WORKSPACE®

ANNUAL REPORT 2020

Contents

Front cover image:
Brickfields, Hoxton.

Who we are

Workspace owns and manages approximately four million sq. ft. of business space in London across 59 properties. We are home to thousands of businesses, including fast growing and established brands across a wide range of sectors.

Workspace is geared towards helping businesses perform at their very best even during challenging and uncertain times. We provide inspiring, flexible work spaces in dynamic London locations.

2020 highlights

Financial

£122m
Net rental income
(2019: £111m)

£10.89
EPRA NAV per share
(2019: £10.86)

£2,574m
Property valuation
(2019: £2,604m)

£81m
Trading profit before tax
(2019: £72.4m)

36.16p
Dividend per share
(2019: 32.87p)

Operational

1,087
Average enquiries per month
(2019: 1,048)

121
Average lettings per month
(2019: 103)

93.1%
Like-for-like occupancy
(2019: 90.5%)

1.9%
Like-for-like rent roll growth
(2019: 2.2%)

How our purpose drives everything we do

Our purpose is to give businesses the freedom to grow.

We believe that growth comes through collaboration. Now more than ever we are able to offer the right space and support for customers to create the communities and environments their teams need to thrive.

In these challenging times, we are well positioned to help drive the UK economy.

Katie Cooper, CEO and Founder of Bloombox Club at The Leather Market, London Bridge.

Focused

Our focus on London, on creating the right environments for our customers and on freehold ownership delivers long term values for all stakeholders.

Our strategy
Pages 20 to 23

Flexible

We tailor our space and lease terms to meet the changing needs of our customers.

Our business model
Pages 30 to 33

Empowered

We train, encourage and give our employees the freedom to think differently.

Our people and culture
Pages 24 to 29

Together

We listen to and understand our customers, communities and people. We are in this together.

Doing The Right Thing
Pages 34 to 52

Chairman's statement

This is my last report as Chairman. I leave the business in the hands of a strong management team.

Daniel Kitchen
Non-Executive Chairman

Since March 2020, the Covid-19 pandemic has had a significant effect on most businesses, including Workspace. Our customer base of primarily small and medium-sized businesses bore much of the immediate impact of the disruption, with many suffering reductions in income and cashflow. We believed it was right that Workspace shared that burden, and we swiftly offered measures to help support our customers. The health and safety of our customers, employees and partners is always our primary concern.

Despite the challenging last few months, our business performed strongly over the past year with net rental income increasing 10% to £122m. EPRA NAV per share increased modestly by 0.3% to £10.89, reflecting the market conditions at the height of the Covid-19 pandemic which affected valuations. Overall occupancy averaged 87% with like-for-like occupancy at an all-time high of 93%.

A strong team to meet the challenge
The Board underwent several changes over the year. We said goodbye to Jamie Hopkins who stepped down as Chief Executive Officer in May 2019 and after a rigorous selection process, involving both internal and external candidates, we were delighted to appoint Graham Clemett as our new Chief Executive. Graham's extensive experience and strong track record over more than 12 years at Workspace give the Board great confidence that the Company will continue to thrive under his leadership.

I am pleased that Stephen Hubbard will be taking over as Chairman from our Annual General Meeting in July 2020. Stephen brings a wealth of experience in the property market as previous Chairman of CBRE UK.

We also welcomed Dave Benson who joined the Board on 1 April 2020 as CFO. Dave will bring strong commercial focus from his experience as Finance Director of Whitbread to the Board. We also welcomed Suzi Williams, who joined the Board in January 2020. Her expertise in marketing and brand development will be highly valued as we refine our strategy in these areas. A full discussion of our corporate governance framework can be found on pages 78 to 167.

In these uncertain times, the quality of a company's management team is paramount. We are fortunate to have a talented and experienced Executive team, led at Board level by Graham and Dave, managing a well-located, high quality property portfolio across London.

Focus on our employees
Our employees have been the foundation of our efforts over the year. As liaison for employee relations, I have met with employee groups during the year to hear their views and ideas. We were pleased that the first annual employee survey showed that 90% of employees said they were proud to work for Workspace. Additional employee feedback was incorporated into our Board discussions and was vital in developing our Company Purpose. Going forward, Stephen Hubbard will assume responsibility for employee liaison to continue to develop this valuable initiative. More information on our Company Purpose and employee initiatives can be found on pages 24 to 29.

ESG, sustainability and 'Doing The Right Thing'
Climate change and sustainability continue to grow in importance for all our stakeholders. We have an award-winning record of designing and refurbishing our buildings to high environmental standards. In 2020, we have taken a decisive step to set a firm date for achieving net zero carbon by 2050 with science-based targets to deliver our long-term path to achieve that goal. Our full report on our work on Doing The Right Thing and ESG is on pages 34 to 52.

Danny Kitchen meets with staff on a quarterly basis as part of our employee engagement programme. Photographed at The Leather Market.

Stephen Hubbard will be appointed as Chairman after the 2020 AGM. To read more about his appointment go to page 118.

Dividend
Our dividend policy is based on sustainable growth in trading profit after interest taking into account our investment and acquisition plans and the distribution requirements that we have as a REIT. We are in a strong financial position, with substantial headroom on our covenants and our proven strategy and business model leave us well positioned for the future. The Board is therefore recommending a final dividend of 24.49p per share, which meets our distribution requirement as a Real Estate Investment Trust and also reflects the Board's confidence in the outlook for the Company.

Leaving Workspace well positioned
This is my last annual report for Workspace. In my nine years as Chairman, I have seen Workspace continue to grow, creating vibrant neighbourhoods for our customers and the surrounding areas. I am proud to have been a part of this story. When I joined the Company Board in 2011, our EPRA net asset value per share was 29.5p compared with £10.89 in 2020. I am confident that Workspace has the resilience and capabilities to address the current challenges and thrive.

I would like to thank all Workspace employees for their hard work and dedication, especially during the more recent difficult times when they have worked tirelessly to support our customers.

It has been an enormous privilege to serve as Chairman for the past nine years, and I wish you all continued success.

Daniel Kitchen
Non-Executive Chairman
4 June 2020

Employee engagement
Pages 100 and 101

Doing The Right Thing
Pages 34 to 52

Long-term value creation:

The fundamentals of our business are strong. Workspace is well positioned to navigate the challenges that lie ahead.

Flexible model attracts broad customer base

£132.8m

Total rent roll up 4.2% in the year

There has been a structural shift in the London office market towards flexible leases. SMEs in particular want the flexibility to change their office space as they grow. Our flexible lease structure and unique customer offer has delivered consistent growth in rental income and customer loyalty.

The dynamic nature of our customer base adds to capital uplift, as office space is reconfigured and refurbished at higher rental rates.

Our business model
Pages 30 to 33

Strong brand and compelling customer offer

1,087

Average enquiries per month

We have established a strong brand through our 30-year track record in the flexible office market.

Our properties are sought after by customers who value the high quality offices combined with the ability to customise their office space, the innovative and attractive design prioritising natural light and original features and a vibrant sense of community.

Chief Executive's statement
Pages 10 to 12

Focus on London offers attractive investment yields

£10.89

Net Asset Value per share

We are focused purely on the London flexible office market, which offers attractive investment yields compared to most other major global cities.

As a centre for international trade, finance and tourism, London has historically been economically resilient, with a diverse customer base of SMEs and we believe the attractions of its vibrant culture will help it to bounce back from the impact of the Covid-19 pandemic.

Our market
Pages 16 to 19

Consistent income generation

£81m

Trading profit up 12% in the year

Our focus is on stable and consistent income generation through a growing rent roll and leveraging our development pipeline.

We apply our development skill and market knowledge to the regeneration of underdeveloped urban neighbourhoods, creating a long-term income stream from a growing rental base as well as capital uplift.

Business review
Pages 68 to 74

We pledge to Do The Right Thing

Zero

Net zero carbon by 2050

We have set out a path to net zero carbon by 2050.

From the design and planning stage of our ongoing refurbishment and redevelopment projects, we seek to improve energy efficiency, create and support sustainable communities and minimise our carbon footprint.

Doing The Right Thing
Pages 34 to 52

Chief Executive Officer's statement

Listening to our customers and understanding their challenges will enable us to navigate the impact of the Covid-19 pandemic and continue to build a successful business for the long term.

Graham Clemett
Chief Executive Officer

Graham Clemett, Chief Executive Officer Photographed at Edinburgh House, Vauxhall.

Workspace has delivered a strong set of trading results for the past year, although obviously this has been overshadowed by the dramatic impact of the Covid-19 pandemic.

Results and dividend
Starting with our operating performance for the year, we saw good growth in net rental income, up 10%, with a particularly strong contribution from recently launched buildings. This income uplift has delivered a 12% increase in trading profit after interest to £81m, a tremendous performance given the continuing backdrop of Brexit uncertainty. We did see an upturn in business confidence and enquiries after the General Election in December but by March 2020 this had been negated by the onset of the Covid-19 lockdown.

There was a slight fall of 0.3% over the year in our underlying property valuation, with our valuers taking a naturally cautious view of property values at the year end in the light of Covid-19. During the year, we continued with some judicious pruning of our property portfolio, selling four of our smaller buildings for a total of £65m, 21% above their March 2019 valuation. Overall, there was a small increase in our EPRA net asset value of 0.3% to £10.89.

There has been much debate on dividend distributions at this difficult time and this has been discussed extensively by the Board. Driving operating performance to deliver income growth is a key focus for the Company, and we have a proud and consistent record of dividend distribution. Taking into account our prudent funding position, with significant headroom on our facilities and covenants, which has meant that we have not needed to take any Government financial support, we are proposing a final dividend of 24.49p per share. This meets our distribution requirement as a Real Estate Investment Trust and also reflects the Board's confidence in the long-term prospects of the Company. Together with our interim dividend, this represents a total dividend in the year of 36.16p per share, an increase of 10% on the prior year.

Covid-19 impact
The immediate impact of the lockdown announced on 23 March 2020 was that the majority of our customers moved to work from home in line with Government guidance. Our business centres remained open with a number of key worker customers still in occupation and other customers visiting on an essential needs basis.

Given the impact that the lockdown was having on our customers and their cashflows we took the immediate decision to offer the opportunity to defer rental payments for up to three months. We have also given the majority of our business centre customers an absolute rent reduction of 50% for the three months to the end of June 2020. We believed it was only fair to offer this rent reduction to our customers irrespective of their size.

Since the Government announced the gradual relaxation of lockdown measures in England, we have taken action to ensure that our business centres are safe for the increasing number of customers returning to work. These extensive measures, in line with Government guidelines, include signage to promote social distancing, screens, hand sanitiser dispensers, one-way systems, restrictions on use of communal areas and increased daily cleaning of the common areas in our business centres. We are also supplying additional information and resources to our customers on our website.

We are fortunate that our buildings are low-rise so the severe lift restrictions that need to be put in place have limited impact. We are also looking at the opportunity to increase the amount of cycle storage at centres, where possible.

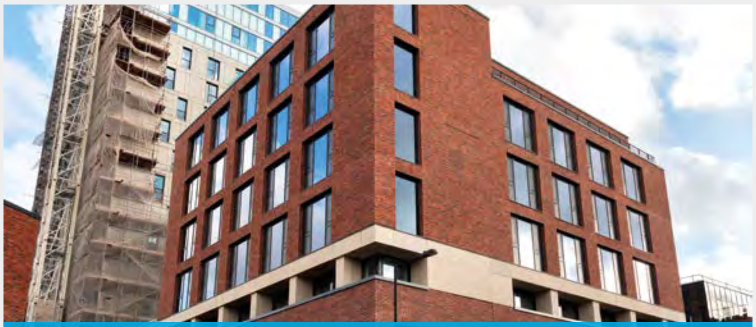
I am pleased to say that our rent collection rates have been robust. The majority of rent is collected monthly in advance and taking account of the agreed rent discounts and deferrals we have received c.70% of the net rent due for the first quarter.

Social distancing measures in place at The Frames, Shoreditch.

We are maintaining a tight focus on operating costs, minimising all non-essential spend but ensuring we don't compromise on health and safety issues. Likewise, we are controlling our capital expenditure commitments to ensure we can maintain prudent liquidity and headroom levels. We currently have no major capital projects underway or due to start over the next six months.

