OUR BUSINESS MODEL

What we do

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

How we do it

Workspace is dynamic, understands and adapts to the changing needs of these companies and aims to be the best in class.

Where we do it

Workspace owns over 100 properties in London providing 5.4 million square feet of space and is home to some 4,000 businesses employing over 30,000 people.

How we generate value

Workspace, through its market knowledge, operational capability and customer relationships, can grow.

Workspace can enhance both core operational income and capital values by repositioning specific property assets.

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

2012 HIGHLIGHTS

A growing business

Our talented team and focused approach have produced a robust set of results clearly showing Workspace to be a resilient and relevant business in today's market.

DANIEL KITCHEN
Chairman

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TRADING PERFORMANCE

+5%
Enquiries
Average number per month

2012	1,009
2011	960
2010	1,009

Up 1.7%
Like-for-like occupancy
%

2012	87.8
2011	86.1
2010	83.4

+5%
Like-for-like rent roll growth
%

2012	5
2011	5
2010	-5

+3%
Like-for-like rent
£ per sq. ft.

2012	12.61
2011	12.20
2010	11.94

+13%
Trading profit (after interest)
£m

2012	16.0
2011	14.2
2010	10.8

+10%
Dividend per share growth
%

2012	10
2011	10
2010	0

CAPITAL PERFORMANCE

+5%
Property valuation surplus
%

2012	5.1
2011	4.7
2010	2.3

+8%
EPRA Net Asset Value per share
£

2012	3.08
2011	2.86
2010	2.59

13.4%
IPD performance (total return)
%

2012	13.4
2011	11.7
2010	8.7

+11%
Capital value
£ per sq. ft.

2012	152
2011	137
2010	126

+£53m
Headroom on facilities
£m

2012	79
2011	26
2010	36

Reduced 9%
Loan to value
%

2012	41
2011	50
2010	53

CHAIRMAN'S STATEMENT

Overview
London is our market and remains our focus.

This is my first annual review as Chairman of Workspace and I am delighted to have joined at a time of such exciting opportunities for our Company and for London. I am pleased to report that we are delivering a strong operational and financial performance.

These results demonstrate the benefits of the Company's focus on driving occupancy and improvement in rental values at our properties and at the same time delivering value-added opportunities through change of use and redevelopment. All the metrics have improved over the last year.

We have achieved good revenue growth and trading profit. Group net rental income was £45m, an underlying increase of 4%, trading profit after interest (adjusted) was £16m, an increase of 13% and EPRA NAV per share was £3.08, an increase of 8%.

In addition to this, we refinanced £125m of our debt and raised £63m (net) through a Rights Issue. This provides Workspace with additional financial resources to accelerate the refurbishment programme across our existing portfolio and to take advantage of attractively priced property acquisition opportunities. During the year we completed three acquisitions through our joint venture with BlackRock.

Given the Company's performance and prospects the Board intends to recommend the payment of a final dividend of 5.86p (a total of 8.79p for the year) to be paid on 3 August 2012, an increase of 10% on the prior year. This is consistent with our progressive dividend policy.

In 2011, Harry Platt indicated that he wished to retire from his position as Chief Executive and in February 2012 it was announced that Jamie Hopkins would assume the role from 1 April 2012. I would like to take this opportunity, on behalf of the Board, to wish Harry an enjoyable retirement and to thank him for his excellent leadership of Workspace over the last 20 years.

I would also like to welcome Jamie to his new role where he is already having an impact on our operations. Jamie has extensive experience and knowledge of the property industry and the leadership of various companies. The Board and I are confident that his energy and drive will be of huge benefit to Workspace stakeholders and staff.

We continue to focus on Board succession planning, monitoring its composition and Committees against our skills and experience. We expect to appoint new non-executive directors over the next year, and in this regard I was delighted to announce last month the appointment to the Board of Maria Moloney.

London is our market and remains our focus. Workspace has a clear strategy and a strong business model which enables us to capture the benefits of the London market whilst providing operational resilience when market conditions are more difficult.

More broadly, the UK continues to depend on the small business sector to promote economic growth and the team at Workspace is playing a part in promoting that growth whilst delivering good returns to our shareholders. Undoubtedly, the economic prospects remain stronger in London than for most of the UK and indeed parts of Europe and we intend to support and capture that growth.

I am pleased to report that our Company takes its responsibility to the local communities, as well as the broader environment, in which it operates very seriously. We have a strong focus on health and safety and energy sustainability, and our membership of the FTSE4Good index is an example of this commitment. We are working hard to do the right things for our customers, employees, communities and the environment.

Finally, on behalf of the Board I would like to extend our gratitude to all Workspace employees for delivering this year's strong financial performance. We have a strong team that is committed to driving our business forward.

DANIEL KITCHEN
Chairman

RELATED INFORMATION
Corporate Social Responsibility page 36
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CHIEF EXECUTIVE'S STATEMENT

Q&A
A strategy to grow further and faster.

Despite a tough environment throughout the year, Workspace has reported a solid set of results in all of its operations, reflecting a strategy that continues to be effective in growing core operational income and the capital value of our assets.

We benefit naturally from having our business in London, focusing all our energies on the new and growing companies that are at the heart of the capital's economy, providing them with the investment in relevant buildings, improvements and services that they need. Understanding what helps them to be successful lies at the core of what we do and has led to our own growth.

During the last year new customer enquiries, lettings and rent all increased helping to drive up profits and allowing us to increase the dividend. But beyond this we saw the underlying valuation of our assets improve as the effects of our attention to building improvements and developments have filtered through.

We also grew our portfolio, making use of our joint venture with BlackRock and the proceeds from our recent Rights Issue to acquire, reposition and redevelop properties with great potential.

All of this paints a picture of a business with a clear understanding of its customers and environment and one that is investing in a long-term strategy that is producing results for all of its stakeholders. This year's earnings are a fundamental endorsement of that approach.

As the recently-appointed Chief Executive I will be focused on ensuring that this trajectory is maintained. We are absolutely on the right course but we remain fully aware of the changeable external environment. Workspace is a company with an ability to grow further and faster, with a strong management team and a talent pool of expertise that can move quickly on the opportunities we see.

I have already met many of our stakeholders and there are a number of recurring questions about how I see the Company and what will characterise my leadership.

