.

The Joint Underwriters shall pay the sub-underwriting commissions under the Rights Issue out of the Commission received by them.

The Company has given certain customary warranties and indemnities to the Sponsor and Joint Underwriters.

### ***BayernLB Facility Agreement***

On 30 June 2010, Workspace 14 Limited as borrower (the “**Borrower**”), the Company as guarantor (the “**Guarantor**”), BayernLB as agent, security trustee, and together with Abbey National Treasury Services plc, Deutsche Pfandbriefbank AG and Nationwide Building Society, original lender and Abbey National Treasury Services plc and Deutsche Pfandbriefbank AG as original hedge counterparties entered into a new facility agreement (the “**BayernLB Facility Agreement**”). The BayernLB Facility Agreement refinanced and replaced a previous facility agreement between, amongst others, the Company and GE Real Estate (the “**Original Debt Facility**”).

The terms of the BayernLB Facility Agreement provide that (*inter alia*) the interest rate payable under the BayernLB Facility is LIBOR plus 2.25 per cent. together with any mandatory costs as calculated in accordance with the BayernLB Facility Agreement, should they arise. The final repayment date for the BayernLB Facility is 30 June 2015.

Moneys borrowed under the BayernLB Facility are: (i) for the purpose of refinancing the Original Debt Facility; (ii) for general corporate purposes; and (iii) for the payment of all costs, fees and expenses which may arise under the finance documents relating to the BayernLB Facility.

At the date of this document, the aggregate amount currently outstanding under the BayernLB Facility Agreement is £200 million.

Representations and warranties customary for this type of facility have been given by each of the obligors under the BayernLB Facility Agreement. The terms of the financial covenants provide that the Borrower shall ensure that: (a) the loan to value ratio does not exceed (i) 70 per cent. from and including the date on which the loan under the BayernLB Facility was made to and including 30 June 2013 and (ii) 65 per cent. from, but not including, 30 June 2013; (b)(i) the interest cover ratio is 140 per cent. from and including the date on which the loan under the BayernLB Facility was made up to and including 30 June 2013 and (ii) 145 per cent. from and including 30 September 2013; and (c)(i) the projected interest cover ratio is at least 140 per cent. from and including the date on which the loan under the BayernLB Facility was made to and including 30 June 2013, and (ii) 145 per cent. from and including 30 September 2013. The BayernLB Facility Agreement contains a change of control clause which is triggered if: (i) the Borrower ceases to be the wholly owned subsidiary of Workspace Holdings Limited (the “**Parent**”); (ii) the Parent ceases to be a wholly owned subsidiary of the Guarantor; and/or (iii) any person or group of persons acting in concert gaining direct or indirect control of the Guarantor.

The Borrower has entered into legal charges and a debenture pursuant to which the Borrower has granted certain security over the properties and all other assets owned by the Borrower in favour of the security trustee and the Parent has entered into a share charge in respect of its shares in the Borrower.

### ***Lloyds BoS Facility Agreement***

On 11 December 2009, a Debt Compromise and Amendment and Restatement Agreement was entered into between Workspace Glebe Limited, Workspace 12 Limited and Glebe Three Limited as obligors (the “**Obligors**”), Bank of Scotland plc as arranger, lender, hedging counterparty, agent, account bank and security trustee and The Bank of East Asia, Limited, London as lender (the “**Parties**”) (the “**Debt Compromise Agreement**”). The Lloyds BoS Facility Agreement amended, restated and released part of the amount under a facility agreement entered into on 11 June 2006 by the Parties (the “**Original Facilities Agreement**”) and released the entire amount outstanding under a second facilities agreement also entered into on 11 June 2006, by the Parties (the “**Facility B Agreement**”).

The terms of the Original Facilities Agreement as amended by the Debt Compromise Agreement (the “**Lloyds BoS Facility Agreement**”) provide that (*inter alia*) the interest rate payable under the Lloyds BoS Facility is LIBOR plus 1.25 per cent. together with any mandatory costs as calculated in accordance with the Lloyds BoS Facility Agreement, should they arise. The final repayment date for the Lloyds BoS Facility Agreement is five years from the date on which the agent confirmed to Workspace Glebe Limited that it had received all documents as required under the Debt Compromise Agreement.