ESG priorities
Despite the current challenging economic conditions, our ESG priorities and targets remain hugely relevant, with our focus on the long-term employment-led regeneration of London. Our priorities cover multiple aspects of day-to-day business activity, including:

- Setting and delivering on science-based targets to achieve net zero carbon emissions by 2050;
- Creating environmentally friendly, sustainable and energy efficient buildings;
- Treating all our stakeholders with respect, from customers through to our staff and suppliers, and ensuring an open and regular two-way dialogue;
- A focus on the health and wellbeing of our employees through regular engagement, mental health training and an annual staff survey; and
- An active Doing The Right Thing Committee run by our staff supporting local initiatives across a wide range of schools, community groups and charities.


New business centre, Lock Studios, Bow.

Business review
Pages 68 to 74

Doing The Right Thing
Pages 34 to 52

Groundwork gardening volunteering day at Saint Gabriel's College, Kennington.

Our people

A huge strength of Workspace is the depth of operational experience across the Company. The knowledge gained by our people from working through previous downturns and recessions is more relevant than ever. This has been supplemented by two recent external Executive appointments, Dave Benson joining as CFO and Will Abbott in the new role of Chief Customer Officer. They bring broader commercial and marketing expertise that will be hugely important as we navigate through the challenges ahead.

Workspace has a vibrant and inclusive culture and this has been particularly evident throughout the lockdown period. I'd like to thank all our employees for their incredible efforts during this time. Despite working remotely, I have been impressed by how we have come together to keep the business running effectively and to maintain regular engagement with our customers. Our purpose, to give businesses the freedom to grow, and a clear set of corporate values have underpinned the actions we have taken to support our customers at this difficult time.

As previously announced, our Chairman, Danny Kitchen, will be stepping down from his role after nine years. Danny has made a huge contribution to the business, providing wise counsel and challenge to both the Board and Executive Committee. I am delighted that Stephen Hubbard, one of our current Non-Executive Directors with extensive property experience, has agreed to take over as Chairman following the AGM in July.

Chris Pieroni, Operations Director, will be retiring at the end of June. Chris has been an integral part of the success and growth of Workspace over the last 12 years. We will miss him both as a colleague and friend and wish him all the very best for his retirement.

Our strategy
Pages 20 to 23

Strategy

We have always been very clear about the attractions offered by our flexible model. For many years we were seen as a successful but alternative property play. In more recent years, our model has become increasingly mainstream as customer demand for flexibility has grown, with many new and existing competitors now in the market. These competitors have varying financial and operating models and I remain confident that we continue to have an industry-leading proposition. The key elements of our model are:

– A flexible space and lease offering;
– Scaleable marketing and operating platform;
– A customer-centric culture;
– Well-located, distinctive buildings;
– High quality fit-out and services; and
– Freehold property ownership.

Our strength and success have come as a result of bringing all these elements together into a compelling offer for customers.

Outlook

It is not possible at this time to give a near-term view for trading performance. We will undoubtedly see subdued operational performance and a reduction in rental income in the current year. For many of our existing customers there is a difficult period ahead as they look to rebuild their businesses. Some will want to downsize, some will decide to continue working remotely, some may fail while others will recover quickly. Workspace is well positioned to provide them with the support they will need and I believe the majority will see the value of retaining their Workspace office. Equally I believe our flexible offer will continue to attract new customers. This includes businesses reflecting on their property requirements following their experience operating remotely through the lockdown period.

I have been delighted with the success of our recently opened buildings and we have an extensive pipeline of refurbishment and redevelopment activity to deliver over the coming years. We will shortly be opening two buildings in Hackney and Bow that were completed just as the lockdown was announced. We are also continuing to track acquisition opportunities across London.

Despite the near-term uncertainty, I am confident that Workspace has a huge opportunity for growth in the medium and long term. The commercial property market is being redefined around fast-changing customer requirements, with lease and space flexibility becoming increasingly important. These are factors which play directly into the compelling offer we can provide.

Graham Clemett
Chief Executive Officer
4 June 2020

CEO Q&A

Graham Clemett, who became CEO in September 2019, answers questions on our position in the market and his plans for the business.

Graham has been with Workspace for more than 12 years, joining the Board as Finance Director in July 2007.

Q.

There has been a huge shift in the London office market over the last five years. How has it changed and what impact do you think the current global health crisis will have?

A.

Over the past few years it has been fantastic to see flexible office space become such a well-established sector in the Capital. It has welcomed new entrants to the market alongside an increase in the number and diversity of customers. We are seeing the commercial real estate market change at pace, driven by the end user: businesses of all shapes and sizes are asking "what is the right environment for my staff?" The attraction of flexible space has also stimulated demand across a wide range of locations beyond the traditional London business destinations.

Of course, the Covid-19 pandemic has now presented a new set of challenges for the industry and the economy as a whole. While it isn't yet possible to gauge the longer-term effects, it is clear the widespread disruption will have a serious impact on a lot of small and medium-sized businesses.

On a more positive note, the lockdown has brought the benefits of flexible work environments to the attention of even more businesses and will undoubtedly change future working practices. I believe the last three months have highlighted how important social interaction and identity is to a business. Whilst remote working is viable for most, businesses need space to bring their teams together to collaborate and work effectively.

Our market
Pages 16 to 19

Customer at Grand Union Studios, Ladbroke Grove.

Q.
Is Workspace in a position to weather these unprecedented changes?

A.
I am confident that our scale, operating platform and strong balance sheet will help us weather this storm. We have a loyal and highly diverse customer base and have been working hard throughout the crisis to support them. Our flexible product – both the flexibility of the lease and the freedom we give customers to personalise their space – is still very attractive.

A key part of our offer is the option for customers to expand or contract the size of their space depending on where they are in their growth journey. Once the lockdown is over, and as businesses look to get on their feet again, this element of flexibility will be essential for many who will be reviewing their space requirements. We know that for most of our customers, staff recruitment and retention represent a higher proportion of their overall cost base than rent – and our offer allows them to downsize in difficult times and scale up again as the economy recovers. Equally, we are well positioned to capture new customers looking for an attractive, flexible space and lease offer.

Balance sheet as at 31 March 2020
Page 177

Q.
As the new CEO, what are your key areas of focus?

A.
Well, I certainly didn't expect to be faced with a global pandemic in my first year as CEO! Right now I'm focusing on supporting customers as best we can to help them survive through the lockdown, return to work and over time rebuild their businesses. We are working tirelessly to offer solutions to customers, including rent deferrals and a 50% rent discount during the lockdown.

As we emerge from the market turmoil, I believe we are well placed to continue our fantastic success story over the long term. With this in mind, I am not planning on making radical changes to our business model but we cannot stand still in such a competitive and dynamic market.

A key area of focus is to improve our customer service proposition, enhancing our capabilities in both attracting customers and retaining them for the long term. We have created a new executive role of Chief Customer Officer to drive forward the Workspace brand and product offer.

The creation of a dedicated sales team should improve the quality of service to prospective customers. It also allows our centre managers to focus on raising the level of the day-to-day customer support.

We will continue to invest in our property portfolio, upgrading and expanding existing buildings and carefully selecting acquisition opportunities.

Q.

The Covid-19 crisis has highlighted the importance of communities and the health of both our planet and individuals. What does Workspace do to support social and environmental sustainability?

A.

Creating sustainable and energy efficient buildings has always been a cornerstone of our strategy, and we have now set ambitious science-based targets to deliver a net-zero carbon real estate portfolio. To make a tangible impact we need to work closely with customers, supply chains and partners to help them become more sustainable. Last year we launched an online energy portal across several business centres, enabling customers to view their energy consumption in real-time. We've also introduced popular environmental working groups with our customers where, as a landlord, we can share recycling and energy consumption data and guidance, gather feedback and encourage collaboration.

The Covid-19 outbreak has delivered a stark reminder of how important it is to support communities that are especially vulnerable in times of crisis. This is why we have donated funds to the National Emergency Trust Coronavirus Appeal which offers financial help to those communities most affected. We are also donating to a charity providing protective equipment to NHS staff while they care for Covid-19 patients.

We are also passionate about supporting young people in London, carrying out regular career days, CV workshops and interviews, mentoring programmes and arranging work placements for young people who are struggling and on the fringes of the community. We have had an exciting year supporting a new charity partner, Great Ormond Street Hospital, fundraising almost £50,000 so far through a variety of colourful fundraising events, including a winter marathon walk in which around a third of Workspace's staff took part.

Doing The Right Thing
Pages 34 to 52

Q.

How will your newly articulated purpose drive your success?

A.

Workspace's purpose is to give businesses the freedom to grow. This is why flexibility is so central to our offer and why we provide the space and lease terms that allow our customers to continuously adapt, as well as a suite of other services that will help them to grow their businesses.

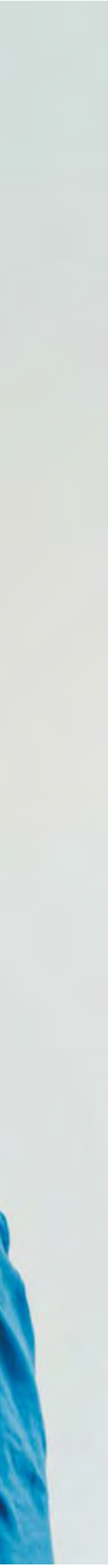
Our purpose is not new – this reason for being has driven our business since its foundation. It has created a culture that puts people at the heart of the business and places an emphasis on customer service. We believe that articulating our purpose and belief, alongside the values that we have been embedding since last year, provides renewed focus for our teams and will help drive clearer decision making across the business.

Our people and culture
Pages 24 to 29

We continue to map our offer against key market trends.

1. The Instant Group, The Global Flex Market 2019.
2. The Instant Group, UK Market Summary 2019.

Customers at Grand Union Studios, Ladbroke Grove.



Trends that will affect our customers and our business

1. The Covid-19 pandemic has triggered deep economic uncertainty

The initial shock to the UK economy as a result of this global health crisis has been unprecedented. Many SMEs are now facing financial difficulty and almost 30% of businesses have furloughed workers in the short term. In London, we expect to see a significant decline in job vacancies, which only two years ago reached a record high. The impact on the commercial property market is not yet known.

What this means to Workspace
Many of our customers asked us for assistance at the start of the crisis. Supporting our customers is at the heart of our strategy and is key to our success as a long-term home for SMEs. We have offered rent deferrals as well as a flat 50% discount for the duration of the lockdown to assist many of our customers in managing their cash flow. We hope this investment in supporting our customers will help retain them for the long term.

Our distinctive flexible offer, market-leading position and model of freehold ownership give us the flexibility and control to respond quickly to changes in customer requirements. We are confident of London's continuing status as a global hub for business.

50%
discount offered to Workspace customers during the lockdown

Link to our strategy
– Right brand.
– Right market.
– Right properties.

2. The crisis has reinforced the appeal of flexible space

Following disruption caused by the Covid-19 outbreak in 2020, it is likely many more business will be seeking short-term leases and greater flexibility. Businesses and employees forced to work remotely during the crisis are faced with many of the limitations of working from home. Now, more than ever, business agility, the ability to respond and adapt to change quickly, is crucial to companies' chances of survival and a return to sustained growth.

Recent years have seen a significant influx of more flexible office space in London as new operators emerged and traditional landlords diversified[1]. In a market heavily disrupted by Covid-19, some business models are under significant pressure and the number of operators could be distilled to those with a distinctive offer, deep expertise and strong customer service.

What this means to Workspace
We see significant potential for a greater number of businesses – many previously unfamiliar with the benefits of flexible office space – to be attracted by our distinctive offer. We have a model focused around flexibility that has been developed over the last 30 years, and our ownership model, scale and expertise provide a compelling offer to customers. Our flexible leases (typically two years), distinctive buildings and quality of fit-out are key competitive advantages for us.

35%
of London office deals in 2019 involved flexible office operators[2]

Link to our strategy
– Right offer.
– Right market.
– Right properties.

3. Customers expect landlords to be both environmentally and socially sustainable

Customers expect landlords to minimise their environmental impact and develop properties that are set to last. Enhancing a building's sustainability credentials is becoming the norm for future-proofing office space. However, sustainability no longer just relates to waste and energy: it should cover health and wellbeing, customer and community engagement and behaviour change.