Q – HOW DO YOU SEE WORKSPACE'S STRATEGY AND WHAT CHANGES WILL YOU BE MAKING TO IT?
Our strategy is the right one – we own properties our customers like and we manage them intensively to drive value. We reposition and redevelop buildings to improve rental streams and asset values. We ensure we keep our understanding of customers current, and that we do the right thing and limit our environmental impact. So, no change to the strategy, just a renewal of our energy and focus to drive it.

Q – WHAT CHALLENGES DO YOU SEE AND WHERE ARE THE RISKS?
Like any business, we face a multitude of challenges and risks – operational, environmental, economic and reputational. We take time to analyse and understand them and put in place processes and plans to mitigate them. As long as we stay relevant to our customers and intensely focused on our activities, we should be in good shape to address every challenge.

Q – DO YOU HAVE THE RIGHT TEAM TO GROW THE BUSINESS?
We have an immensely experienced group of leaders and talented individuals throughout the Company, all of whom understand our properties and customers. Everyone is very focused: whether it is bringing our core competencies in customer service and letting into play, tightly controlling costs or visualising a new project, the team's capabilities are unmatched.

Q – HOW DO YOU VIEW YOUR WIDER SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES?
Improving the social and environmental impact of the Company are core responsibilities and part of what we do every day. Having safe and sustainable operations makes sense for us, our customers and our local communities. We are all proud of what we already do to limit carbon emissions and waste and as we grow our footprint we will always act responsibly, doing the right thing by any measure possible.

Q – WHAT ARE YOUR PRIORITIES FOR 2012/13?
We have the right strategy and the right team, so from my perspective I will be making sure that we align our resources not only with today's business but also with the many opportunities and new initiatives that we and our customers will generate. I want to keep us energised and alive to potential areas of growth; acting quickly and with purpose to exploit them. By doing that we will ensure that operating income continues to grow and that our assets grow in value. Already we are working on some very exciting new initiatives.

JAMIE HOPKINS
Chief Executive Officer

RELATED INFORMATION
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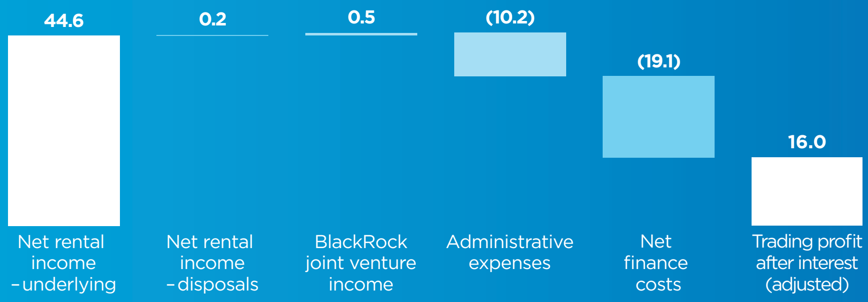
Generating value page 10
Principal risks page 32
Corporate Social Responsibility page 36

OUR STRATEGY

Driving performance.

STRATEGIC PRIORITIES	PROGRESS IN 2011/12	
OWNING THE RIGHT PROPERTIES THAT ARE TAILORED TO OUR CUSTOMERS' NEEDS AND INTENSIVELY MANAGING THESE PROPERTIES TO DRIVE OCCUPANCY AND RENTS.	– Like-for-like properties have seen both occupancy and rents improve over the year. – Occupancy growth has been particularly strong in the first half of the year.	– The majority of our properties are now at or above 90% occupancy, the level at which we can effectively increase pricing. – A number of our business centres have achieved their highest rents ever this year.
MAXIMISING THE VALUE OF OUR LONDON BASED PROPERTY PORTFOLIO AND ITS WIDER OPPORTUNITIES FOR REPOSITIONING AND REDEVELOPMENT.	– Two refurbishment schemes underway in the year, Canalot Studios in Kensington and Whitechapel Technology Centre. – Chester House refurbishment at Kennington Park completed and is now 70% occupied. – Six schemes have been progressing through detailed design and are due to commence on site in mid-2012. – Planning consents granted for refurbishment at 14 properties.	– Mixed use redevelopment schemes underway at Wandsworth and Highbury Grove. – Two mixed used schemes with planning consent being marketed to redevelopment partners. – Four mixed use redevelopment schemes being progressed through planning.
UNDERSTANDING OUR CUSTOMERS AND ENHANCING OUR BRAND BY RESPONDING TO THEIR NEEDS.	– Club Workspace business lounges launched at two locations. – Collaboration agreement signed with Excell Communications to provide IT and comms services to customers.	– Inspiresme.co.uk entrepreneur website launched with support events held at various properties.
WORKING SUSTAINABILITY AS PART OF EVERYDAY BUSINESS FOR US, OUR CUSTOMERS AND OUR PARTNERS.	– Refurbishment completed at Chester House originally built in 1916. – Refurbishment of Canalot Studios in Kensington underway.	– Progress made on a number of schemes that will result in intensification of use and increased employment.