Moneys borrowed under the Lloyds BoS Facility have been applied by each borrower to undertake property acquisitions from the parties to the Workspace Glebe Joint Venture.

At the date of this document, the aggregate amount currently outstanding under the Lloyds BoS Facility Agreement is £68 million.

Representations and warranties customary for this type of facility have been given by each of the obligors. The terms of the financial covenants provide that the Borrower shall ensure that: (a) the loan to security value ratio does not exceed 85 per cent. at any time; (b)(i) the interest cover in respect of the relevant periods ending 31 March 2010, 2011 and 2012, 30 June 2010, 2011 and 2012, 30 September 2010, 2011 and 2012, 31 December 2010, 2011 and 2012 is not less than a ratio of 1.1:1 and (ii) the interest cover in respect of the relevant period ending 31 March 2013, 30 June 2013, 30 September 2013, 31 December 2013 and thereafter is not less than 1.25:1; and (c) capital expenditure for any financial year does not exceed 110 per cent. of the predicted capital expenditure for that financial year. The Lloyds BoS Facility Agreement contains a change of control clause which is triggered when the Group ceases to control directly or indirectly Workspace Glebe Limited or any person or group of persons acting in concert gaining direct or indirect control of Workspace Glebe Limited.

Each obligor (including Workspace Glebe Limited) has entered into debentures pursuant to which it has granted certain security over the properties and all other assets owned by it to the security trustee. Additionally, the Company has entered into a charge in respect of its shares in Workspace Glebe Limited and certain intercompany receivables.

#### ***New RBS Facility Agreement***

On 3 June 2011, Workspace 13 Limited as borrower (the “**Borrower**”), the Company as parent guarantor (the “**Parent**”), Workspace Management Limited as subsidiary guarantor, The Royal Bank of Scotland plc as arranger, agent and security trustee and National Westminster Bank plc as original lender and original hedge counterparty entered into a new facility agreement (the “**New RBS Facility Agreement**”). The New RBS Facility Agreement refinanced and replaced the facility agreement dated 27 January 2009 between, amongst others, the Borrower and The Royal Bank of Scotland plc as agent and security trustee (the “**Existing RBS Facility Agreement**”).

The terms of the New RBS Facility Agreement provide that (*inter alia*) the interest rate payable under the committed revolving loan facility is LIBOR plus 2.75 per cent. and the interest rate payable on the committed term loan facility is LIBOR plus 2.50 per cent. The final repayment date for the committed revolving loan facility and committed term loan facility is 3 June 2015.

Moneys borrowed under (i) the revolving loan facility (of up to £55.0 million) are for the purpose of refinancing existing indebtedness, the acquisition of new properties and for general corporate purposes; and (ii) the term loan facility (of up to £70.0 million) are for the purpose of refinancing the existing indebtedness.

At the date of this document, the aggregate amount currently outstanding under the committed revolving loan facility and term loan facility under the New RBS Facility Agreement is £99 million.

Representations and warranties customary for this type of facility have been given by each of the obligors under the New RBS Facility Agreement. The terms of the financial covenants provide that: (a) the Borrower’s interest cover ratio must be (i) on or prior to 30 June 2013, at least 150 per cent., (ii) after 30 June 2013 but on or prior to 31 December 2013, at least 155 per cent., (iii) after 31 December 2013 but on or prior to 30 June 2014, at least 160 per cent., and (iv) after 30 June 2014, at least 165 per cent.; (b) the Group’s interest cover ratio must be at least 125 per cent.; and (c) the loan-to-value ratio must not at any time exceed

65 per cent. The New RBS Facility Agreement contains a change of control clause which is triggered if the Parent ceases to be the only shareholder of the Borrower.

The Borrower has entered into legal charges and a debenture pursuant to which the Borrower has granted certain security over the properties and all other assets owned by the Borrower to the Lender and the Parent, Workspace 11 Limited and Workspace 15 Limited have entered into a share charge in respect of their shares in the Borrower.

On 6 July 2011, HSBC became an additional lender, financing up to a £62.5 million participation alongside RBS.