What this means to Workspace
We employ environmental consultants at the early design stages of our projects to allow ample opportunity to create change across transport, land use and ecology, heating and ventilation, and health and wellbeing. We enact behavioural change by involving our customers, employees and suppliers in green groups and free workshops to advance energy efficiency and community initiatives. Smart metering has been introduced at our larger centres, allowing customers to monitor their energy consumption.

We work closely with the local communities in which we operate, supporting disadvantaged young Londoners through regular career days, CV workshops and interview practice, and work placements. We are donating funds to the National Emergency Trust Coronavirus Appeal which offers financial help to those communities most affected by the recent Covid-19 outbreak. We are also donating to a charity providing protective equipment to NHS staff while they care for Covid-19 patients.

100%
green electricity procured across our properties

Link to our strategy
– Right offer.
– Right people.

4. Businesses increasingly expect an enhanced customer experience

It is more important than ever for office providers to capture the shift towards viewing space as a service, rather than just a commodity, by investing time in understanding and responding to customers' changing needs[3]. Discerning customers and their employees are searching for a lively and uplifting workplace experience and are comfortable spending more on what they view as must-have extras or amenities[4].

Key to attracting and retaining their staff, businesses demand high-quality space with a sense of community and collaboration, a focus on health and wellbeing, generous breakout space and meeting rooms.

What this means to Workspace
Ownership of our buildings means we have complete control over the customer experience and can continuously evolve our product. We interact with our customers directly and put the time in to understand their expectations and priorities. Our appointment of a Chief Customer Officer will help us further refine our offer and enhanced customer proposition.

We analyse significant amounts of collected data to understand how our buildings are used. Our breakout areas, co-working space and cafes are also used to host our extensive events programmes, facilitating 300 customer events per year (many of these were run as webinars during the lockdown). WorkspacePerks, our customer benefit platform designed to allow our community of customers to share offers with each other, now includes around 200 exclusive offers for customers to take advantage of.

283
customer events facilitated in 2019/20, including virtual events during the lockdown

Link to our strategy
– Right brand.
– Right market.
– Right properties.

One of our Centre Managers, Luisa Milazzo, photographed with a customer at Fleet Street.

Direct customer relationships
We interact with our customers directly and put the time in to understand their expectations and priorities.

3. Colliers, The Flexible Workspace Outlook 2019.
4. Knight Frank, The London Report 2020.
5. Financial Times, Health at Work Report 2019.
6. Savills, What Workers Want 2019.
7. CIPD, Health & Wellbeing at Work, 2019.

5. Employers are investing in providing greater health and wellbeing benefits in the office

Mental health problems increase the likelihood of being less productive, less engaged and absent from work. UK employees lose 38 productive days per employee per year due to absences and presenteeism[5] (when employees are present but feel unengaged and work below normal levels). A majority of workers would like their current employer to offer a healthier workplace environment, with lighting and air quality among the most important factors[6]. The Covid-19 outbreak has amplified employee concerns around worker wellbeing – and those employers who failed to make it a priority have come under scrutiny.

What this means to Workspace
We work closely with architects to design environments that support wellbeing and help to prevent poor health where possible. Window sizes and floorplates most conducive to maximising daylight and ventilation are intrinsic to our building design, in addition to a range of quiet areas and breakout space.

We have incorporated a number of measures across our sites to prioritise the health of our customers as they return from lockdown, including enhanced cleaning regimes, screens for our receptionists to sit behind, sign and floor markings indicating two-metres distances and opened-up entrances to provide more space as people pass through our buildings.

Our Events Manager has delivered a series of customer events including regular on-site relaxation sessions, exercise classes and mental health seminars across our sites. Our series of webinars during the Covid-19 lockdown focused on how to implement wellness initiatives and create a positive company culture.

60%
of organisations saw an increase in reported mental health conditions among employees last year[7]

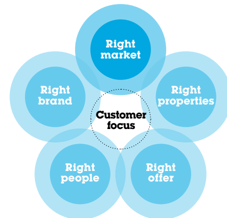
Link to our strategy
– Right offer.
– Right properties.
– Right people.

Our strategy

This year our strategy has been refocused on the attraction and retention of customers; how we can best meet customers' needs. Our business is about creating sustainable, best-in-class working environments in the right locations across London, and offering them under attractive, flexible rental agreements, coupled with excellent customer service.

We believe that getting this right puts us in a strong position to create long-term value. This is why our five strategic pillars have been augmented this year to include the Right Offer, which encompasses both the flexibility of our agreements and the wide range of services we provide, from meeting rooms and cafes to events and the customer benefits platform.

Strategic priority
Right market



Description
While we have witnessed a turbulent market since the Covid-19 outbreak, we have confidence that London – and its status as a global hub for business and culture – will emerge resilient. We continue to look for attractive opportunities to acquire assets where we can deliver real long-term value.

What we said we would do in 2019/20
Continue to grow our footprint in London by repositioning existing sites and acquiring new properties that will deliver value for shareholders.

What we achieved in 2019/20
- Strong customer enquiries, viewings and lettings.
- Significantly expanded the footprint of our existing sites, adding 200,000 sq. ft. of new space.

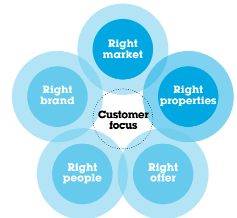
What we aim to do in 2020/21
Our investment team remains on the lookout for attractive opportunities to continue to increase our footprint in London in line with current and future customer demand.

Relevant principal risks and uncertainties
1, 2, 3, 5, 6, 7, 12

Relevant KPIs
Financial: 3, 5, 6, 7, 8
Operational: 2, 5

The market trends that influenced our strategy:
1, 2, 4

Strategic priority
Right properties



Description
Creating the right environment for our customers is critical, which is why we gather regular insights from our customers to ensure our properties keep pace with evolving customer requirements. We continuously upgrade the quality of our space through a rolling pipeline of refurbishments and redevelopments to meet customer needs.

What we said we would do in 2019/20
Carry out extensive improvements and upgrades to our space via our refurbishment pipeline.

What we achieved in 2019/20
- Delivered striking upgrades of a number of buildings, including refurbishment of Brickfields in Hoxton and Ink Rooms in Farringdon.
- Four projects, delivering 200,000 sq. ft. of new and upgraded space completed in first half and letting up well.
- Sold four small properties at 21% premium to 31 March 2019 valuation.
- Procured 100% green electricity across our properties.

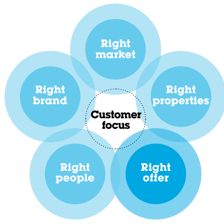
What we aim to do in 2020/21
Launch newly built Mare Street Studios in Hackney and Lock Studios in Bow, Deliver 205,000 sq. ft. of new and upgraded space from our refurbishment and redevelopment pipeline.

Relevant principal risks and uncertainties
1, 2, 5, 6, 8, 7, 12

Relevant KPIs
Financial: 1, 2, 3, 4, 5, 6, 7, 8
Operational: 2, 4, 5, 6

The market trends that influenced our strategy:
2, 4, 5

Strategic priority
Right offer



Description
Central to our model is enabling customers to grow or contract with us, which is why we offer flexible lease terms tailored to meet their changing requirements and the challenging economic environment. We invest in our offer to support customers' productivity and success, and we create communities of businesses in our centres, holding regular insight and networking events to encourage collaboration.

What we said we would do in 2019/20
Continue to roll out the benefits platform, providing more opportunities for customers to collaborate and trade with each other.

What we achieved in 2019/20
- Our offer has been well received by customers as our new buildings have let up well with The Frames (98%), Brickfields (68%) and Edinburgh House (100%) occupied.
- Our average like-for-like portfolio occupancy is 93%.
- The benefits platform now includes more than 100 exclusive offers and discounts, with the web page receiving more than 500 views per month.
- Launched the Workspace mobile app so customers can book meeting rooms on the go.
- Facilitated 283 customer events.

What we aim to do in 2020/21
Further enhance the quality of our customer service. Trial a new offer, with integrated billing and furnished space, at one of our sites. Increase the number of online events across our portfolio, especially focusing on health and wellbeing. Trial new mobile app functionality, including community and customer services, as well as building access control.

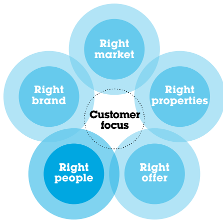
Relevant principal risks and uncertainties
1, 3, 4, 5, 6, 7, 10, 11

Relevant KPIs
Financial: 1, 5, 6
Operational: 1, 2, 3, 4, 5, 6, 8

The market trends that influenced our strategy:
2, 3, 4, 5

James Thexton, Co-founder at Rokabye was attracted to Brickfields, our new business centre in Hoxton, because of the breakout space and the ability to scale up the business at its own pace.

Strategic priority
Right people



Description
To help see us through these volatile times, we depend on the creativity and expertise of our employees. During the Covid-19 crisis we have prioritised the safety and wellbeing of our employees, and provided regular communications to offer motivation and reassurance during the lockdown. The hiring and training of employees focuses on first-rate customer service. We pride ourselves on a positive and inclusive culture.

What we said we would do in 2019/20
Continue to embed the values, highlighting success stories and values champions. Carry out our first ever employee engagement survey.

What we achieved in 2019/20
- Successfully transitioned to a new Chief Executive Officer.
- Carried out first ever employee survey – with a strong engagement score of 74%.
- Engaged with employees, as well as other stakeholders, to articulate our Company Purpose.
- Launched new values communications, including intranet articles and video series, which were well received.
- Expanded Executive Committee.

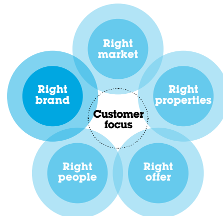
What we aim to do in 2020/21
Benefit from the newly strengthened and diversified leadership team. Repeat staff survey and measure effectiveness of new engagement initiatives. Embed the newly articulated purpose and make sure it helps drive future growth. Roll out customer service training across the business. Use internal communication to continue to reinforce Workspace's positive culture and help engage staff through the Covid-19.

Relevant principal risks and uncertainties
1, 3, 5, 8, 9, 10, 11

Relevant KPIs
Financial: 1, 2, 5, 6
Operational: 1, 5, 6, 7, 8

The market trends that influenced our strategy:
1, 3, 5

Strategic priority
Right brand



Description
In a crowded and disrupted market, it is important to differentiate our brand so that it is understood and well recognised as market-leading by prospective and existing customers. Quality of fit-out, customer service, and deep sector expertise provide key competitive advantages.

What we said we would do in 2019/20
Refine our messaging further and use the Pathway to Purchase project to better understand our customers' buying process, to tailor our marketing strategy. Roll out brand messaging across multiple consumer channels.

What we achieved in 2019/20
- Recruited a Chief Customer Officer to oversee and develop our brand and product proposition, and extend marketing reach.
- Rearticulated our brand messaging in response to Pathway to Purchase research.
- Saw a substantial increase in our social media presence.

What we aim to do in 2020/21
Develop our brand proposition and reposition our product offering and marketing to retain existing and capture new customers. Continue to support customers through the fallout of the Covid-19 pandemic following the discounts and deferrals we offered during the lockdown period. Reinforce our commitment to give businesses the freedom to grow through our flexible, industry-leading proposition.

Relevant principal risks and uncertainties
1, 4, 5, 6, 8, 9, 10, 11

Relevant KPIs
Financial: 1, 2, 5, 6, 9
Operational: 1, 2, 3, 4, 5, 6, 8

The market trends that influenced our strategy:
2, 4

In 2018, Astrid & Miyu moved from Screenworks, our centre in Islington, to take a larger unit in Edinburgh House in Vauxhall. The company was founded in 2012 to address the gap in the market for affordable, quality jewellery.

Our strategy is driven by our vibrant, inclusive culture.

We believe that a culture articulated through a clear set of values creates a common feeling of identity and direction, motivating staff and enhancing performance.

It's this dynamic culture that helps attract and retain people who align with our clear set of values and have a broad range of skills, experience and backgrounds.

The four values described on the following pages set out the common behaviours that support our purpose and bring Workspace's strategy to life.

