2013 HIGHLIGHTS

INVESTOR HIGHLIGHTS

DIVIDEND PER SHARE GROWTH

+10%

TOTAL SHAREHOLDER RETURN

51%

TRADING PERFORMANCE

ENQUIRIES PER MONTH

1,037

2013	1,037
2012	1,009
2011	960

LIKE-FOR-LIKE OCCUPANCY

89.8%

2013	89.8%
2012	87.7%
2011	86.2%

LIKE-FOR-LIKE RENT ROLL

+9%

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

TRADING PROFIT (AFTER INTEREST)

+12%

2013	£17.9m
2012	£16.0m
2011	£14.2m

CAPITAL PERFORMANCE

PROPERTY VALUATION

+8%

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

LOAN TO VALUE

40%

2013	40%
2012	41%
2011	50%

EPRA NAV PER SHARE

+13%

2013	£3.48
2012	£3.08
2011	£2.86

TOTAL PROPERTY RETURN

13.8%

2013	13.8%
2012	13.4%
2011	11.7%

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

To achieve this we are putting in place:

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

DANIEL KITCHEN
NON-EXECUTIVE CHAIRMAN

Clear priorities. Renewed momentum.

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

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

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

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

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

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

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

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

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

DANIEL KITCHEN
NON-EXECUTIVE CHAIRMAN

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

DANIEL KITCHEN
NON-EXECUTIVE CHAIRMAN

CHIEF EXECUTIVE OFFICER'S STRATEGIC REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

JAMIE HOPKINS
CHIEF EXECUTIVE OFFICER

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

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

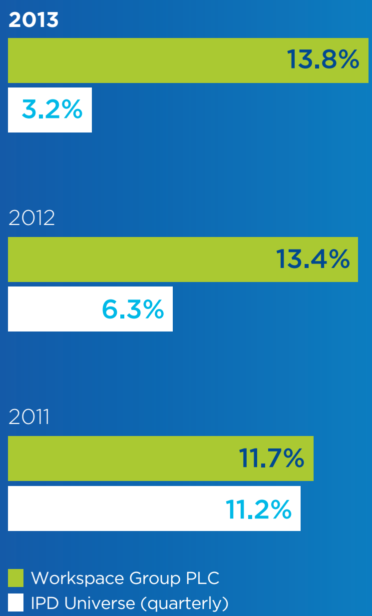
Performance summary.

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

PRIORITIES FOR 2013/14	KEY RISKS
- Complete three further refurbishment schemes with a fourth due to complete in 2014. **- Commence three refurbishment schemes.** **- Progress further schemes through design phase.** **- Focus on driving pricing as occupancy approaches 90%.**	- Failure to meet customer space and service expectations. - External macroeconomic factors influence the demand for our accommodation.
- Obtain planning consent for Tower Bridge, Poplar and Faircharm. **- Make planning applications for three further schemes.** **- Appoint development partners for Tower Bridge and Faircharm.**	- Adverse planning decisions. - Construction cost and programme over runs. - Downturn in the London property market.
- Continue the roll out and evolution of the Club Workspace brand. **- Broaden the range of services offered under our digital platform.** **- Position Workspace as the preferred choice for fast growing businesses.**	- Failure to meet customer service expectations. - The performance of our selected digital partners.
- To develop CSR a policy for engaging with and encouraging school leavers and graduates into entrepreneurship. **- Demonstrate tangible savings in carbon emissions.** **- Develop charity strategy.**	- Failure to meet regulatory environmental requirements. - Introduction of new requirements causing additional costs or inhibiting lettings.

RELATED INFORMATION
PRINCIPAL BUSINESS RISKS P.22

IPD Performance



Generating value.