#### ***BlackRock Joint Venture Agreement***

On 22 February 2011, Workspace 16 (Jersey) Limited (“**Workspace 16**”) became a unitholder in BWPT along with the BlackRock UK Property Fund (“**BlackRock**”). Under the arrangements, Workspace 16 acquired 20.1 per cent., and BlackRock acquired 79.9 per cent., of the issued units in BWPT. Workspace 16 has made a commitment to invest up to £20,100,000, and BlackRock has made a commitment to invest up to £79,900,000, in BWPT, which may be called down in increments as and when required to enable BWPT to acquire property assets and for the payment of expenses. All subscription proceeds and all other assets and property held on trust in BWPT shall be held *pro rata* according to the number of units held by each of Workspace 16 and BlackRock.

The initial investment period in BWPT (the “**Initial Investment Period**”) commenced on the date of the trust instrument creating BWPT (the “**Trust Instrument**”), being 22 February 2011, and expires on the earlier of: (a) 18 months from the date of the Trust Instrument; and (b) the date on which the commitment of Workspace 16 and BlackRock has been drawn down in full. The purpose of BWPT is to acquire properties which are multi-let office, industrial, warehouse and mixed use schemes which are located within the M25 or adjacent South East and are complementary to the Workspace brand. The trustees of BWPT are BNP Paribas Securities Services Trust Company (Jersey) Limited and BlackRock (Channel Islands) Limited, the manager is BlackRock (Channel Islands) Limited and the Investment Adviser is BlackRock Investment Management (UK) Limited. Workspace 16 is a unit holder of BWPT and the Company is the property manager of BWPT.

BWPT may be terminated by the trustees by notice in writing to the manager and unitholders if: (i) any laws are passed which renders it illegal; (ii) there is a failure to appoint a new trustee or trustees within two months of a request to do so; (iii) a replacement manager has not been appointed within three months of the removal of the manager; or (iv) in the six months immediately preceding the termination date all the property has been disposed of by the trustees.

The unitholders may terminate BWPT at any time by passing a super resolution, which requires a majority, consisting of 90 per cent. of the holders present in person or by proxy, to vote in favour of it.

Upon termination, the trustees will have a period of up to two years to realise the subscription proceeds, property and assets remaining in BWPT and repay any borrowings.

#### ***BlackRock Property Management Agreement***

On 23 February 2011, the Company entered into the BWPT Property Management Agreement together with BNP Paribas Securities Services Trust Company (Jersey) Limited and BlackRock (Channel islands) Limited as trustee and manager, BlackRock Investment Management (UK) Limited as investment advisor and Workspace Management Limited as guarantor. Pursuant to the terms of the BWPT Property Management Agreement, the Company was appointed as the property manager to BWPT and is responsible for performing a range of investment advisory, asset management and property management services. The Company is entitled to receive a property management fee, a service charge administration fee, a procurement fee and a performance fee in consideration of the services that it provides to BWPT.

Under the BWPT Property Management Agreement, the Company has agreed, in the discharge of its services to BWPT, to exercise such degree of skill and care as would reasonably be expected from a competent and prudent property manager. The appointment of the Company as property manager continues until the

termination or the dissolution of BWPT at which time there will be automatic termination. However, the trustees are entitled to terminate the BWPT Property Management Agreement at an earlier date in the event that *inter alia*: (i) there is a material default by the Company which, if capable of remedy, is not remedied within 30 days business days of notice requiring such a remedy; (ii) the Company acts fraudulently or dishonestly or illegally; (iii) there is a change of control in respect of the Company and (iv) the Group ceases to hold less than 20.1 per cent. in the Trust Fund.

The Company has agreed to certain employee related covenants in the BWPT Property Management Agreement, including in relation to the continued involvement of certain individuals in the provision of the services. The BWPT Property Management Agreement also contains a number of restrictive covenants given by the Company, including an agreement to offer certain investment opportunities in relation to Qualifying Properties to BWPT in priority to other members of the Group. Qualifying Properties are defined as investment opportunities relating to multi-let offices, industrial properties, warehouses and mixed use schemes which are located within the M25, complementary to the Workspace brand, are freehold or virtually freehold and are high income yielding with a net initial yield on acquisition of above 5 per cent. It has also agreed (subject to certain carve outs) that during the Initial Investment Period it will not act as property manager, lettings manager, asset manager or consultant in respect of any Qualifying Properties or, either on its own account or jointly, manage or establish any other joint ventures, fund or collective instruments which undertake to invest in any Qualifying Properties. There are some exceptions where these restrictions will not apply as follows: (i) to properties that were already owned or managed by the Group at the date of the BWPT Property Management Agreement (the “**Existing Properties**”); (ii) to properties that are adjacent to Existing Properties; (iii) to properties that were under consideration for the acquisition by the Group as at the date of the BWPT Property Management Agreement; (iv) to properties that are not Qualifying Properties; (v) to corporate trading acquisitions by the Group; and (vi) in relation to any transaction where the consideration for which is or includes the issue of any new Workspace Group company shares.