Know your stuff

We like people who are serious about their subject; those who are open-minded, interested and ask questions.

David Rees
Finance Project Manager
David has been with Workspace for 25 years and has an extensive knowledge of how the Company operates. His proactive approach has been invaluable in improving a variety of our processes. This year David and his team have significantly enhanced our property management system by tailoring it to Workspace's needs, introducing consolidated billing and paperless direct debit payments. His deep expertise meant he was able to develop a process that worked for all our stakeholders.

Show we care

We value great social skills and those who instinctively build strong relationships. We think hard about how to give back to our communities.

Sophie Rose
Co-Chair of Doing The Right Thing Committee
In addition to her finance role, Sophie is Co-Chair of the Doing The Right Thing Committee. This year she helped come up with an idea that would involve as many people in our major fundraising activity as possible: The London Winter Walk.

Thanks to the Committee's efforts in promoting the event, we raised £20,206 for Great Ormond Street Hospital, with almost 100 staff taking part in either the 21km or 42km walk along the River Thames.

Find a way

We look for those who are persistent and have the confidence to move things forward even when it is difficult. Flexibility and adaptability are key but so are focus and determination.

Alia Hashem
Cluster Facilities Manager
In the lead up to the launch of Brickfields in Hoxton, Alia went the extra mile to transition the building site into a fully operational business centre. New to Workspace, Alia meticulously familiarised herself with the Company's sustainable approach and applied it to the challenging technical requirements of the site.

Alia pragmatically managed a diversity of suppliers and contractors in order to install a host of building monitoring systems, including energy management and fire infrastructure, in time for the building's launch.

Be a little bit crazy

We depend on the creativity and imagination of all our people. We like people who thrive on fresh thinking, who are motivated by possibility.

Claudia Palomino
Centre Manager, Salisbury House
This value is about being approachable, creative and fun – attributes personified by Claudia, who consistently receives glowing feedback in our customer surveys. She has been invaluable in helping train and mentor new centre managers, thanks in no small part to her upbeat attitude. The training sees Claudia induct starters in the skills of running a centre, including customer service, health and safety protocol and financing.

The careers of a number of receptionists have been developed thanks to Claudia, who has helped train and subsequently promote them to assistant centre manager roles.

Employee engagement

Since launching in 2018, the values have been well received, with 96% of staff survey respondents saying that they know what our Company values are, while 83% said they agree with them. We have continued to entrench the values throughout the business via a variety of internal communications channels. They have also been embedded into the appraisal process: staff are asked to demonstrate examples of behaviours aligned with Workspace's values.

In 2019, we launched an ongoing series of values-related videos. The idea was to produce hand-held clips, asking staff to capture moments on their smartphones that show the Workspace culture in action. These are compiled into minute-long videos, each demonstrating a different Workspace value. For example, Show We Care-ascribed videos have celebrated colourful fundraising and volunteering activities. Be A Little Bit Crazy videos covered lively customer events such as business centre launch parties.

Employees are more likely to engage with and retain information from a video than an email or web article. We've subsequently seen a huge leap in engagement numbers where we've included the videos on Yammer (our internal social media), our intranet pages or in our internal newsletter.

Employee engagement survey 2019

We carried out our first Company-wide employee engagement survey in December, which will now become a yearly occurrence. Comprising 80 questions, it aimed to determine staff satisfaction across a range of topics such as company confidence, leadership, sociability, teamwork, service and quality, and wellbeing.

Survey results

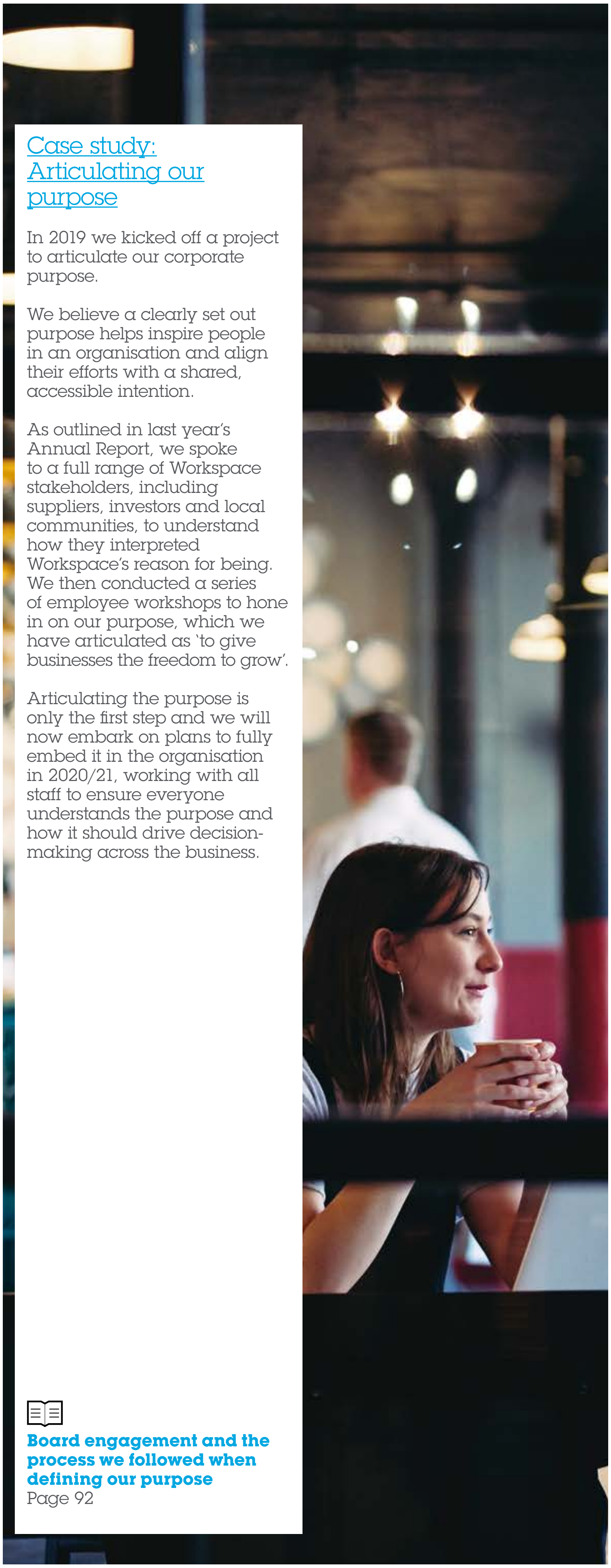
More than two thirds of the business completed the survey, providing powerful insights into staff engagement and motivation. The overall engagement score, calculated by survey provider Culture Amp, of 74% was 5% higher than the average for UK corporates.

Areas that scored especially high included employee confidence in Workspace's business model and strategy, with 90% saying they are proud to work for Workspace, and in teamwork, empowerment and the sociable culture. The highest score was reflected in our efforts as a company to make a difference on our surroundings, with staff feeling that our commitment to corporate responsibility is genuine.

The survey also helped shine a light on areas for development. Some highlighted employee wellbeing as an area for improvement while acknowledging that a number of initiatives are starting to bring it to the fore of the business.

Employee update 2020

In February, we hosted a well-attended event for all staff at Edinburgh House, starting with a clear outline of the Workspace success story and a thank you to staff for all their hard work in growing the business. As newly appointed CEO, Graham set out his plans for the business, including several appointments to the Executive Committee; shared employee survey results; and outlined actions Workspace is taking to address the feedback.



Case study: Articulating our purpose

In 2019 we kicked off a project to articulate our corporate purpose.

We believe a clearly set out purpose helps inspire people in an organisation and align their efforts with a shared, accessible intention.

As outlined in last year's Annual Report, we spoke to a full range of Workspace stakeholders, including suppliers, investors and local communities, to understand how they interpreted Workspace's reason for being. We then conducted a series of employee workshops to hone in on our purpose, which we have articulated as 'to give businesses the freedom to grow'.

Articulating the purpose is only the first step and we will now embark on plans to fully embed it in the organisation in 2020/21, working with all staff to ensure everyone understands the purpose and how it should drive decision-making across the business.

Board engagement and the process we followed when defining our purpose
Page 92

Wellbeing

We considerably ramped up our focus on employee wellbeing this year, introducing a policy to establish, promote and maintain the mental health and wellbeing of our staff. It sets out the help available, which procedures to follow and how we measure and report on the wellbeing of our staff, while aiming to reduce the stigma surrounding mental health at work.

We carried out mental health training for all senior managers to help them recognise the signs of mental ill health in the workplace and offer appropriate support. Drop-in sessions were held for all employees to learn about wellbeing in the workplace. Last summer, we were delighted to receive the Mayor's London Healthy Workplace Award for our efforts.

Equality in the workplace

As part of our social mobility pledge, we are committed to fair and non-discriminatory recruitment practices. We have also set up a working group to provide a forum for staff to identify areas for improvement. For example, in the recruitment process we are carefully phrasing job roles to avoid gender bias and not simply offering salaries based on previous earnings. Significant updates to our maternity and paternity policy included a considerable boost to Company maternity pay.

Diversity and inclusion

We believe in fairness and equality of opportunity where talented people can thrive irrespective of gender, race, ethnicity, age, religious beliefs, disability, education or social background. Our Human Resources team is delivering a programme of initiatives to improve diversity, including unconscious bias training for staff involved in recruitment and appraisals, and ensuring candidate shortlists include a fair balance of men and women.

Strengthened Executive team

Following Graham Clemett's appointment as CEO, one of his first priorities was to strengthen the Executive Committee with a combination of internal and external appointments. Dave Benson was hired as Chief Financial Officer, bringing strong commercial and finance skills, as well as valuable experience in consumer-facing businesses. Will Abbott was hired as Chief Customer Officer, a new role for Workspace and one of vital importance given our heightened focus on customer service.

Internal promotions included Richard Swayne as Investment Director, Claire Dracup in the newly created role of Head of People, adding HR, training and staff development to her existing oversight of the Support Services team, and Carmelina Carfora our Company Secretary, covering legal and governance.

Learning and development

Our staff survey showed that employees are eager to develop their careers. A thirst for knowledge and learning is one of our key values – unsurprisingly employees are keen to benefit from our regular programme to provide training and development opportunities. During the year, we supported seven employees towards professional qualifications in RICS, Health & Safety, CIPD, Marketing and Project Management. Almost 1,000 training days were delivered, covering a range of topics:

- People management.
- Customer service.
- Networking.
- Mental health guidance.
- IT skills.
- Writing skills.
- Data protection.

Case study: Developing skills and career

Nassir Said started at Workspace as an Accounts Payable Clerk at the age of 19, arriving as an apprentice from his previous job.

His enthusiasm and ambition immediately shone through. We sponsored his Associated Accountant Technician course and he progressed to Senior Accounts Payable, responsible for training and onboarding new staff and improving finance processes.

Nassir's continued development meant he was recently promoted to Assistant Management Accountant.

Earlier this year, Nassir shared his expertise with young people at a CV workshop event organised by the charity XLP. He received glowing feedback from the teenagers involved, who were impressed by his achievements and knowledge at a young age so close to theirs.

Nassir is due to start training for his Association of Chartered Certified Accountants qualification later in the year.

Nassir has gone from strength to strength since he started at Workspace.

Tara Dooley
Accounts Payable Manager

Supporting staff during the health crisis

With the Government-enforced lockdown in place, the vast majority of customers moved to working from home. Our business centres remained open but with reduced presence of Workspace staff.

At the start of the crisis, our IT team carried out extensive training across the business to ensure all staff were equipped and able to work efficiently remotely, making the most of the technology available.

Motivation and engagement of employees has been paramount, especially during a time of uncertainty. Regular communications from our CEO and senior management team have served to reassure, support and connect colleagues while they were distanced from one another. We used videos, carried out competitions and hosted engaging exercises to bring staff together online and ensure we were mindful of employee wellbeing and mental health during such a challenging time.

Our ongoing response to Covid-19
Page 60

Our business model

We are one of the leading providers of flexible office space in London, providing inspiring space to over 3,000 customers.

Our unique customer offer combined with a high-quality property portfolio generates sustainable long-term value.