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

FOR MORE INFORMATION
WWW.WORKSPACE.CO.UK

What we said

REPOSITIONING

REDEVELOPMENT

PLANNING GAIN

ACQUISITION AND DISPOSAL

UNDERSTANDING OUR CUSTOMERS

CORPORATE SOCIAL RESPONSIBILITY

DRIVING RENTAL GROWTH

Repositioning
Exmouth House, EC1R 0JH

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

Redevelopment
ScreenWorks, N5 2EA

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

Planning gain
The Pill Box, E2 6JL

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

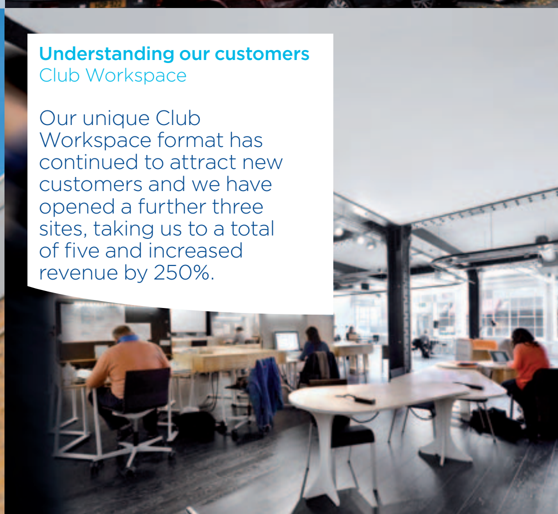
Acquisition and disposal
Little London, SE1 2BA