The Company and BlackRock may agree to continue BWPT beyond the Initial Investment Period (which may result in additional investors participating in BWPT), and in such event the restrictions upon the Company in the BWPT Property Management Agreement will remain in force. The obligations of the Company under the BWPT Property Management Agreement have been guaranteed by Workspace Management Limited in an agreement of even date.

## 10. Related party transactions

Other than as disclosed in the Group’s audited consolidated financial statements for the financial years ended 31 March 2009 (note 27 on page 79), 31 March 2010 (note 26 on page 81) and 31 March 2011 (note 25 on page 80), all of which are incorporated by reference, for the period from 1 April 2008 to 5 July 2011 (the latest practicable date prior to the publication of this document), the Company has not entered into any related party transactions with a related party.

## 11. Employees

The following table details average employee numbers for the Group for the financial years ended 31 March 2009, 31 March 2010 and 31 March 2011, and the number of employees as at 5 July 2011, being the latest practicable date prior to publication of this document:

	<i>At 31 March 2009</i>	<i>At 31 March 2010</i>	<i>At 31 March 2011</i>	<i>At 5 July 2011</i>
Number of people (including executive directors) employed at the year end	187	179	171	177

## 12. Litigation

There is not, and has not been, any governmental legal or arbitration proceedings (including any proceedings which are pending or threatened as far as the Company is aware), during the 12 months immediately preceding the date of this document which may have, or have had in the recent past, significant effects on the Company’s or the Group’s financial position or profitability.

### 13. Dividends

- 13.1 The following table sets out the amount of the final dividend per Ordinary Share paid in each of the financial years ended 31 March 2009, 31 March 2010 and 31 March 2011:

	<i>Year ended</i> <i>31 March 2009</i> <i>(pence)</i>	<i>Year ended</i> <i>31 March 2010</i> <i>(pence)</i>	<i>Year ended</i> <i>31 March 2011</i> <i>(pence)</i>
Final dividend	0.5	0.5	0.55

- 13.2 The following table sets out the amount of the interim dividend per Ordinary Share paid in each of the half years ended 30 September 2008, 30 September 2009 and 30 September 2010:

	<i>Period ended</i> <i>30 September</i> <i>2008</i> <i>(pence)</i>	<i>Period ended</i> <i>30 September</i> <i>2009</i> <i>(pence)</i>	<i>Period ended</i> <i>30 September</i> <i>2010</i> <i>(pence)</i>
Interim dividend	1.52	0.25	0.275

### 14. Working capital

Taking into account the net proceeds of the Rights Issue (being approximately £63 million) and the Existing Facilities available to the Group, the Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of this document.

### 15. Significant change

There has been no significant change in the financial or trading position of the Group since 31 March 2011, being the last day of the financial period for which financial information has been published.

### 16. Miscellaneous

- 16.1 The New Ordinary Shares being issued in connection with the Rights Issue will be denominated in pounds sterling and will have a nominal value of 10 pence per share. The ISIN Number for the New Ordinary Shares is GB00B457Z640.
- 16.2 The existing Ordinary Shares are in registered form, are capable of being held in certificated and uncertificated form and are listed on the premium segment of the Official List and are traded only on the main market of the London Stock Exchange. Application for trading of the New Ordinary Shares is not being, and will not be sought, on any other stock exchange other than the main market of the London Stock Exchange.
- 16.3 The New Ordinary Shares will be in registered form and, from the day on which dealings in New Ordinary Shares taken up under the Rights Issue, fully paid, commences on the London Stock Exchange, will be capable of being held in certificated and uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Regulations).
- 16.4 The Company is seeking authority from Shareholders at the Company's annual general meeting in 2011 to undertake a share consolidation. If the share consolidation is approved by Shareholders, the record date for the share consolidation is 5 August 2011 (or such later date as the Directors may determine and communicate to Shareholders via an appropriate announcement to a Regulatory Information Service), which falls after the issue of the New Ordinary Shares. The Rights Issue is therefore being undertaken on the basis of the Company's share capital prior to the proposed share consolidation. If the share consolidation is approved, the New Ordinary Shares, along with all other Ordinary Shares, will be consolidated pursuant to the share consolidation.
- 16.5 The total costs, charges and expenses payable by the Company in connection with the Rights Issue are estimated to amount to approximately £3.3 million (exclusive of VAT).
- 16.6 There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business.