Acquisition opportunities that meet our strict criteria add to our development pipeline, allowing us to bring new office space to market over time.

We hold most of our property assets for the long term, with capital recycled through disposals of properties that no longer fit our strategy.

Our knowledge and expertise in urban regeneration is enhanced through active asset management, driving capital appreciation, rental growth and, ultimately, long-term value for customers, employees, investors and partners.

High quality, energy efficient buildings attract potential customers as well as employees, which supports our long-term growth strategy.

Our purpose, which is to give businesses the freedom to grow, drives our business model, ensures we remain focused on delivering against our strategy and empowers our people to provide the highest level of service for our customers, guided by our values. Achieving these aims will create long-term value for all our stakeholders.

A unique customer offer and a high-quality property portfolio

Customers first

We provide unique, inspiring, flexible work spaces in dynamic London locations for all sizes of businesses at any stage of their life cycle.

The changing requirements of our customer base directly inform and refresh our portfolio strategy. Regular customer interaction with our in-house teams provides real-time market intelligence. We also collect information from businesses looking for space with an average of 1,087 enquiries received each month. This market feedback underpins a regular cycle of investment and refurbishment of our portfolio, which in turn drives capital uplift and income generation.

Over 1,450 businesses either joined Workspace as new customers or changed their space requirements in some way this year. Each customer change provides us the opportunity to reassess rent levels, occupancy, configuration of our properties, and customer demand in new areas of urban regeneration.

We regularly reconfigure our properties to adapt to our customers' changing requirements including a vibrant front of house experience, meeting rooms, breakout areas, gyms, cafes and wellbeing facilities such as cycle storage and showers.

On top of this, our experienced centre managers create fantastic communities within the buildings, hosting customer events and promoting networking and knowledge sharing opportunities to support business growth.

Supported by our financial strength and responsible approach

Financial strength

As a Real Estate Investment Trust ('REIT'), our financial objective is to generate sustainable, long-term income generation. We optimise returns and create value from a deep portfolio mix of properties with a healthy pipeline of development. Through our trading profit, we generate strong cash flows which fund our dividend growth and portfolio investment. Our properties are held for the

Sustainability

Acting as a responsible corporate citizen is central to our corporate values and are exemplified by our 'Doing The Right Thing' strategy and activities. Creating attractive, sustainable environments that provide long-term opportunities for our customers is an integral part of our development strategy and fundamental to reaching our net zero carbon target by 2050. High quality,

Financial performance in 2019/20
Pages 53 to 55

Doing The Right Thing
Pages 34 to 52

Unique properties

Our high-quality property portfolio is wholly London-based. We believe the city is one of the most resilient global commercial centres, with a deep and liquid property market. The highly educated and mobile workforce creates steady demand for flexible office space, and the structural shift towards shorter, flexible leases continues to support our long-term growth.

We own all our properties, most of which are freehold and held for long-term income generation, which gives us the flexibility to adapt our portfolio to customer requirements.

Our properties include four stages of development:

- Like-for-like which are our mature, fully let properties. These provide stable cash flows and rent reversion potential with average occupancy levels of around 90%.
- Refurbishment properties are those to which we add value through adding floors, upgrading premises and expanding into adjacent areas such as car parks.
- Redevelopment properties are those where we see opportunities to add value through conversion to alternative or mixed residential and commercial use.
- Acquisitions and disposals are an integral part of our property strategy. We regularly recycle capital from properties no longer suited to our strategy into new properties.

Customer diversity

Information, Communication and Technology	16%
Professional, Technical and Consultancy Services	16%
Wholesale and Retail	11%
Arts, Entertainment and Recreation	9%
Financial Services	8%
Marketing	7%
Administrative and Support Services	5%
Not for profit	4%
Construction and Property	4%
Travel, Hospitality and Leisure	4%
Design	4%
Manufacturing	3%
Other	2%
Retail Units	2%
Education	2%
Health and Social Work	2%
Transportation and Storage	1%

Property pipeline

Refurbishments underway:

Mare Street Studios – H1 2020
Wenlock Studios – H2 2020
Pall Mall Deposit – H2 2020
Rainbow Industrial Estate (part) – H1 2020
Chocolate Factory (part) – H2 2021

Redevelopments underway:

The Light Bulb (phase 2) – 2020
Marshgate – 2021

long term to generate a growing rent roll to fund dividends, refurbishment projects and redevelopment of our pipeline.

We maintain a flexible financing strategy through a mixture of debt, private placements and equity raisings supported by a global investor base. Our financing strategy is conservative with a focus on maintaining good headroom on our debt covenants, a low loan to value and a disciplined approach to portfolio investment and cost control. Attractive acquisition opportunities are regularly evaluated against a well-established framework with selected disposals providing opportunity to recycle capital into new areas of investment.

energy efficient buildings attract potential customers which supports our long-term growth strategy.

Successful regeneration of London properties also requires vibrant communities that appeal to both customers and employees to drive long-term rental growth. Our employees are central to our success, and attracting and retaining the best people supports our competitive positioning. Bringing all these activities together under a robust governance framework aligns them with our strategic direction.

Creating value for all stakeholders

Adrian Shedden, founder of Lumio, at Clerkenwell Workshops.

Customers

Our flexible offer and community experience builds customer loyalty

78.9%

Customer satisfaction score

Employees

Our expert staff are highly motivated, guided by a clear set of values

90%

of employees feel proud to work at Workspace

Environment

Our focus on sustainability will reduce our environmental impact

2050

Net zero carbon portfolio by 2050

Communities

We aim to enhance the local communities in which we operate

45

Disadvantaged young people engaged through our InspiresMe programme

Suppliers and partners

Encouraging collaboration and aligning our partners' values with ours results in more productive relationships

Feedback

Providing direct feedback from customers to suppliers means they can constantly improve their products and services

Shareholders

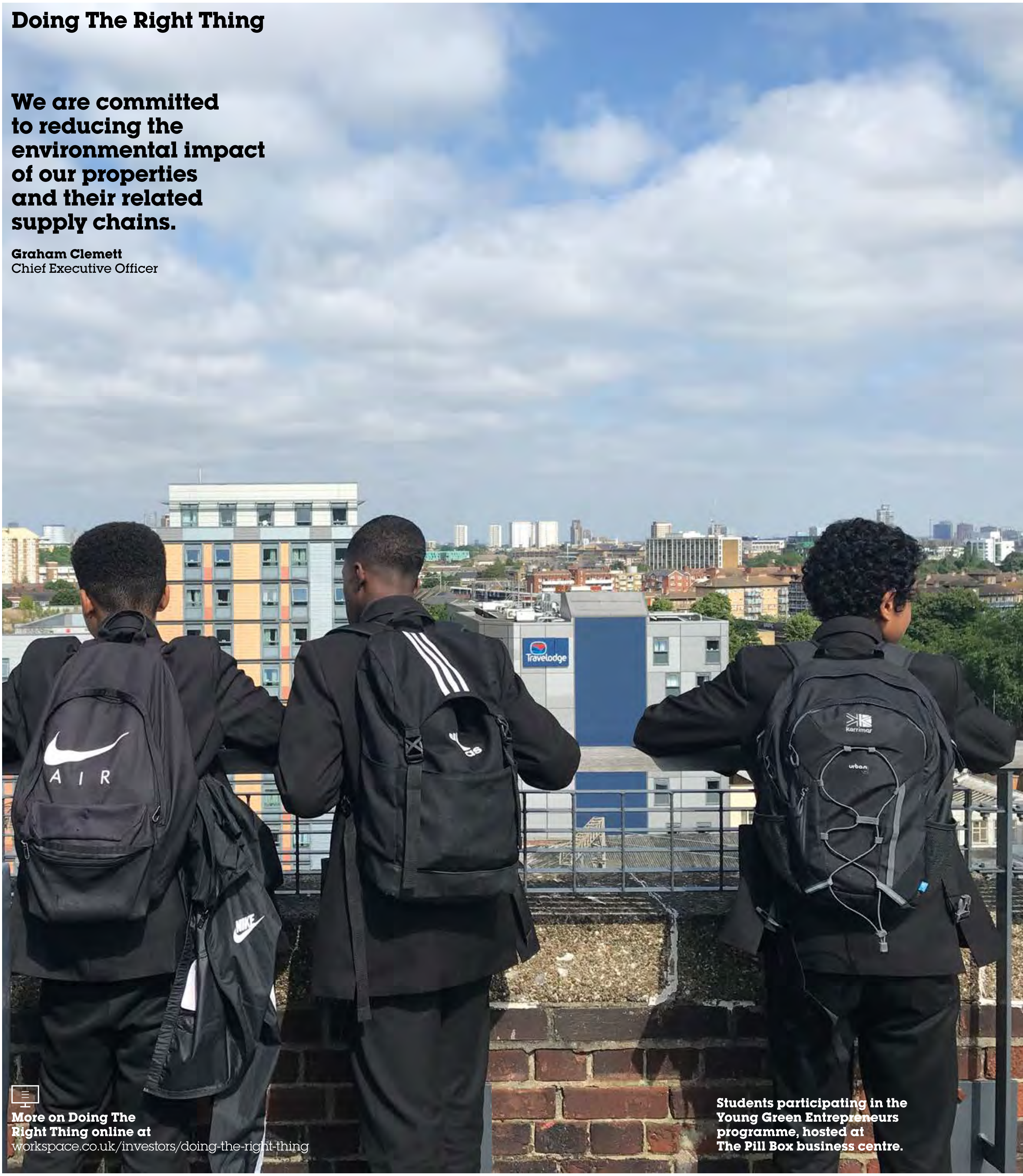
We are committed to delivering long-term value for shareholders

36.16p

Total dividend for the year (per share)

We are committed to reducing the environmental impact of our properties and their related supply chains.

Graham Clemett
Chief Executive Officer



Students participating in the Young Green Entrepreneurs programme, hosted at The Pill Box business centre.

More on Doing The Right Thing online at
workspace.co.uk/investors/doing-the-right-thing

Awards, accreditations and commitments

We are proud to share our achievements in a year in which we have received external recognition for. We have a successful long-term track record of meeting stringent requirements in sustainability, carbon disclosure and environmentally responsible building practices.

Global Real Estate Sustainability Benchmark ('GRESB')

ESG performance benchmark

Real Estate Assessment:
85
(Peer group average: 77)

Public disclosure:
A

EDF

All electricity supplies are backed by a Renewable Energy Guarantee of Origin (REGO) certificate.

100% renewable energy tariff with EDF
100%

European Public Real Estate Association ('EPRA')

EPRA Sustainability Best Practices Recommendations (SBPR)

Gold
(6th year in a row)

London Healthy Workplace Award

Pan-London framework that supports and recognises investment in staff health and wellbeing.

Foundation level
accreditation

Carbon Disclosure Project ('CDP')

CDP scores companies from A to D- on the quality of their climate disclosure and action towards a low-carbon future.

A-
(Regional average: C)
Upgraded from B last year

Considerate Constructors Scheme

Easton Street
37/50

Mare Street Studios
37/50

Pall Mall Deposit
40/50

FTSE4Good Index

FTSE4Good Index for Excellence in ESG

Absolute rating, Excellence in ESG:
3.1/5

Relative percentile score:
68

The Social Mobility Pledge

1. Partnership – Partner with schools or colleges to provide coaching to people from disadvantaged backgrounds.

2. Access – Provide structured work experience to those from disadvantaged backgrounds.

3. Recruitment – Adopt open employee recruitment practices and promote a level playing field for those from disadvantaged backgrounds.

Investors in People

Standard which defines what it takes to lead, support and manage people well for sustainable results.

Gold standard award (2016)
Gold
(3-year accreditation)

Partnerships

BBP Better Buildings Partnership

Islington Sustainable Energy Partnership Member

BPF British Property Federation

Our ESG journey

Environmental, Social and Governance (ESG) has become increasingly important to our stakeholders, particularly investors, customers and employees. Our investors are asking us about our resilience to climate change, our customers want to know where their energy is coming from and where their waste is going, and our employees want reassurance that they are working for a responsible business.