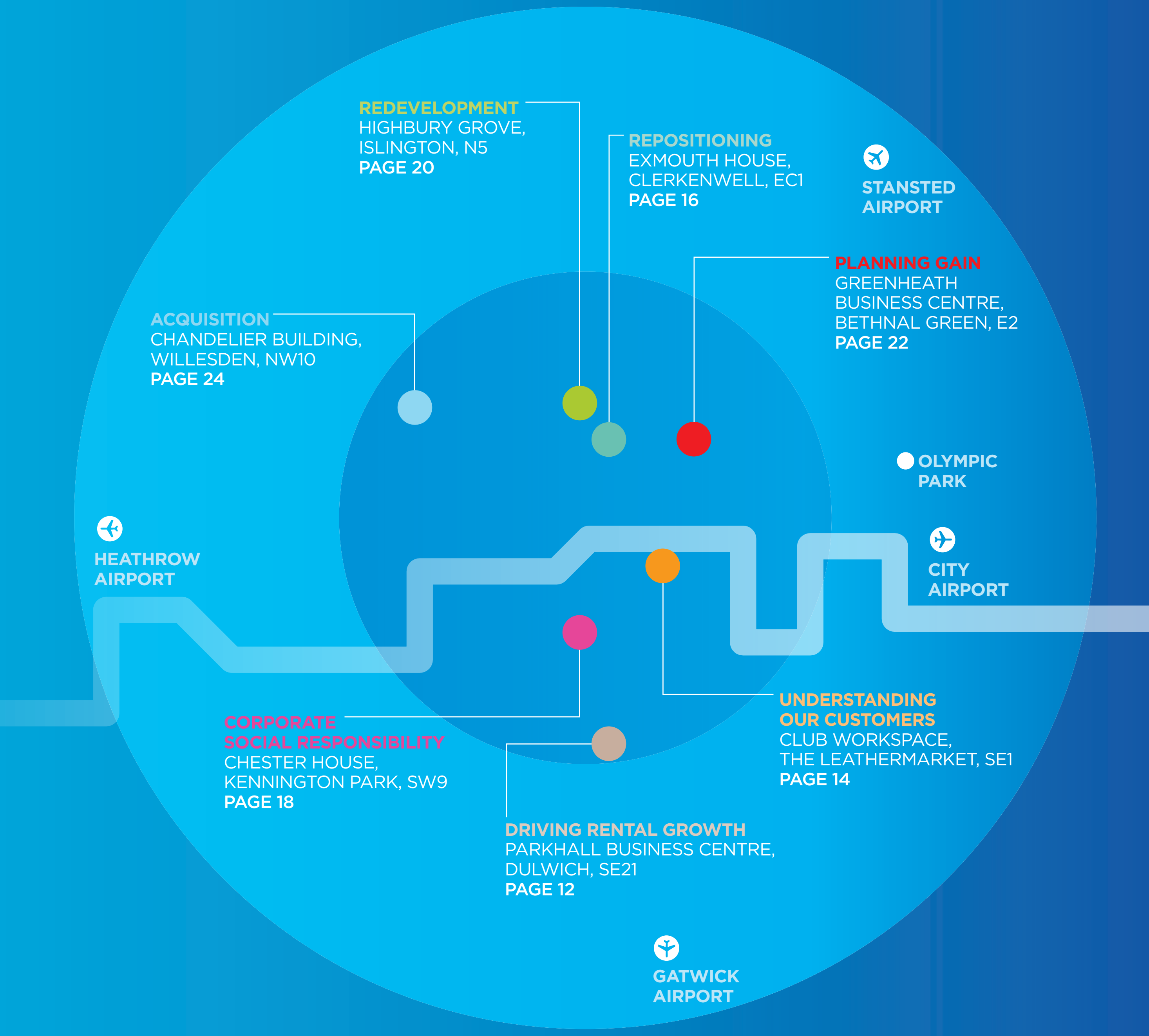
TRADING PROFIT AFTER INTEREST £m



PERFORMANCE IN 2011/12	PRIORITIES FOR 2012/13	KEY RISKS
– Enquiries up 5% on the prior year. **– Like-for-like occupancy improved in the year by 1.7% to 87.8%.** **– Like-for-like rent roll up 5% and rent per sq. ft. up 3% in the year.**	**Owning properties that are tailored to our customers' needs** – Complete refurbishment of Canalot Studios. – Commence a further six refurbishment schemes.	Demand for our accommodation declining as a result of social, economic or competitive factors. Value of our properties declining as a result of macroeconomic environment, external market, or internal management factors. Failure to meet customer space and service expectations.
– Property valuation up 5% in the year. **– Total property return 13.4% compared to 6.4% for the IPD Universe.**	**Repositioning and redevelopment** – Appoint developers for the mixed use redevelopment schemes at Grand Union in Kensington and Bow. – Progress planning consent for mixed use schemes at a further four sites. – Drive value from continued occupancy and rent roll growth.	Adverse planning rulings. Construction cost and timing overrun. Downturn in demand for residential development land.
– 250 Club Workspace subscribers with 2 sites opened in year. **– 46 social networking events attended by over 2,000 entrepreneurs.**	**Enhancing our brand (responding to customers' needs)** – Roll out the Club Workspace format at four additional centres. – Continue the roll out of our 'Digital Programme' meeting the needs of our digital business customers. – Develop Inspiresme as a valued platform for advice and support to new and growing businesses.	Changes in the political, infrastructure and environmental dynamics of London. Failure to meet customer service expectations.
– £300,000 of Landfill costs avoided. **– Annual customer satisfaction score 84%.**	**Sustainable Working** – Continue support of charities which promote entrepreneurship. – Working with customers to lower our carbon footprint. – Ensure that our development activities conform with the highest environmental and sustainability regulations and best practice.	Failure to meet regulatory environmental requirements. Introduction of new requirements that inhibit our activities.

Understanding work space

The following case studies demonstrate how we are able to enhance both core operational income and capital values as well as provide our customers with properties and services that help their businesses grow.



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GENERATING VALUE
continued

PARKHALL BUSINESS CENTRE, DULWICH, SE21

DRIVING RENTAL GROWTH

WHAT WE DID

Our market knowledge allows us to adapt and refurbish our buildings in response to demand. Combining this with our marketing, letting and asset management skills, we are repositioning the Parkhall Trading Estate in Dulwich into a modern business centre.

HOW IT CREATED VALUE

By creating community space, upgrading our on site facilities including a cafe, and subdividing in response to the strong demand for small units we have grown rents from £7.50 per square feet to over £20 over the last year.

Our in-house lettings team negotiate in the full knowledge of occupancy, enquiries and viewings, and use this to drive our pricing.

Rental income increase

Capital value increase

GENERATING VALUE
continued

CLUB WORKSPACE,
THE LEATHERMARKET, SE1

UNDERSTANDING OUR CUSTOMERS

WHAT WE DID

Listening to our customers helps us provide the services we know they need: from high capacity, dependable secure internet connections and business information resources, to drop-in space and social interaction with other entrepreneurs.

In response, we provide superior and resilient telecoms services across our portfolio and have introduced Club Workspace ‘touchdown lounges’ for those not requiring permanent space. We have also launched Inspiresme.co.uk as a business information resource providing a competitive advantage for customers. Our regular social networking events in our centres are providing opportunities for ideas generation and business referrals.

HOW IT CREATED VALUE

Building closer links to customers through enhanced services and platforms such as these has helped to improve our revenue streams while attracting new fast-growing companies in the creative and TMT sectors. Our social networking activities have helped to connect people, resulting in a high level of inter-trading between our customers. We are truly helping them to grow faster, with a beneficial impact on the growth of our pricing.

Revenue increase

Brand enhanced

GENERATING VALUE
continued

EXMOUTH HOUSE, CLERKENWELL, EC1

REPOSITIONING

WHAT WE DID

To ensure that Exmouth House is fully aligned with the future needs of our growing customer base, we have obtained planning consent for an additional floor. As part of the consent, we will create a new entrance atrium and refurbish the whole property.