16.7 PricewaterhouseCoopers LLP (a member of the Institute of Chartered Accountants in England and Wales) has given and has not withdrawn its written consent to the inclusion of its report included in Part 6B of this document in the form and context in which it appears and has authorised the contents of that report for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules.

16.8 The Valuer, whose registered office is at Kingsley House, Wimpole Street, London W1G 0RE, has given and has not withdrawn its consent to the inclusion of its valuation report in Part 8 of this document in the form and context in which it appears and has authorised the contents of the valuation report for the purposes of Prospectus Rules 5.5.3(2)(f) and 5.5.8. The Valuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in Part 8 of this document for which it is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. There has been no material change in the valuation of the Company's properties since the date of the valuation report.

## **17. Documents on display**

17.1 Copies of the following documents will be available for inspection at the offices of Slaughter and May during normal business hours on any weekday (public holidays excepted):

- (A) the Articles;
- (B) the documents incorporated by reference into this document;
- (C) the report on pro forma set out in Part 6B of this document;
- (D) the valuation report set out in Part 8 of this document;
- (E) the written consents referred to in paragraphs 16.7 and 16.8 of this Part 10; and
- (F) this document.

17.2 In addition, a copy of this document has been filed with the National Storage Mechanism.

## **18. Sources of information**

Where information in this document has been sourced from a third party, such information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

<b>“2009 Rights Issue”</b>	the 5 for 1 rights issue undertaken by the Company in February 2009;
<b>“Act”</b>	the Companies Act 2006, including any statutory modification or re-enactment thereof for the time being in force;
<b>“Adjusted Closing Price”</b>	the Closing Price after adjusting for the proposed final dividend of 0.55 pence per Ordinary Share, which will not be payable to holders of the New Ordinary Shares;
<b>“Admission”</b>	admission of the New Ordinary Shares, nil paid, to (i) the premium segment of the Official List and (ii) trading on the main market of the London Stock Exchange becoming effective in accordance with the Listing Rules and the Admission and Disclosure Standards of the London Stock Exchange, respectively;
<b>“Announcement”</b>	means the announcement of the Rights Issue made by the Company on 7 July 2011;
<b>“Articles”</b>	the articles of association of the Company;
<b>“BayernLB”</b>	Bayerische Landesbank London Branch;
<b>“Bayern LB Facility”</b>	the facility in place between the Company and BayernLB, further details of which are set out in paragraph 9 of Part 10 of this document;
<b>“BEST” or “Espirito Santo Investment Bank”</b>	Execution Noble Limited, which conducts its UK Investment banking activities as Espirito Santo Investment Bank;
<b>“BlackRock”</b>	BlackRock UK Property Fund, the 79.9 per cent. shareholder of BWPT;
<b>“BlackRock Joint Venture” or “BWPT”</b>	BlackRock Workspace Property Trust, a Jersey property unit trust, which is a joint venture between the Company and BlackRock;
<b>“BlackRock Joint Venture Agreement”</b>	the joint venture agreement between the Company and BlackRock dated 22 February 2011;
<b>“BlackRock Property Management Agreement”</b>	the property management agreement between the Company, BNP Paribas Securities Services Trust Company (Jersey) Limited, BlackRock (Channel Islands) Limited, BlackRock Investment Management (UK) Limited and Workspace Management Limited dated 23 February 2011;
<b>“Board” or “Directors”</b>	the board of directors of the Company whose names are set out in paragraph 5.1 of Part 10 of this document;
<b>“Business Day”</b>	a day (excluding Saturdays and Sundays and public holidays in England and Wales) on which banks are generally open for the transaction of normal banking business in the City of London;
<b>“certificated” or “certificated form”</b>	a share which is not in uncertificated form;