We recognise that the building and construction industry significantly contributes to the global carbon footprint, and we are committed to reducing our impact on the environment. Working with suppliers, partners, government and local communities, we strive to continually reduce our carbon footprint, build climate resilience and help create sustainable communities. In our redevelopment and refurbishment projects, we strive in all instances to meet high environmental standards set by industry and government bodies. We are active participants in the 'circular economy' where we recycle materials from demolition activities and reuse them on site, minimising any materials sent to landfill.

In 2017, we brought all our initiatives together under the umbrella of 'Doing The Right Thing' which is now embedded in our values through 'Show We Care' and 'Find a Way'. This is reflected in our culture and how we manage our business, our investments and our customer relationships.

Doing The Right Thing garden project with Groundwork.

14,640 tCO_2e

In 2012/13 our GHG emissions totalled 14,640 tCO_2e.

2012/13

Greenhouse gas (GHG) baseline year.

2013/14

Started to collate all energy data onto an energy management platform.

2014/15

Completed our first BREEAM rated centre (Screenworks).

2015/16

Installed our first smart sub-metering system Optergy (Grand Union Studios).

Carried out phase 1 solar PV feasibility study.

Carried out a Healthy Buildings Project.

2016/17

Began to procure renewable electricity.

Started EPC review of whole portfolio to prepare for Minimum Energy Performance Standard (MEES).

Took part in the UKGBC Wellbeing Lab.

2017/18

Launched our 'Doing The Right Thing' strategy.

Started reporting on renewable energy procurement through market-based reporting.

Pill Box (left) and Kennington Park (right) were part of our Healthy Buildings project in 2015/16.

Metal Box, Bankside featured on the front cover of UK-GBC wellbeing lab: Offices.

-28%

Reduced our GHG emissions in 2020

2018/19

Completed energy improvement works for MEES.

83

Customer engagement events in 2019/20

2019/20

Signed up to the BBP Climate Change Commitment.

Initial TCFD disclosure.

Carried out phase 2 solar PV feasibility study.

Surpassed our target to reduce our absolute scope 1 & 2 GHG emissions by 16% by 2020 with a 28% reduction.

Improved customer engagement through events, website resources and setting up environmental groups.

Launched Optergy energy portal for customers to view and monitor their energy consumption.

Became a member of the British Property Federation (BPF) Sustainability Committee.

2020/21

Set our Science Based Targets for scopes 1,2 & 3 (aligned to a 1.5°C scenario).

Publish our own net zero carbon pathway by December 2020.

Trial electric vehicle charging points.

Review solar PV feasibility study.

Undertake embodied carbon assessments for all new developments.

Complete mapping exercise of the UN Sustainable Development Goals against our strategy.

Integrate ESG into our acquisition due diligence process.

2021/22

Develop a comprehensive climate change resilience strategy for our portfolio.

Focus on reducing energy consumption through:
- energy management.
- behaviour change.
- installing energy efficient equipment (e.g. air source heat pumps).
- implementing energy efficiency measures (e.g. insulation).

Complete next phase of AMR roll out for all energy meters and large water meters.

Enhance supply chain management through engagement with key suppliers and contractors.

Set operational energy intensity targets for landlord areas.

Support our employees in achieving our sustainability goals by facilitating workshops and seminars.

In 2020/21 we will complete our mapping exercise against the UN Sustainable Development Goals.

2025

Collect environmental data from customers who procure their own energy or waste management services.

Set operational energy intensity targets for every asset.

Review targets to ensure consistency with most recent climate science and best practices.

2030

Reduce absolute scope 1 GHG emissions by 42% from a 2019/20 base year.

Continue to source 100% renewable electricity.

Reduce scope 3 GHG emissions from purchased goods and services related to development projects by 20% per lettable area from a 2019/20 base year.

2050

Net zero targets for scopes 1,2 & 3 (operational & embodied).

Net zero

Net zero carbon target covering whole building performance, including customer consumption, and embodied carbon from development, refurbishment and fit-out works.

Sustainability Workspace Business Insight event at Brickfields, Hoxton.

Our commitment to net zero carbon by 2050

In September 2019, Workspace signed up to the Better Building Partnership (BBP) Climate Change Commitment to deliver net zero carbon real estate portfolios by 2050.

As part of the commitment we will be publishing our net zero carbon pathway by December 2020, addressing both operational and embodied carbon. Following this we will be disclosing our progress against this pathway on an annual basis, sharing asset-level energy performance and developing a climate change resilience strategy in line with the Task Force on Climate-Related Financial Disclosure (TCFD).

Following a detailed analysis of our emissions across the business and looking at the different climate scenarios used for the 2°C and 1.5°C trajectories, we have developed a set of Science Based Targets ('SBTs') which are aligned to the Intergovernmental Panel on Climate Change (IPCC) 1.5°C report. These targets will be launched in 2020 following approval from the SBT initiative and include both our operational emissions and our embodied carbon emissions.

We commit to the following targets to help us achieve our net zero carbon objectives:

– Reduce absolute scope 1 GHG emissions by 42% by 2030 from a 2019/20 base year.
– Continue to source 100% renewable electricity.
– Reduce scope 3 GHG emissions from purchased goods and services related to development projects by 20% per lettable area by 2030 from a 2019/20 base year.

Our total carbon footprint
(Scopes 1, 2, and 3)

The pie chart shows our total carbon emissions. Scope 1 & 2 emissions make up only 5% of the total emissions. Although these look insignificant compared to our scope 3 emissions, these are essentially our operational emissions that we have control over and therefore need to take full responsibility for. The majority of scope 1 and 2 emissions are our gas and air conditioning. Our electricity emissions are zero because we procure 100% green electricity.

The majority of scope 3 emissions are from our refurbishment and redevelopment activities.

Scope 1
3,450 tCO_2e

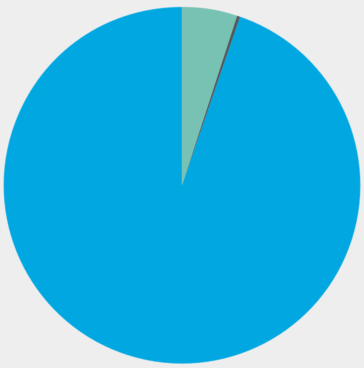
3.9% Natural gas
1.2% Fugitive Emissions (Air conditioning)
<1% Transport

Scope 2
130 tCO_2e

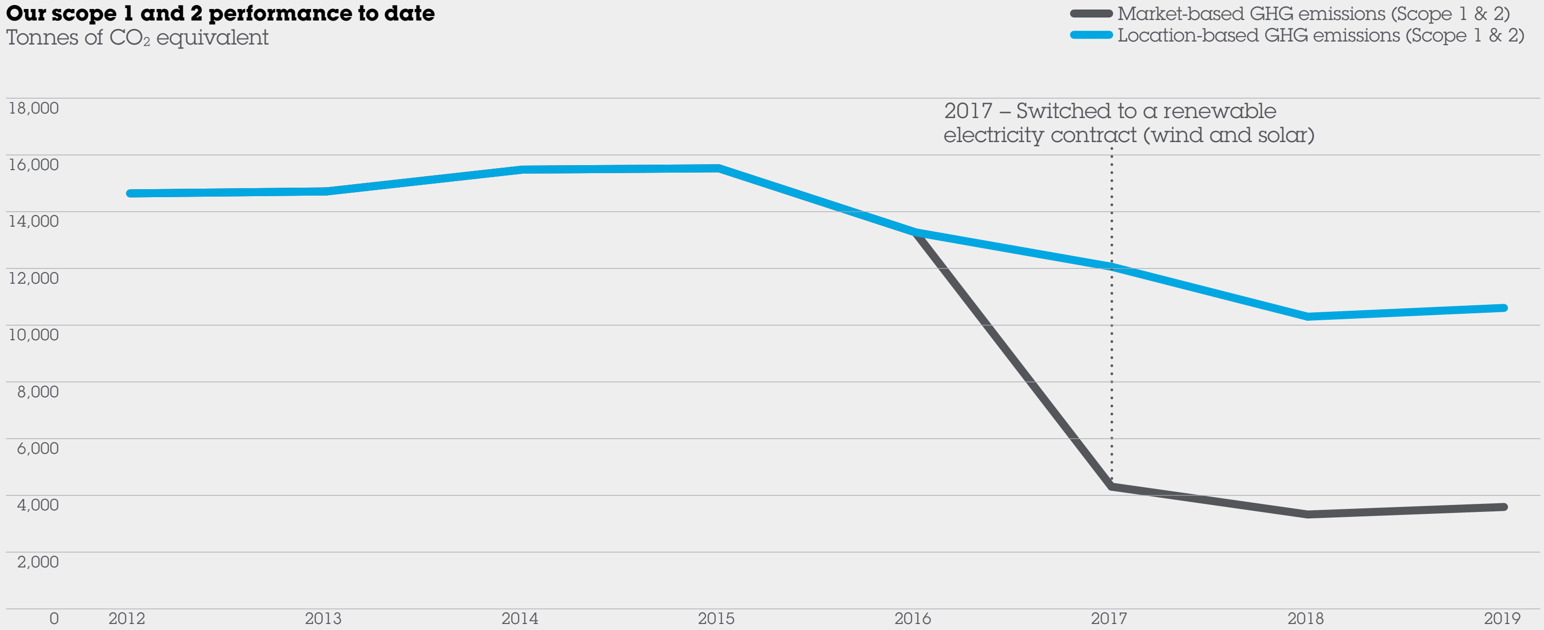
<1% Heat
<1% Electricity

Scope 3
63,127 tCO_2e

92.1% Refurbishments and redevelopments
1% Customer direct electricity and gas
1% Distribution losses from scopes 1 & 2
<1% Operational waste
<1% Business travel
<1% Commuting



Our scope 1 and 2 performance to date
Tonnes of CO_2 equivalent



Case study: Major refurbishment: Edinburgh House, Vauxhall

Edinburgh House is a striking business centre located in Vauxhall. Our refurbishment has improved its energy efficiency significantly, reducing the regulated CO_2 emissions by approximately 60%. A solar photovoltaic system on the roof further reduces the building's regulated CO_2 emissions by around 2%.

Our interior refurbishment was designed to BREEAM Very Good standard, which was a significant accomplishment given the restrictions of a listed building. A good proportion of the materials used were sourced from suppliers committed to responsible sourcing of materials and operate environmental management systems. Materials were selected for their robustness and longevity.

The ecological value of the site has been improved – a perimeter planting scheme was rolled out along the boundaries of the site and wildlife boxes have been installed, including sparrow terrace, common garden nest boxes, invertebrate boxes and insect boxes. A small green roof has been added which has been designed so as not to need irrigation.

The entire building is connected to a sophisticated Building Energy Management System (BEMS) which allows our Facilities Managers to control the building remotely and each customer can log onto the online portal to view and manage their energy consumption in real-time.

The lighting is all LED and presence controlled. Large office spaces are zoned to account for areas close to a window where lighting levels are automatically reduced on the perimeters where there is sufficient daylight entering the room. There is plenty of natural light entering the building from the exterior and the interior atrium, and excellent acoustic performance has been achieved internally, contributing to a pleasant working environment.

The beautiful exterior only gets better when you walk in with offices, studios and meeting rooms all set around a spectacular central atrium flooded with natural light. It makes for a great environment to work in and impress clients.

Mark Blyth,
Centre Manager

Customers at Edinburgh House, Vauxhall.

Case study: New development: Brickfields, Hoxton

Built specifically for heavy engineering works in the 1970s, Cremer Street Studios in Hoxton had low floor to ceiling heights, poor quality brick and concrete which meant that it didn't meet the requirements of modern businesses today. We therefore decided to demolish and create a brand-new centre, renamed Brickfields, designed to BREEAM Excellent standard, whilst retaining 65% of the existing foundations and saving embodied carbon. Collaboration across all teams was essential to build this adaptable, durable and 'circular' asset.

Building features

Future adaptability

- Steel frame construction with a clear and generous services zone, tall ceiling heights and good daylight offer substantial adaptability in terms of subdivision and re-servicing. The combination of durability and flexibility should offer a long, useful life.

Re-use

- Due to the weight of the demolished structure, the capacity of the existing foundations was re-used by building in relatively lightweight new construction.
- The brick and concrete demolition waste was crushed and almost all re-used on site. The steel reinforcement was separated and recycled.
- Since it is predominantly dry construction, the building can be disassembled and separated into components which can be re-used. The use of an engineering brick with a weak class 4 mortar is intended to permit separation and re-use of bricks.