HOW IT CREATED VALUE

By repositioning the building in this manner we anticipate a significant increase in rental income.

Rental income increase

GENERATING VALUE
continued

CHESTER HOUSE,
KENNINGTON PARK, SW9

CORPORATE SOCIAL RESPONSIBILITY

WHAT WE DID

In refurbishing Chester House from an existing light industrial building into a new business centre, we put energy conservation as a top priority. As a result, the building features strong carbon management and enables us to work closely with our customers to improve recycling rates.

HOW IT CREATED VALUE

We have reduced both our energy costs and carbon dioxide emissions, while reducing the amount of waste sent to landfill to zero. For this we have been awarded a BREEAM 'very good' rating and expect to perform well against the CRC energy efficiency targets.

An independent study on the lifecycle carbon emissions of this "recycled" building demonstrated that our strategy of reusing the existing fabric is producing a significantly smaller carbon "footprint" than a new construction would.

Energy savings

Brand enhanced

GENERATING VALUE
continued

HIGHBURY GROVE ISLINGTON, N5
REDEVELOPMENT

WHAT WE DID

Having obtained planning consent for 72 apartments and a new business centre on a tired studio and light industrial site in Islington, we partnered with Taylor Wimpey who will develop the scheme. Workspace will retain full ownership of the newly developed fully-fitted business centre which has been designed to meet the demands of our customers.

HOW IT CREATED VALUE

For no capital outlay, we will have a new state-of-the-art facility, generating far higher rental streams than the existing buildings together with cash and an overage on sale of the apartments.

This is the second in a series of similar schemes we have planned over the next three years.

Rental income increase

Capital value increase

Main image:
Artist impression

GENERATING VALUE
continued

GREENHEATH BUSINESS CENTRE, BETHNAL GREEN, E2

PLANNING GAIN

WHAT WE DID

This commercial building had a large and underutilised car park. Working with the local authority we received consent to build 73 apartments. We then sold the site to Peabody.

HOW IT CREATED VALUE

We realised significant cash with marginal loss of income.

We have realised £13m from this and similar sales during the year.

Capital value increase

GENERATING VALUE
continued

CHANDELIER BUILDING, WILLESDEN, NW10
ACQUISITION

WHAT WE DID
Through our partnership with BlackRock, we acquired this high potential building in north-west London. At the time, the property was 78% occupied. By dividing up vacant space into accommodation that is now more suitable, and actively marketing this to a broader range of customers, we have driven occupancy up to 90%.

HOW IT CREATED VALUE
Growing the occupancy has increased rent roll and increased the asset value. Further minor refurbishment is planned.

The BlackRock Workspace Property Trust was set up to acquire £100m of property, of which £60m has been invested. We continue to seek properties where we can significantly improve occupancy and income.

Rental income increase

Capital value increase

BUSINESS REVIEW

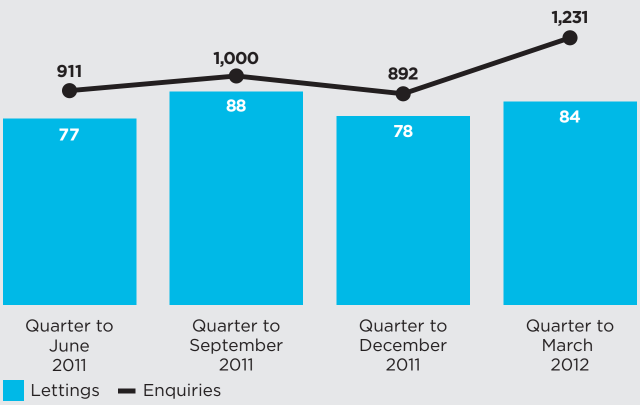
2012 review

Our aim is to be the preferred choice for new and growing businesses looking for space in London.

TRADING PERFORMANCE

ENQUIRIES AND LETTINGS

Average number per month



Our aim is to be the preferred choice for new and growing businesses looking for space in London. We have continued to attract strong levels of demand with enquiry levels up 5% on the prior year to an average of 1,009 per month, and new lettings running at an average of 82 per month.

Average number per month	Quarter Ended March 2012	 Dec 2011	 Sept 2011	 June 2011
Enquiries	**1,231**	892	1,000	911
Lettings	**84**	78	88	77

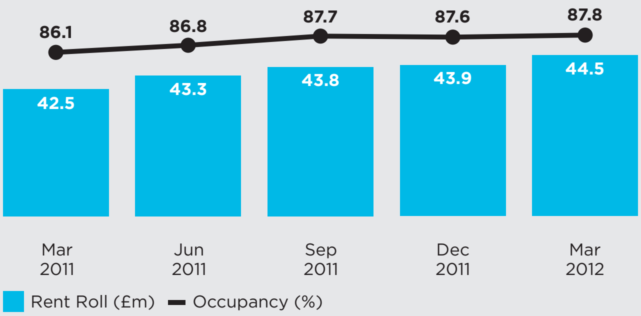
Good levels of enquiries and lettings have continued during the first two months of the current financial year to the end of May 2012.

The like-for-like property portfolio, which excludes properties impacted by refurbishment or redevelopment, has seen both occupancy and rents improve over the year.

Like-for-Like properties	31 March 2012	30 September 2011	31 March 2011
Occupancy	**87.8%**	87.7%	86.1%
Rent roll	**£44.5m**	£43.8m	£42.5m
Rent per sq. ft.	**£12.61**	£12.38	£12.20

Like-for-like occupancy growth was stronger in the first half of the year while pricing increases were more dominant in the second half. This reflects the increasing number of properties that are now at or above 90% occupancy, the level at which we can typically push pricing on both new lettings and lease renewals. At March 2012, 42 of the 77 properties in the like-for-like category were at or above this 90% occupancy level (March 2011: 37 properties).

LIKE-FOR-LIKE OCCUPANCY & RENT ROLL

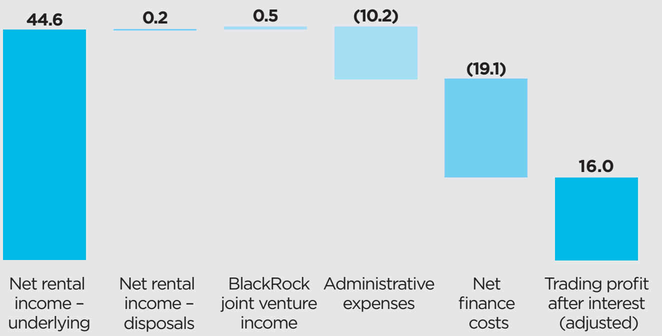


Overall occupancy improved to 85.3% at March 2012 (March 2011: 83.6%) and cash rent roll increased to £50.2m (March 2011: £48.9m). The contracted rent roll is £2.5m higher than the cash rent roll at £52.7m at March 2012. This relates primarily to stepped rent increases and rent free periods.