<b>“Closing Price”</b>	the closing, middle market quotation of an Ordinary Share on 6 July 2011 (the latest practicable date prior to the publication of this document) of 29.25 pence, as published in the Daily Official List;
<b>“Company” or “Workspace”</b>	Workspace Group PLC;
<b>“CREST”</b>	the relevant system (as defined in the Regulations) for the paperless settlement of trades and the holding of securities in uncertificated form operated by Euroclear in accordance with the Regulations;
<b>“CREST Manual”</b>	the rules governing the operation of CREST;
<b>“CREST member”</b>	a person who has been admitted to Euroclear as a system member (as defined in the Regulations);
<b>“CREST participant”</b>	a person who has been admitted to Euroclear as a system participant (as defined in the Regulations);
<b>“CREST payment”</b>	has the meaning given in the CREST Manual issued by Euroclear;
<b>“CREST sponsor”</b>	has the meaning given in the CREST Manual issued by Euroclear a CREST participant admitted to CREST as a CREST sponsor;
<b>“CREST sponsored member”</b>	a CREST member admitted to CREST as a CREST sponsored member;
<b>“Disclosure and Transparency Rules”</b>	the Disclosure and Transparency Rules of the UK Listing Authority;
<b>“EPRA”</b>	the European Public Real Estate Association;
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, the operator of CREST;
<b>“Excluded Overseas Shareholders”</b>	(other than as agreed in writing by the Company and the Sponsor and as permitted by applicable law) (i) Shareholders who are located in or who have registered addresses in the US or any other Excluded Territory;
<b>“Excluded Territories”</b>	Australia, Canada, Japan, the Republic of South Africa and the United States;
<b>“Ex-Rights Date”</b>	12 July 2011;
<b>“Existing Facilities”</b>	the Bayern LB Facility, the Lloyds BoS Facility and the New RBS Facility;
<b>“Existing Ordinary Shares”</b>	the 1,152,731,338 existing Ordinary Shares in issue as at the date of this document;
<b>“FSA”</b>	the Financial Services Authority, acting in its capacity as the competent authority in the United Kingdom pursuant to Part VI of FSMA;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended);
<b>“Fully Paid Rights”</b>	rights to acquire New Ordinary Shares, fully paid;
<b>“GE Real Estate”</b>	GE Real Estate Finance Limited;
<b>“Gearing”</b>	the Group’s net debt as a percentage of net assets;
<b>“Glebe”</b>	Glebe Two Limited;

<b>“Glebe Joint Venture”</b>	the former joint venture between the Company and Glebe;
<b>“Group”</b>	the Company, its subsidiaries and subsidiary undertakings and/or (where the context requires) any one or more of them;
<b>“HMRC”</b>	HM Revenue & Customs;
<b>“HSBC”</b>	HSBC Bank plc;
<b>“IFRS”</b>	International Financial Reporting Standards as adopted by the European Union;
<b>“IPD”</b>	Investor Property Databank Limited
<b>“Investec”</b>	Investec Bank plc;
<b>“IRR”</b>	internal rate of return;
<b>“Joint Underwriters”</b>	BESI and Investec;
<b>“LIBOR”</b>	the London Interbank Offered Rate;
<b>“Listing Rules”</b>	the listing rules issued by the UK Listing Authority pursuant to Part VI of FSMA (as amended from time to time);
<b>“Lloyds BoS Facility”</b>	the facility in place between Workspace Glebe Limited, Workspace 12 Limited and Glebe Three Limited as obligors, Bank of Scotland plc as arranger, lender, hedging counterparty, agent, account bank and security trustee and the Bank of East Asia, Limited, London Branch as lender, further details of which are set out in paragraph 9 of Part 10 of this document;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Money Laundering Regulations”</b>	the Money Laundering Regulations 2007;
<b>“New Ordinary Shares”</b>	the new Ordinary Shares to be issued by the Company in accordance with the Rights Issue;
<b>“New RBS Facility”</b>	the facility in place between the Company and RBS, further details of which are set out in paragraph 9 of Part 10 of this document;
<b>“Nil Paid Rights”</b>	rights to acquire New Ordinary Shares, nil paid;
<b>“Official List”</b>	the official list maintained by the UK Listing Authority pursuant to Part VI of FSMA;
<b>“Ordinary Shares”</b>	ordinary shares of ten pence each in the capital of the Company;
<b>“Overseas Shareholders”</b>	Shareholders who are resident in, or who are citizens of, or who have registered addresses in, territories other than the United Kingdom;
<b>“PID”</b>	has the meaning given to it in Part 9;
<b>“pounds sterling” or “£” or “pence” or “p”</b>	the lawful currency of the United Kingdom;
<b>“prospectus” or “this document”</b>	this prospectus, prepared in accordance with the Prospectus Rules and the Listing Rules;