Energy efficiency

- Followed principles of 'Fabric first; Efficient services and low-carbon heat; Maximising on-site renewables', set out in the UKGBC's 2019 Net Zero Framework.
- Both the heating and cooling systems and surface water drainage have been designed to accommodate adaptation to climate change.
- Highly insulated following current best practice, and highly airtight.
- A good ratio of glass to façade; combined with a low G-value, keeps solar gain low.
- Common parts are naturally ventilated, and the studios, which have exposed concrete soffits for high thermal mass, are ventilated by opening windows and mechanically heated and cooled.
- Low-carbon heat through high performance roofmounted Air Source Heat Pumps and Variable Refrigerant Flow units in each studio.
- Full metering of each unit, following best practice, enabling detailed review of use and performance.
- On-site renewables estimated to generate 4% of primary energy usage.

Sustainability

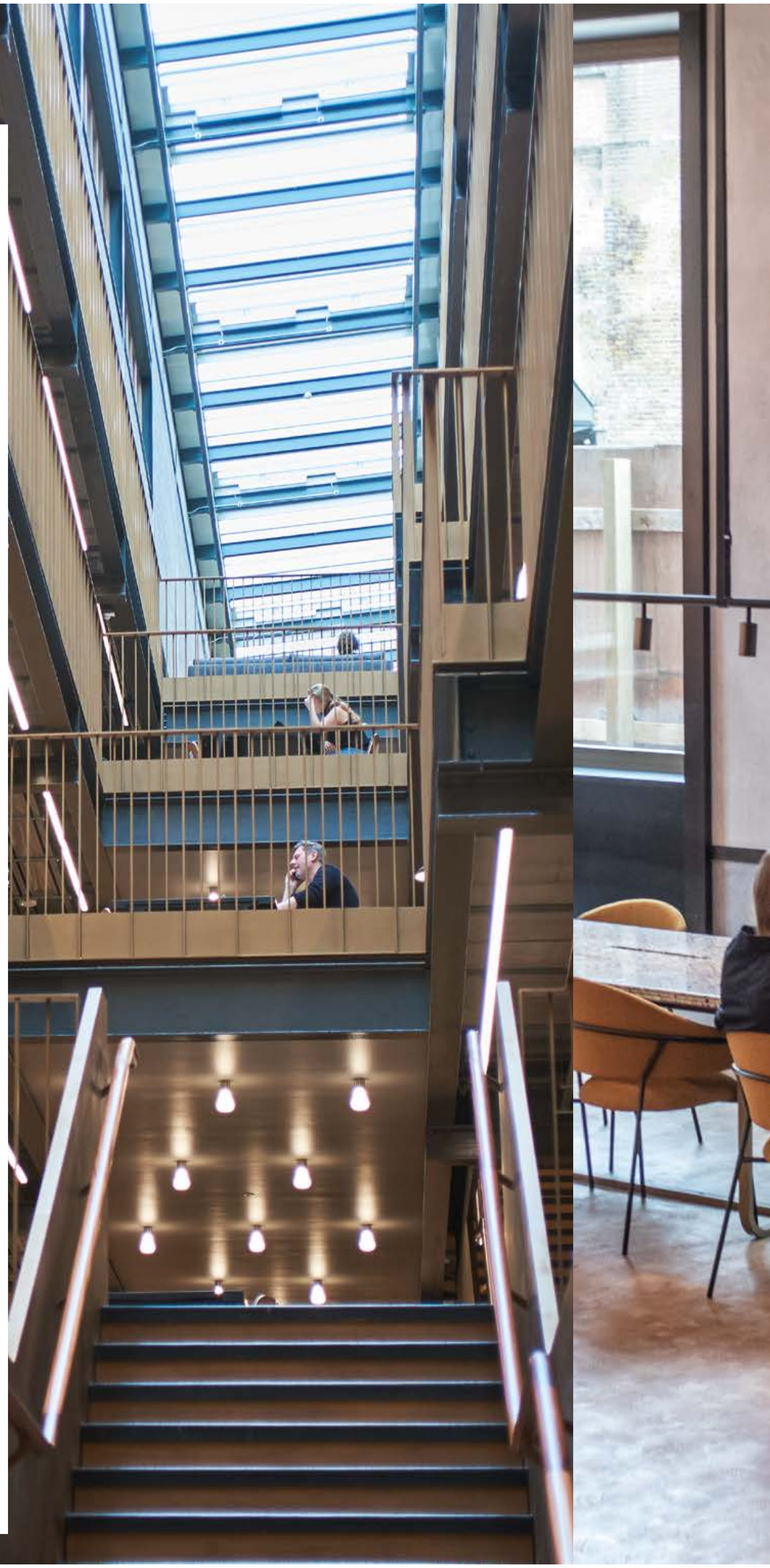
- Zero parking, with 102 cycle parking spaces.
- Landscaped yard between the building and the railway viaduct offers outdoor amenity space to tenants and neighbours.

Collaboration

- Soft Landings framework was followed to close the performance gap between design and operation. Substantial user engagement will be carried through for three years after practical completion, implemented through the centre management.

108

Cycle parking spaces



Customers at Brickfields, Hoxton.

Climate resilience
We consider climate-related risks and opportunities across all our business activities. Our most pressing risks include:
- Legislative e.g. Minimum Energy Efficiency Standards, carbon taxes.
- Physical e.g. flood and storm damage.
- Temperature changes e.g. Increase in cooling demand (air-conditioned space).

These risks, however, also create opportunities for our business:
- Lower maintenance and operational costs through better design and efficiency.
- Competitive positioning, e.g. an opportunity to become a leader in the industry.
- On-site generation e.g. solar PV installation requires less reliance on the grid and reduces the risk from future increase in electricity prices.

Task Force on Climate-Related Financial Disclosures (TCFD)
Launched in 2017, the Task Force on Climate-related Financial Disclosures (TCFD) encourages businesses to disclose their response to climate change by assessing Environmental, Social and Governance ('ESG') risks and opportunities. With this in mind, Workspace has provided a TCFD disclosure in line with these recommendations. Some of the key areas from Workspace's disclosure are summarised below.

Governance
The Board is responsible for our long-term success and the delivery of strategic and operational objectives. Our Risk Committee, which reports to the Audit Committee, reviews and identifies risks associated with sustainability, carbon and energy management, to which climate change is directly linked.

Strategy
As a responsible business we consider climate-related risks and opportunities across all our business activities including the design, construction, refurbishment and day-to-day operational management of our portfolio. We identify risks and opportunities over short-term (0-5 years), medium-term (5-15 years) and long-term (15+ years) horizons whilst considering the strategic and financial implications of these risks and opportunities on our operations.

Risk management
Risk management continues to be an integral part of all our activities. Risks and opportunities are considered in every business decision we make. It is embedded in our culture to consider potential risks of any new business decision. We focus on key risks which could impact on the achievement of our strategic goals and therefore on the performance of our business and look to identify risks across two key areas: Business (Strategic) Risks and Operational Risks.

Metrics and targets
Workspace also focuses heavily on energy and carbon reduction measures, to make our assets operate as efficiently as possible. As detailed in our full TCFD disclosure within the Metrics and targets section on page 4, we have developed science-based targets which are set against recognised 1.5°C transition scenarios.

Workspace's TCFD Full Disclosure Report can be found on our website.

Greenhouse gas ('GHG') emissions and energy use data for Streamlined Energy & Carbon Reporting (SECR)
In order to satisfy the requirements, we report both absolute emissions and emissions as an intensity ratio; this is based on net lettable and occupied area.

Source of emissions	2012/13 (baseline)	2018/19	**2019/20**	Year-on-year % change	Change against 2012/13 baseline
Scope 1 (Direct)	4,130	3,113	**3,450**	11%	-16%
Gas (tCO_2e)	3,959	2,707	**2,620**	-3%	-34%
Fugitive emissions (tCO_2e)	169	403	**827**	105%	390%
Vehicle emissions (tCO_2e)	2	3	**3**	2%	53%
Scope 2 (Energy Indirect)	10,510	7,179	**7,151**	0%	-32%
Purchased electricity (location-based)	10,510	7,027	**7,021**	0%	-33%
Purchased electricity (market-based)	–	50	**0**	-100%	–
Purchased heat (location-based)	0	152	**130**	-14%	–
Total (scope 1 & 2)	14,640	10,292	**10,601**	3%	-28%
Energy consumption used to calculate above emissions (kWh)	–	40,361,113	**42,466,715**	5%	–
Intensity Ratio: Net lettable area tCO_2e/m^2	0.030	0.028	**0.029**	2%	-5%
Intensity Ratio: Occupied space area tCO_2e/m^2	0.035	0.033	**0.033**	-1%	-6%
Scope 3 (other Indirect)	–	4,463	**4,228**	-5%	
Purchased Electricity – Transmission & Distribution	–	606	**596**	-2%	
Customer Direct Electricity	–	2,796	**2,705**	-3%	
Downstream Leased Asset	–	673	**560**	-17%	
Water Supply	–	90	**91**	1%	
Water Treatment	–	185	**187**	1%	
Waste Management	–	105	**82**	-22%	
Heat – Transmission & Distribution	–	8	**7**	-13%	
Total (scope 1, 2 & 3)	–	14,755	**14,829**	1%	

Methodologies

Reporting period	1 April 2019 – 31 March 2020.
Boundary	Operational control, UK only. Scope 1 and 2 emissions include tenant consumption where we procure gas, electricity or heat on their behalf.
Reporting standards	World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition (the GHG Protocol). World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: Corporate Value Chain (Scope 3).
Regulatory	Part 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.
Verification	Verified to the international standard ISO 14064-3:2019 Specification. Limited level of assurance, based upon a 5% materiality threshold.
Other	When reporting totals, the location-based emissions are used. All market-based emissions are backed by Renewable Energy Guarantees of Origin (REGOs). Emissions from vacant units have been omitted from data collection as they are considered to be immaterial. Fugitive emissions data quality improvements in 2019/20 have caused a significant change in emissions. Scope 3 does not include embodied carbon associated with refurbishments and redevelopments.

Energy efficiency action taken during 2019/20

We have identified and delivered a range of energy management projects across our portfolio including technology and infrastructure upgrades, improved data management and employee engagement. During the year we have implemented LED and PIR lighting upgrades, voltage optimisation and insulation improvements, all of which are expected to result in a 1,518 MWh saving in energy consumption. Most of these projects were recommendations from our phase two ESOS (Energy Saving Opportunity Scheme) audits carried out in the previous year which identified 2,909 MWh of potential energy savings.

We have continued to roll out our Optergy Building Energy Management System (BEMS) which is a smart metering technology that has enabled real-time energy monitoring at the building level right down to individual plant equipment. The data provided by the BEMS is used by our in-house Facility Management teams to improve energy management practices and reduce GHG emissions. The Optergy customer portal is now live at 14 of our sites and enables our customers to log in to view and monitor their energy consumption profiles for their own unit.

Performance

Our long-term target for this year was to reduce our absolute scope 1 & 2 GHG emissions by 16% from our 2012/13 baseline year, which we have surpassed by reducing these emissions by 28%.

Our year-on-year scope 1 emissions have increased due to a significant improvement in our fugitive emission data collection process, providing a more robust data set this year. Additional contributing factors are the replacement of some gas central heating systems with air source heat pumps for environmental purposes and an increase in demand for air-conditioned space. Our gas consumption has decreased as a result of this and improved data monitoring.

Our scope 2 location-based emissions have decreased slightly compared to the previous year due to the decrease in the carbon dioxide emission factor for UK electricity generation, which is attributed to a decrease in coal generation and the rapid expansion of renewables. Our market-based electricity figure is zero because all the electricity we purchase is now on a renewable energy contract backed by Renewable Energy Guarantees of Origin (REGOs).