The improving levels of occupancy and rent roll have translated into a good growth in income and trading profit in the year.

TRADING PROFIT AFTER INTEREST

£m



£m	31 March 2012	31 March 2011
Net rental income - underlying	**44.6**	42.9
Net rental income - disposals	**0.2**	3.0
BlackRock joint venture income	**0.5**	0.1
Administrative expenses	**(10.2)**	(9.7)
Net finance costs	**(19.1)**	(22.1)
Trading Profit after Interest (adjusted)	**16.0**	14.2

BUSINESS REVIEW
continued

Underlying net rental income is up 4% (£1.7m) in the year. The growth in income at like-for-like properties of 5% (£1.9m) and new income from completed refurbishments has been offset by the income attrition at properties currently being refurbished and redeveloped, as summarised below:

	£m
Like-for-like income growth	**1.9**
Income uplift at completed refurbishments	**0.2**
Income lost at sites being refurbished	**(0.1)**
Income lost at sites being redeveloped	**(0.3)**
Net rental income increase – underlying	**1.7**

BlackRock joint venture (JV) income represents our 20.1% share of income from the 8 properties we sold to the JV in February 2011, together with the income from the 3 properties acquired by the JV during the second half of the financial year.

Administrative expenses are up 5% (£0.5m) primarily due to inflationary cost and salary increases and higher bonus levels.

Net finance costs fell by £3.0m with net bank debt reducing over the year from £367m to £314m as a result of the Rights Issue in July 2011, together with a reduction in the average interest cost to 5.1% from 5.3% in the previous year.

Trading profit after interest (adjusted to include the rental income from our BlackRock JV) is up 13% to £16.0m in the year, benefiting from the growth in rental income and reduced interest cost. Based on this trading performance, we are proposing a 10% increase in the dividend for the year. The total cash cost of the dividend is £12.6m up 33% on the prior year due to the 25% increase in issued share capital following the Rights Issue. This total dividend is covered 1.3 times by trading profit after interest (adjusted).

£m	**31 March 2012**	31 March 2011
Trading Profit after Interest (adjusted)	**16.0**	14.2
Property Valuation Gain	**35.6**	30.8
Mark to Market – Interest Hedging	**(4.6)**	5.3
Other Items	**1.5**	2.5
Profit before Tax	**48.5**	52.8

Reported profit before tax has fallen by £4.3m in the year to £48.5m. The growth in trading profit and an increase of £4.8m in the property valuation surplus has been offset by an adverse movement of £9.9m in the mark to market value of our interest rate hedges. These hedges are structured to give stability to the interest cost over the medium-term to June 2015. The mark to market valuation represents the potential cost to the Company if these hedging contracts were cancelled, we intend however to hold these to maturity with the cost expensed as part of our reported interest cost over the period to June 2015.

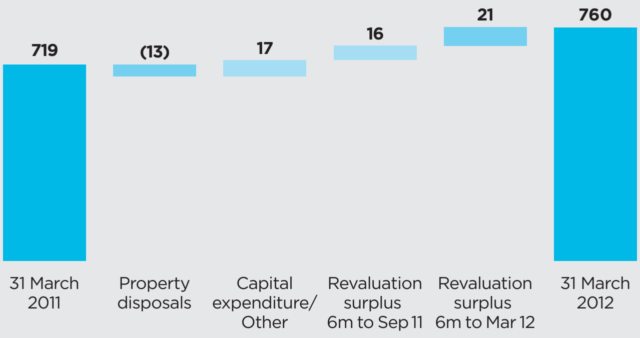
VALUATION

At 31 March 2012 the wholly owned portfolio was independently valued by CBRE at £760m. The underlying valuation of our property portfolio increased by 3.0% (£21m) in the second half and 5.1% (£37m) over the year, excluding the impact of capital expenditure and disposals. The valuation movements are set out in detail below:

	£m
Valuation at 31 March 2011	719
Property Disposals	(13)
Capital expenditure	18
Revaluation surpluses:	
6 Months to September 2011	16
6 Months to March 2012	21
Other	(1)
Valuation at 31 March 2012	**760**

VALUATION AT 31 MARCH 2012

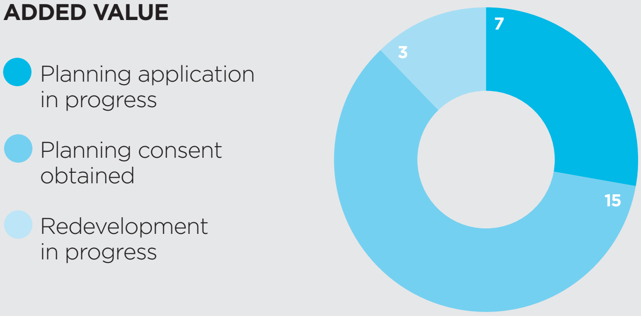
£m



The Group delivered a total property return over the year of 13.4% compared to 6.4% for the IPD Universe benchmark. This outperformance was driven by our efforts in driving rental income growth and capturing the redevelopment and alternative use potential at a number of our properties. There was no benefit from movement in valuation yields.

The valuation includes £94m (2011: £79m) of added value in relation to redevelopment potential for additional commercial space or other uses such as residential or student housing. The status of the properties where our valuers have included this added value are detailed below:

ADDED VALUE



	No. of Properties	Added Value
Planning application in progress	7	£17m
Planning consent obtained	15	£37m
Redevelopment in progress	3	£40m
Total Added Value		**£94m**

A more detailed analysis of the property valuation is set out in Table 1.

The total net initial yield of the portfolio as reported by our valuers CBRE is 7.1% compared to 6.8% at March 2011 with no movement in the reported equivalent yield over the year, steady at 8.4%.

Total Estimated Rental Value (ERV) of the portfolio at March 2012 is £65.4m compared to cash rent roll £50.2m. ERV of the like-for-like portfolio is up 3.5% over the year to £52.9m (cash rent roll £44.5m). Capital value per sq. ft. is £152, up from £137 at March 2011.