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

How we delivered

Corporate social responsibility
Chester House, SW9 6DE

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

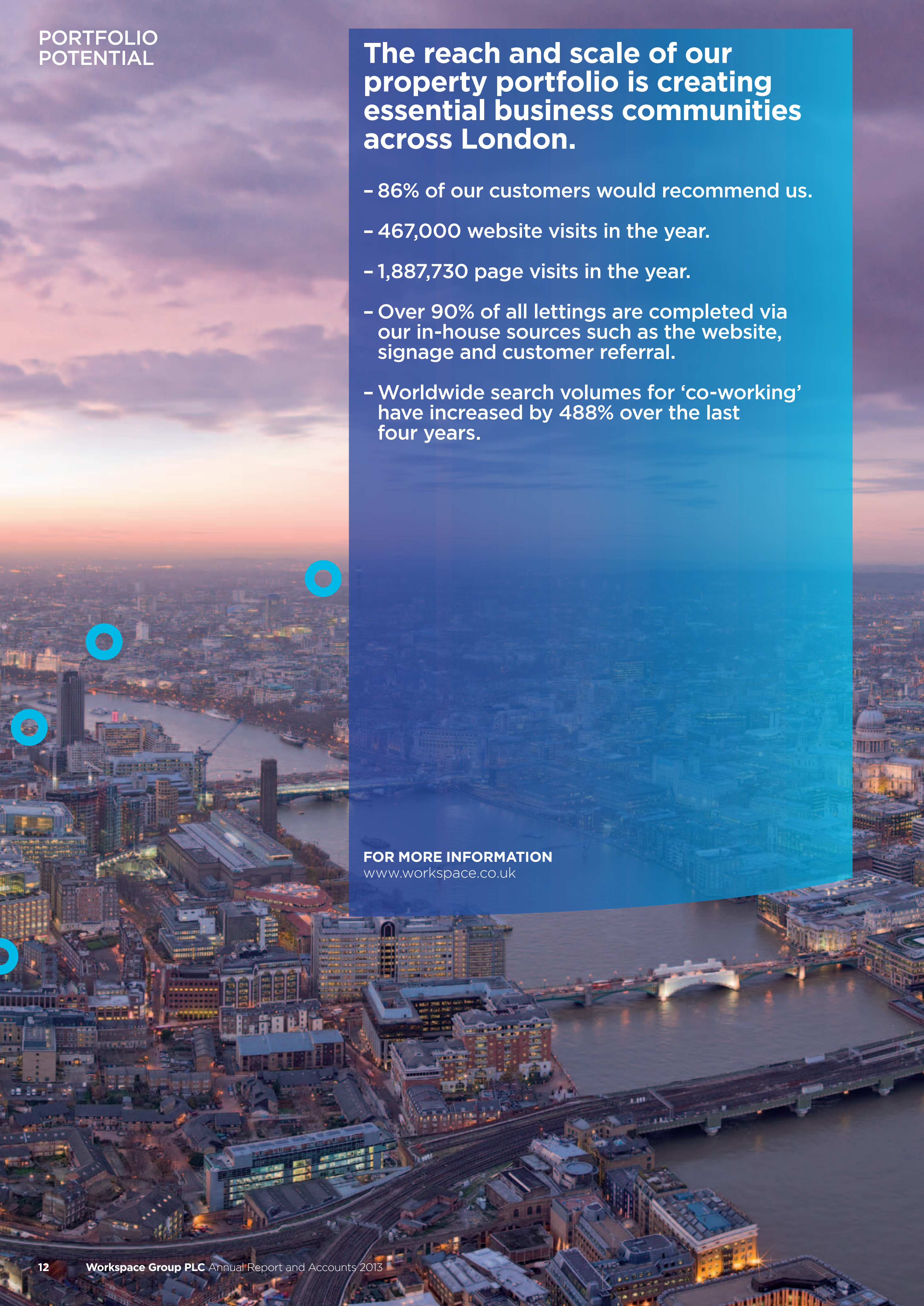


Understanding our customers
Club Workspace

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

Driving rental growth
Parkhall, SE21 8EN

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



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

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

FOR MORE INFORMATION
www.workspace.co.uk

CORPORATE SOCIAL RESPONSIBILITY

A wider understanding.

JAMIE HOPKINS
CHIEF EXECUTIVE OFFICER

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

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

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

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

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

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

FTSE4Good

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

OUR APPROACH

CUSTOMERS

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

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

SUPPLIERS AND PARTNERS

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

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

COMMUNITIES

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

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

EMPLOYEES

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

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

ENVIRONMENT

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

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

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

PERFORMANCE HIGHLIGHTS IN 2012/13

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

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

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

We invested in community initiatives.

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

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

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

Total direct GHG emissions were 3,878 tonnes CO2e[3]. Total indirect GHG emissions were 13,179 tonnes CO2e[4]. This meant our total GHG emissions (direct and indirect) increased by 5% compared to 2011/12 driven by higher gas consumption primarily due to the unusually cold winter.

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

TARGETS FOR 2013/14

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

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

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

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

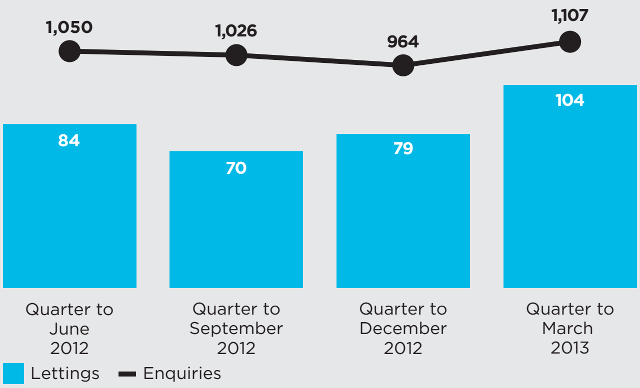
INVESTORS IN PEOPLE

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

Trading performance.

ENQUIRIES AND LETTINGS

Average number per month

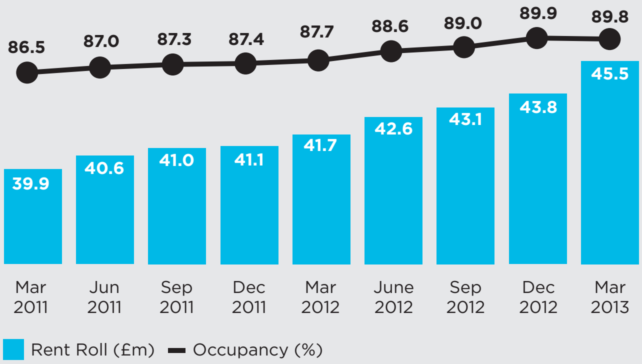


Our aim is to be the preferred choice for new and growing businesses looking for space in London. We have continued to attract strong levels of demand with enquiry levels up 3% on the prior year to an average of 1,037 per month, and new lettings running at an average of 84 per month (2012: 82 per month).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