<b>“Prospectus Rules”</b>	the Prospectus Rules of the Financial Services Authority made under section 73A of FSMA;
<b>“Provisional Allotment Letter”</b>	the provisional allotment letter issued to Qualifying Non-CREST Shareholders;
<b>“Qualifying CREST Shareholders”</b>	Qualifying Shareholders holding Ordinary Shares in uncertificated form;
<b>“Qualifying non-CREST Shareholders”</b>	Qualifying Shareholders holding Ordinary Shares in certificated form;
<b>“Qualifying Shareholders”</b>	holders of Ordinary Shares on the Company’s register of members at close of business on the Record Date;
<b>“RBS”</b>	The Royal Bank of Scotland plc;
<b>“RBS Facility”</b>	the facility in place between the Company and RBS, further details of which are set out in paragraph 9 of Part 10 of this document;
<b>“REIT”</b>	real estate investment trust, a tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements set out in the Corporation Tax Act 2010;
<b>“Receiving Agent”</b>	Computershare Investor Services PLC;
<b>“Record Date”</b>	close of business on 5 July 2011;
<b>“Registrar”</b>	Computershare Investor Services PLC;
<b>“Regulations”</b>	the Uncertificated Securities Regulations 2001 (as amended);
<b>“Regulatory Information Service” or “RIS”</b>	a service provided by the London Stock Exchange for the distribution to the public of announcements and included within the list maintained at the London Stock Exchange’s website;
<b>“Rights Issue”</b>	the proposed offer by way of rights to Qualifying Shareholders to acquire New Ordinary Shares, on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter;
<b>“Rights Issue Price”</b>	the issue price of 23 pence per New Ordinary Share;
<b>“Rothschild” or “Sponsor”</b>	N M Rothschild & Sons Limited;
<b>“SDRT”</b>	UK stamp duty reserve tax;
<b>“Senior Managers”</b>	Angus Boag and Chris Pieroni;
<b>“Shareholders”</b>	holders of Ordinary Shares;
<b>“SMEs”</b>	small and medium-sized business enterprises with, typically, a turnover of less than £1 million per annum and/or staff of fewer than 50;
<b>“Sponsor and Underwriting Agreement”</b>	the sponsor and underwriting agreement dated 7 July 2011 between the Sponsor, the Joint Underwriters and the Company, further details of which are set out in paragraph 9 of Part 10 of this document;

<b>“Substantial Shareholder”</b>	means a holder of excessive rights, as defined in section 553 of the Corporation Tax Act 2010;
<b>“UK Listing Authority”</b>	the Financial Services Authority acting in its capacity as the competent authority for the purposes of FSMA;
<b>“uncertificated” or “uncertificated form”</b>	recorded on the relevant register or other record of the share or other security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST;
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“United States” or “US”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
<b>“US Securities Act”</b>	the United States Securities Act of 1933, as amended;
<b>“USE Instruction”</b>	has the meaning given in the CREST Manual;
<b>“Valuer”</b>	CB Richard Ellis Limited;
<b>“VAT”</b>	value added tax;
<b>“Workspace 16”</b>	Workspace 16 Jersey Limited, a subsidiary of the Company;
<b>“Workspace Glebe”</b>	Workspace Glebe Limited, the former Glebe Joint Venture company; and
<b>“Workspace REIT Group”</b>	means the group of which Workspace Group PLC is the principal company for the purposes of section 606 of the Corporation Tax Act 2010.

Dated 7 July 2011