During the year we realised £13m from the disposal of various low income producing (£0.3m) tracts of land, comprising:

- car park at Ewer Street on the Southbank for student housing for £3.9m;
- small industrial estate near London Bridge for a 26 unit residential development for £1.7m;
- the Group's former head office and adjacent car park at Whitechapel for student housing for £3.9m; and
- car park at Greenheath Business Centre for a 76 unit residential development for £3.5m.

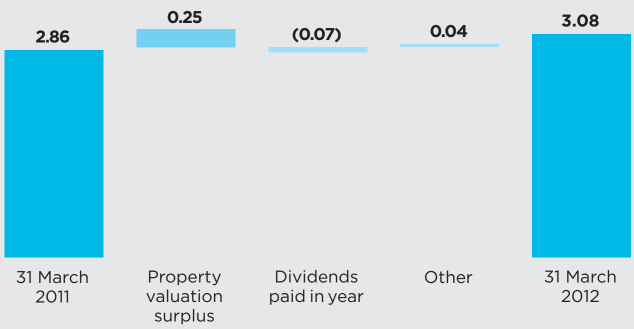
In April 2012 we established a 50:50 joint venture partnership with Polar Group for the potential redevelopment of Enterprise House, Hayes. This is a 130,000 sq. ft. Grade II listed office building, formerly part of the EMI head office complex, well located adjacent to the proposed Hayes and Harlington Crossrail station. We sold this property into the joint venture at a valuation of £3.2m (a £0.9m valuation uplift from its value at March 2011). We will act as property manager while our partner will progress the planning for a mixed use redevelopment.

NET ASSETS

EPRA net asset value per share at 31 March 2012 was £3.08 (2011: £2.86), an increase of 8% in the year with the main movements in net asset value per share highlighted below:

EPRA NET ASSET VALUE PER SHARE

£



EPRA NAV per share	£
At 31 March 2011 (restated)	2.86
Property valuation surplus	0.25
Dividends paid in year	(0.07)
Other	0.04
At 31 March 2012	**3.08**

The increase in net asset value was driven by the increase in the property valuation offset by dividends paid to shareholders in the year.

TABLE 1: PROPERTY VALUATION

At 31 March 2012	No. of Properties	Existing Value	Added Value	Total Value	Valuation Surplus	Net Initial Yield	Equivalent Yield
Like-for-like Properties	77	£569m	£15m	£584m	3.5%	7.2%	8.3%
Refurbishments	7	£64m	£14m	£78m	2.9%	4.8%	8.1%
Redevelopments	8	£33m	£65m	£98m	15.7%	10.0%	10.4%
Total	**92**	**£666m**	**£94m**	**£760m**	**5.2%**	**7.1%**	**8.4%**

BUSINESS REVIEW
continued

TABLE 2:
REFURBISHMENT ACTIVITY

	Estimated Cost	Expected Completion	Upgraded Area (sq. ft.)	New Area (sq. ft.)	Estimated ERV (psf)
Great Guildford Street, SE1	£14m	Q3 2014	82,000	20,000	£28
Greenheath, E2	£10m	Q3 2013	44,000	–	£22
Exmouth House, EC1R	£4m	Q3 2013	52,000	5,000	£28
Leyton Industrial Village (Phase I), E10	£3m	Q3 2013	–	25,000	£12
Chester House (Phase II), SW9	£2m	Q2 2013	–	9,000	£30
Westminster (Phase I), SE11	£2m	Q2 2013	–	6,000	£30

REFURBISHMENT ACTIVITY
In line with the plans set out at the time of our Rights Issue last year we are now accelerating our refurbishment programme. In June 2011, we completed the first phase refurbishment of 28,000 sq. ft. at Chester House, Kennington (£4m) and we are on schedule to complete by September 2012 the:

- 50,000 sq. ft. refurbishment and two storey roof extension at Canalot Studios (£5m); and
- 9,000 sq. ft. extension to Whitechapel Technology Centre (£2m).

We intend to commence on site at a further six properties over the next three months as detailed in Table 2. Given the current environment we will closely monitor our commitments at every stage of these projects.

We have a further nine schemes, which includes the second phases at Leyton and Westminster, representing 374,000 sq. ft. of space with planning consent that we can progress during 2014 and 2015.

REDEVELOPMENT ACTIVITY
Our properties are in areas across London where there is strong demand for mixed use redevelopment. These schemes generally require demolition of an existing building to deliver new residential and commercial space.

Our business model on these schemes is to obtain the mixed use planning consent and then partner a residential developer to undertake the construction of both the residential and commercial buildings at no cost to Workspace. We receive back a new upgraded commercial building together with a combination of cash and overage on the residential component.

We have obtained planning consent on four of these mixed use schemes for 983 residential units and 219,000 sq. ft. of commercial space with redevelopment underway on two and the remaining two in solicitors' hands with potential redevelopment partners. Summary details are set out in Table 3.

A further four schemes are being progressed through planning. The most significant is at Tower Bridge where seven acres of the site has been re-designated for residential use and we hope to submit a planning application for 800 residential units shortly.

FINANCING
The Group continues to generate strong operating cash flow in line with trading profits. We are not seeing any noticeable signs of distress across our customer base with bad debts in the year at £0.4m (2011: £0.2m) and cash collection statistics strong.

TABLE 3:
REDEVELOPMENT ACTIVITY

	Redevelopment Partner	Expected Completion	Commercial Area (sq. ft.)	Estimated ERV (psf)	Other Proceeds
Wandsworth, SW18	Mount Anvil	Q2 2014	53,000	£22	Overage
Highbury Grove, N5	Taylor Wimpey	Q1 2014	61,000	£22	Cash/Overage
Grand Union, W10	In negotiation	2014	60,000	£22	–
Bow Enterprise, E3	In negotiation	2017	45,000	£12	–

Net bank debt has reduced by £53m in the year to £314m at March 2012, which includes £24m of cash on deposit. A summary of the movements in cash flow are set out below.

		£m
Trading		
Net cash from operations	17	
Dividends paid	(11)	6
Rights Issue Proceeds (net)		63
Other Property Related		
Capital expenditure	(19)	
BlackRock investment	(5)	(11)
Disposals	13	
Other		(5)
Net reduction in bank debt		53
Net bank debt at 31 March 2011		(367)
Net bank debt at 31 March 2012		(314)

The Group has £393m of committed bank facilities with an average period to maturity of 3.2 years and earliest maturity in December 2014. We have a good spread of lenders with a total of eight banks providing our facilities with no individual bank providing more than £62.5m.