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

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

LIKE-FOR-LIKE OCCUPANCY AND RENT ROLL



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

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

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

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

Driving enquiries and lettings

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

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

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

26,000+

PROFIT BEFORE TAX

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

TRADING PROFIT AFTER INTEREST

£m

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

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

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

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

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

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

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

DIVIDEND

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

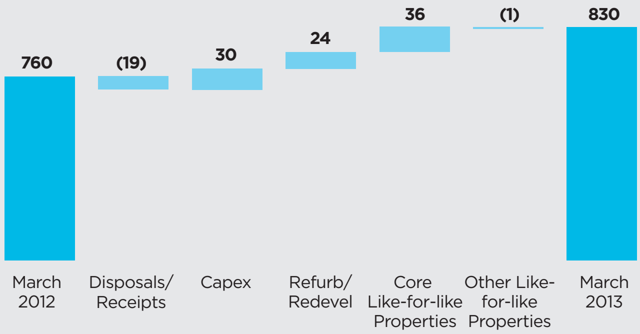
PROPERTY VALUATION

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

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

VALUATION AT 31 MARCH 2013

£m



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

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

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

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

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

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

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

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

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

REFURBISHMENT ACTIVITY

During the year we completed four refurbishments:

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

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

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

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

TABLE 1:
PROPERTIES AT 31 MARCH 2013

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

TABLE 2:
REFURBISHMENT ACTIVITY

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

REDEVELOPMENT ACTIVITY

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

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

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

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

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

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

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

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

CASH FLOW AND FINANCING

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

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

TABLE 3:
REDEVELOPMENT ACTIVITY

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

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

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

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

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

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

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

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

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

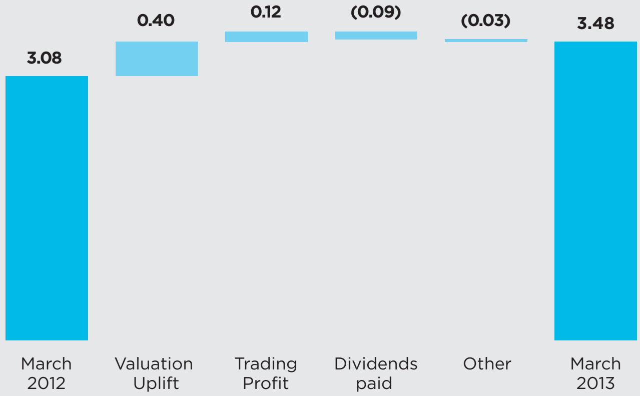
With effect from 1 July 2013 these new unsecured facilities will replace the existing secured bank facilities. Details on a pro forma basis of the Group's facilities from 1 July 2013 are set out below:

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

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

EPRA NET ASSET VALUE PER SHARE

£



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

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

BLACKROCK WORKSPACE PROPERTY TRUST (BLACKROCK JV)

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

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

Principal business risks

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

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

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

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

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

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

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

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

MITIGATING ACTIVITIES

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

Range of banking relationships maintained, refinancing strategy reviewed regularly.

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

Example of actions undertaken in 2012/13:

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

Investment market mood monitoring.

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

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

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

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

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

Extensive marketing using the Workspace brand.

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

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

Regular meetings with the GLA and London Boroughs.

Understanding of planning environment and use of appropriate advisers.

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

Board level discussion and approval prior to project commitment.

Contract structuring to reduce/eliminate build risk.

Example of actions undertaken in 2012/13:

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

RETAIL BOND ISSUE

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

ENHANCED REPORTING PROCEDURES

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

PRINCIPAL BUSINESS RISKS
CONTINUED

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

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

MITIGATING ACTIVITIES

Regular monitoring of asset performance and positioning of portfolio.

Acquisition due diligence appraisal and business plans analysis.

Regular monitoring of acquisition performance against target returns.

Review and monitoring of potential joint ventures before agreed.

Requirements for business plans are reviewed regularly.

Regular review of performance of joint ventures throughout term.

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

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

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

Advisers engaged to support best practice operation.

Continual monitoring of security threat.

Business Continuity plans and procedures in place and regularly tested.

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

Customer survey undertaken and results acted upon.

Training and mystery shopper initiatives undertaken.

Regular communication with stakeholders.

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

KEY PROPERTY STATISTICS

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

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

† Excludes storage space