Details of our facilities are set out below:

	Committed Facilities	Drawn Amount	Term	Margin Over LIBOR
RBS/HSBC	£125m	£70m	Jun 2015	2.50%/2.75%
Bayern Club	£200m	£200m	Jun 2015	2.25%
Lloyds Club	£68m	£68m	Dec 2014	1.25%
	£393m	£338m		

We have £55m of available facilities and £24m in cash deposits. Overall loan to value of our debt is 41% down from 50% at March 2011 and we have good headroom on all of our bank covenants.

Our interest rate hedging is structured to maintain a stable interest rate over the medium term. We currently have £260m of fixed rate hedges representing 77% (2011: 74%) of our drawn debt facilities at an average rate of 3.5% (2011: 3.8%).

BLACKROCK WORKSPACE PROPERTY TRUST (BLACKROCK JV)

We have a 20.1% interest in this JV for which we also act as property manager receiving management and performance fees. It was initially seeded with eight properties that we sold to the JV in February 2011 for £35m. Three acquisitions have been completed during the year for £21m and subsequent to the year-end we have exchanged on a property on City Road, EC1 for £7.3m with completion set for 20 June 2012. We expect the JV to have fully invested the £100m of equity committed by BlackRock and Workspace by August 2012.

DIVIDEND

The Board has proposed a final dividend of 5.86 pence per share, (2011: 5.33 pence as restated for the Rights Issue in July 2011 and the share consolidation in August 2011) which will be paid on 3 August 2012 to shareholders on the register at 13 July 2012. 50% of this dividend will be paid as a Property Income Distribution (PID) in respect of the Group's tax exempt property rental business, with the balance as a normal dividend (non-PID).

BUSINESS REVIEW
continued

PRINCIPAL BUSINESS RISKS

Risk management is an integral part of our activities and day to day running of the business. Risks are assessed, discussed and taken into account when deciding upon future strategy, approving transactions and monitoring performance. The process of identifying risks, assessing their impact and monitoring their likelihood is considered at two levels:

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

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

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

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

Details of our principal strategic risks and the mitigating activities in place to reduce these risks are set out below. There have been no significant changes to the risk profile over the last year and the Board are satisfied that we continue to operate within our risk appetite.

STRATEGIC RISKS

RISK AREA:
FINANCE RISK

DETAIL:
Reduced availability and cost of bank financing resulting in inability to meet business plans or satisfy liabilities.

RISK AREA:
VALUATION RISK

DETAIL:
Value of our properties declining as a result of macroeconomic environment, external market, or internal management factors.

RISK AREA:
OCCUPANCY RISK

DETAIL:
Demand by businesses for our accommodation declining as a result of social, economic or competitive factors.

RISK AREA:
LONDON

DETAIL:
Changes in the political, infrastructure and environmental dynamics of London lead to reduced demand for space from businesses.

RISK AREA:
DEVELOPMENT RISK

DETAIL:
Impact to underlying income and capital performance due to:
– Adverse planning rulings.
– Construction cost and timing overrun.
– Lack of demand for developments.

	CHANGE FROM 2011/12
Mitigating activities: Funding requirements for business plans are reviewed regularly and options for alternative sources of funding monitored. Range of banking relationships maintained, refinancing strategy reviewed regularly. Interest rate hedging policy in place to minimise exposure to short-term rate fluctuations.	**No Change**
Mitigating activities: Investment market mood monitoring. Market yields and pricing of property transactions monitored closely across the London market. Alternative use opportunities pursued across the portfolio and planning consent progressed. Sufficient headroom on Loan to Value banking covenants is maintained and reviewed.	**No Change**
Mitigating activities: Weekly monitoring of occupancy levels, pricing and reasons for customers vacating at each property and exit interviews conducted. On-site staff maintain regular contact with customers and local monitoring of competitors offering space. Extensive marketing using the 'Workspace' brand. Flexibility offered on deals by dedicated in-house marketing and letting teams.	**No Change**
Mitigating activities: Regular monitoring of the London economy, research reports and the commissioning of research. Regular meetings with the GLA and London Boroughs.	**No Change**
Mitigating activities: Understanding of planning environment and use of appropriate advisers. Detailed development analysis and appraisal undertaken, sensitivity and risk scenarios considered. Board level discussion and approval prior to project commitment. Contract structuring to reduce/eliminate build risk. Construction project teams meet regularly, discuss issues and resolve or escalate as appropriate. Management of development phasing to match demand. Deferral to retain properties for existing rental use.	**Increased**

BUSINESS REVIEW
continued

PRINCIPAL BUSINESS RISKS
continued

STRATEGIC RISKS

RISK AREA:
INVESTMENT RISK

DETAIL:
Underperformance due to inappropriate strategy of:
- Timing of disposal decisions.
- Acquisitions timing.
- Non achievement of expected returns.

RISK AREA:
TRANSACTIONAL RISK

DETAIL:
Joint ventures or other ventures with third parties do not deliver the expected return.

RISK AREA:
REGULATORY RISK

DETAIL:
Failure to meet regulatory requirements leading to fines or penalties or the introduction of new requirements that inhibit activity.

RISK AREA:
BUSINESS INTERRUPTION RISK

DETAIL:
Major external events result in Workspace being unable to carry out its business for a sustained period.

RISK AREA:
REPUTATIONAL RISK

DETAIL:
Failure to meet customer and external stakeholder expectations.

	CHANGE FROM 2011/12
Mitigating activities: Regular monitoring of asset performance and positioning of portfolio. Acquisition due diligence appraisal and business plans analysis. Regular monitoring of acquisition performance against target returns.	**No Change**
Mitigating activities: Review and monitoring of potential joint ventures before agreed. Requirements for business plans are reviewed regularly. Regular review of performance of joint ventures throughout term.	**No Change**
Mitigating activities: REIT conditions monitored and tested on a regular basis and reported to the Board. Close working relationship maintained with appropriate authorities and all relevant issues openly disclosed. Advisers engaged to support best practice operation.	**No Change**
Mitigating activities: Monitor security threat/target information. Business Continuity plans and procedures in place and regularly tested.	**No Change**
Mitigating activities: Customer survey undertaken and results acted upon. Training and mystery shopper initiatives undertaken. Regular communication with stakeholders.	**No Change**

BUSINESS REVIEW
continued

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY IS CREATING VALUE FOR WORKSPACE GROUP

Corporate Social Responsibility is fully integrated into our business activities. We believe our Corporate Social Responsibility strategy drives occupancy by delivering cost savings for our properties and rents by helping to create a more attractive business environment for our customers.

Each year, we set targets, focused on increasing occupation and strengthening key stakeholder relationships. In 2011/12, we fully achieved eight targets and partially achieved two, highlights are shown below. Looking ahead, we will continue to focus on improving performance in our four priority areas (carbon management, waste management, customer satisfaction and community investment). We will seek to effectively communicate our strategy and actions in order to:

- Engage our customers in delivering energy and waste efficiencies.
- Strengthen relationships with customers, investors and employees.
- Enhance our brand as a responsible landlord for small and medium enterprises.

Jones Lang LaSalle has assessed our targets and key performance indicators and has carried out a review of our performance over the year.

KEY PRIORITY	PERFORMANCE IN 2011/12
COMMUNITY INVESTMENT **We engage with customers and local communities enabling employment, education and entrepreneurship.**	Our E3 community strategy is bringing together entrepreneurship, education and employment, working with a range of charities and businesses. The strategy is in full flow, having achieved good successes alongside our community partners, The Greater London Authority, London South Bank University and the Cricket Foundation.
CARBON MANAGEMENT **We understand our energy use and identify improvements, so that we reduce costs and carbon dioxide emissions, and perform well in the CRC Energy Efficiency Scheme.**	We installed real-time energy monitoring at 12 high consumption sites, audited energy efficiency opportunities at six sites and have a full-time energy management executive. We completed a whole life carbon analysis of the Workspace Group 'recycling buildings' model.
WASTE MANAGEMENT **We work to improve our recycling rates and send zero waste to landfill, so that we cut landfill tax costs.**	We have negotiated a new waste management contract including customer education and recycling targets. Recycling bins and waste management strategy is now provided to customers at all centres.
CUSTOMER SATISFACTION **We aim to meet our customers' needs and help them improve their Corporate Social Responsibility, so that we retain our customers and maximise rental income.**	Customer satisfaction and loyalty are key to the sustainability of our income stream; we target a customer experience score of 80% on our annual survey.

RECYCLING BUILDINGS SAVES CARBON EMISSIONS

Workspace commissioned the whole lifecycle carbon analysis by Jones Lang LaSalle to determine whether our business model of recycling older buildings is inherently more carbon efficient than continually demolishing and rebuilding office space in London:

Over a 60-year lifespan, Workspace Group's recent refurbishment of Chester House delivers:

- 25% lower emissions than a new build central London benchmark building.
- Saving over 9,500 tonnes of CO_2.
- 12% lower emissions than a new build regional benchmark building.
- Saving more than 4,000 tonnes of CO_2.

INDUSTRY INITIATIVES

LONDON LEADING TO A GREEN LONDON | BETTER BUILDINGS PARTNERSHIP

CARBON DISCLOSURE PROJECT

KPIs	2012/13 INITIATIVES
Total value of community investment, £138,650. Fifty young people provided with Work Inspirations during Global Entrepreneurial Week. Fully achieved 12 of 17 community performance targets with three in progress for delivery in 2012/13.	**Continue delivery of Workspace's E3 community strategy.** **Continue Club Workspace start up and entrepreneurial events.** **Knowledge transfer partnership with London South Bank University.** **20 Work Inspiration placements.** **Workspace Urban 20 cricket sponsorship, a vocational skills outreach for 200 school children.**
Real time energy consumption live at 12 sites, representing CO_2 emissions of 9,000, approximately half of Workspace Group's total CO_2 emissions. 7% of properties have had an energy audit.	**Reduce carbon emissions (CO_2) by 10% compared to 2011, across the 12 assets with digital energy monitoring (adjusted for occupancy).** **Reduce carbon emissions (CO_2) by 5% compared to 2011, across the whole portfolio (adjusted for occupancy).**
Landfill cost avoided – £300,000. Waste diverted from landfill through recycling/waste to energy – 5,600 tonnes. 41% recycling rate, plus 43% waste to energy, 84% diverted from landfill.	**Achieve a recycling rate average across all centres of 55%, and achieve zero waste to landfill by October 2013.**
Average customer experience score in annual customer survey 84%. Zero Health & Safety RIDDORs for customers.	**Actively integrate Corporate Social Responsibility into Workspace's communication strategy.**

KEY PROPERTY STATISTICS

	Quarter ending 31 March 2012	Quarter ending 31 December 2011	Quarter ending 30 September 2011	Quarter ending 30 June 2011	Quarter ending 31 March 2011
Workspace Group Portfolio					
Property valuation	**£760m**	£750m	£733m	£727m	£719m
Number of estates	**92**	94	94	95	96
Lettable floorspace (million sq. ft.)†	**5.0**	5.0	5.1	5.1	5.1
Number of lettable units	**4,668**	4,781	4,899	4,885	4,856
ERV	**£65.4m**	£64.9m	£65.2m	£62.8m	£61.4m
Cash rent roll of occupied units	**£50.2m**	£49.8m	£50.0m	£49.6m	£48.9m
Average rent per sq. ft.	**£11.79**	£11.58	£11.52	£11.63	£11.47
Overall occupancy	**85.3%**	85.6%	85.2%	84.0%	83.6%
Like-for-like lettable floor space (million sq. ft.)	**4.0**	4.0	4.0	4.0	4.0
Like-for-like cash rent roll	**£44.5m**	£43.9m	£43.8m	£43.3m	£42.5m
Like-for-like average rent per sq. ft.	**£12.61**	£12.48	£12.38	£12.41	£12.20
Like-for-like occupancy	**87.8%**	87.6%	87.7%	86.8%	86.1%

BlackRock Workspace Property Trust					
Property Valuation	**£62m**	£47m	£36m	£36m	£35m
Number of estates	**11**	10	8	8	8
Lettable floorspace (million sq. ft.)†	**0.4**	0.4	0.3	0.3	0.3
ERV	**£5.5m**	£4.7m	£3.6m	£3.5m	£3.4m
Cash rent roll of occupied units	**£4.7m**	£3.8m	£2.9m	£3.0m	£3.1m
Average rent per sq. ft.	**£11.82**	£10.66	£10.20	£10.58	£10.57
Overall occupancy	**89.8%**	88.7%	87.3%	87.9%	92.1%

† Excludes storage space