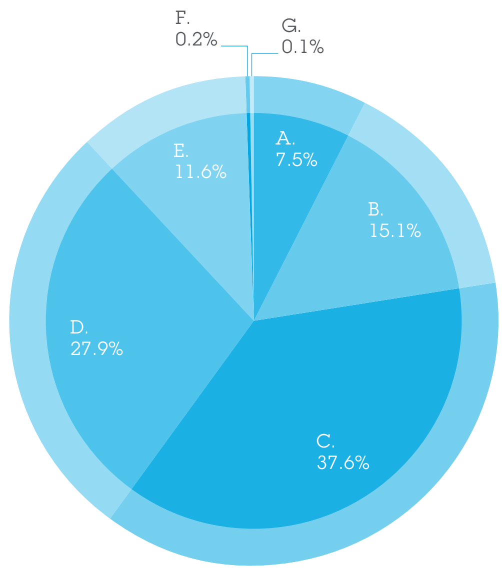
Both intensity ratios have reduced since the baseline year, with a slight year on year increase for the net lettable area intensity.

Our scope 3 emissions have decreased due to data quality improvements and the change in the number of customers and downstream leased assets procuring their own energy directly from suppliers. The emissions associated with waste management have decreased by 22% compared to the previous year due to the increase in recycling rate and reduction in total waste generation across the portfolio.

Energy Performance Certificates (EPCs)

The pie chart below shows our current Energy Performance Certificates (EPCs) across the portfolio based on total square footage. Following a review of the entire portfolio in 2016/17, before the MEES legislation came in, significant energy efficiency measures were implemented to bring any F or G rated EPCs up to an E and above. Four years ago, 39% of our portfolio was rated between A and C, and following our improvement works, we now have 61% of the portfolio rated between A and C. Works included LED lighting upgrades, insulation improvements, and heating upgrades. Workspace is now in a very good position with 12 BREEAM rated energy efficient assets, with future refurbishment and redevelopment works planned for the year ahead to improve the standard further.

Current Energy Performance Certificates (EPCs) across the portfolio based on total square footage



Solar PV performance

We currently have 13 solar photovoltaic ('PV') installations across the portfolio. Our total solar power generation over the past four years has increased by 163% to 129,533 kWh.

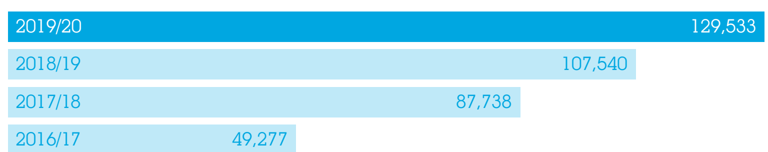
We install solar PV systems at all new developments where possible and are carrying out feasibility studies to retrofit systems at our existing sites. Although we procure 100% renewable electricity across the portfolio, on-site generation will obtain a return on investment over time and play a part in our net zero carbon target.

Solar PV generation

2016/17 – 2019/20

374,088 kWh

Total generated over the last four years

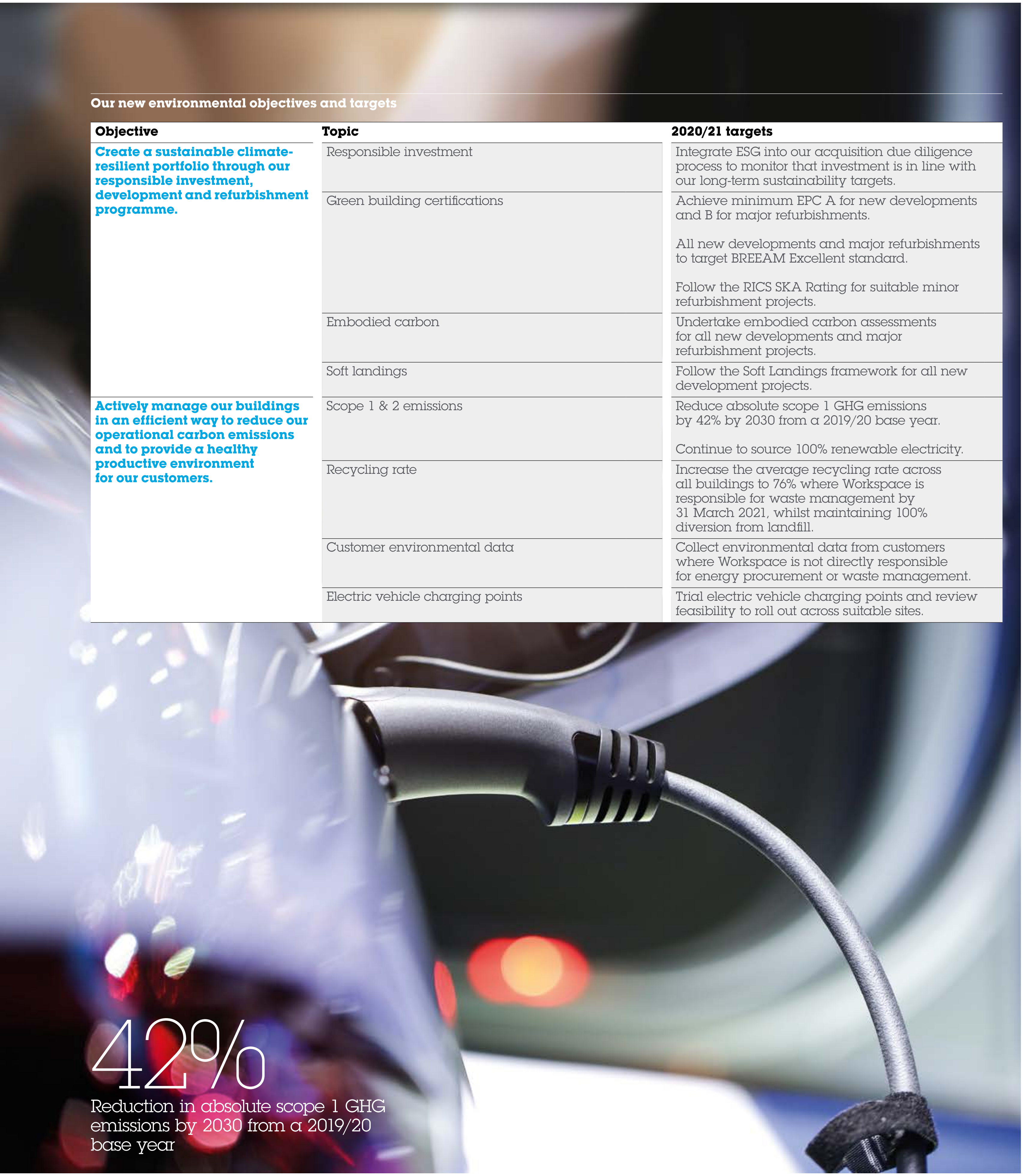


Driving sustainability
Creating environmentally friendly buildings that are sustainable and energy efficient is a cornerstone of our strategy. All development projects have had a strong focus on energy and water efficiency, sustainable transport and on-site renewable energy generation. This will still be the case for future projects; however, we will be incorporating embodied carbon analysis earlier in the design stage to help inform our decisions.

Our rolling development and refurbishment activities have enhanced the performance of our portfolio, reducing our energy use, whilst driving down operational costs. Our recycling rate across the portfolio was 73% this year as a result of collaborative efforts from our site teams, contractors and customers. Our direct relationship and communication with our facilities teams and customers allows us to action any issues quickly, avoiding energy waste, improving recycling performance and enhancing customer experience. This engagement is crucial for us to reach our ambitious targets and our ultimate net zero goal.

Our environmental achievements

Topic	2019/20 targets	2019/20 achievements
Greenhouse gas emissions	Reduce our absolute scope 1 & 2 greenhouse gas emissions by 16% by 2020.	We have reduced our GHG emissions by 28% since 2012/13 baseline. Our full GHG emissions and Streamlined Energy and Carbon Reporting (SECR) disclosure can be found on page 42.
Metering	Ensure all developments and major refurbishments follow the energy metering specification requirements. Install smart sub-metering at new developments, major refurbishments and selected smaller refurbishments.	All developments and major refurbishments have a Building Management System (BMS) installed with smart sub-metering throughout. As part of our commitment to reduce our impact on the environment, we have 14 sites with smart sub-metering installed allowing customers to log into our online portal to view and monitor their energy consumption.
Considerate Constructors Score	Achieve a Considerate Constructors Score (CCS) of at least 37/50 for all developments and major refurbishments in 2019/20.	We met our target for all projects completed during the year. Easton Street and Mare Street Studios both achieved a rating of 37/50 and Pall Mall Deposit achieved 40/50.
Recycling rate	Increase the average recycling rate to 75% across properties where we are responsible for waste management, whilst maintaining 100% diversion from landfill.	Our average recycling rate across all our properties was 73% for February 2020. Whilst falling short of our 75% target, this is the highest recycling rate achieved to date. Unfortunately no data has been provided for March 2020 due to Covid-19. We achieved our zero to landfill target.
Recycling data accuracy	Engage with our waste contractors to ensure that 70% of waste is measured by weight (rather than volume/estimated) by 31 March 2020.	We have exceeded this target as 96.32% of our waste was weighed in February 2020. Note: We do not have March figures due to Covid-19.
Renewable energy generation	Continue to roll out installation of solar photovoltaic (PV) panels at suitable sites.	We install solar PV systems at all our new developments where possible and are carrying out feasibility studies to retrofit systems at our existing sites. We now have 13 solar PV installations across the portfolio. On-site generation will obtain a return on investment over time and play a part in our net zero carbon target. Our total generation over the past four years has increased by 163%.
Green electricity contracts	Ensure that all new electricity contracts procured on behalf of our customers are put onto a Green Tariff contract.	All electricity contracts within the Group contract are on a green tariff.
Environmental groups	We plan to roll out environmental groups at other centres following the success of sharing initiatives and ideas on improving sustainability.	We have successfully set up two environmental groups at our centres and two further planned for 2020/21.
'Doing The Right Thing' events	We will be holding more sustainability-focused events across the portfolio.	We held 71 'Doing The Right Thing' events, across the portfolio during the year.



Our new environmental objectives and targets

Objective	Topic	2020/21 targets
Create a sustainable climate-resilient portfolio through our responsible investment, development and refurbishment programme.	Responsible investment	Integrate ESG into our acquisition due diligence process to monitor that investment is in line with our long-term sustainability targets.
	Green building certifications	Achieve minimum EPC A for new developments and B for major refurbishments. All new developments and major refurbishments to target BREEAM Excellent standard. Follow the RICS SKA Rating for suitable minor refurbishment projects.
	Embodied carbon	Undertake embodied carbon assessments for all new developments and major refurbishment projects.
	Soft landings	Follow the Soft Landings framework for all new development projects.
Actively manage our buildings in an efficient way to reduce our operational carbon emissions and to provide a healthy productive environment for our customers.	Scope 1 & 2 emissions	Reduce absolute scope 1 GHG emissions by 42% by 2030 from a 2019/20 base year. Continue to source 100% renewable electricity.
	Recycling rate	Increase the average recycling rate across all buildings to 76% where Workspace is responsible for waste management by 31 March 2021, whilst maintaining 100% diversion from landfill.
	Customer environmental data	Collect environmental data from customers where Workspace is not directly responsible for energy procurement or waste management.
	Electric vehicle charging points	Trial electric vehicle charging points and review feasibility to roll out across suitable sites.

42%

Reduction in absolute scope 1 GHG emissions by 2030 from a 2019/20 base year

Supporting our communities

Building communities and improving our neighbourhoods is an important part of our sustainability strategy, and we aim to be a good and responsible neighbour. With properties in 15 different boroughs across London, we play an active role in supporting our local communities in many ways.

We listen to our customers, communities and stakeholders and find out how we can support them in doing the right thing through events, working groups and surveys. Over the year we organised the following community initiatives:
- A Sustainability Workspace Business Insight dinner.
- Regular Yoga and Pilates classes held in empty office units.
- Single Homeless Christmas Project encouraging centres and their customers to pledge over 150 Christmas gifts for refugee children.
- Environmental groups at the Leather Market and Kennington Park.
- Customer surveys including ESG, sustainability and 'Doing The Right Thing' questions.

InspiresMe
Our InspiresMe programme is a key part of our 'Doing The Right Thing' strategy which focuses on supporting disadvantaged young people in London. Through our InspiresMe programme, we organised CV and career workshops and provided interview practice. We also hosted work experience students and encouraged our customers to do the same. During 2019/20 we hosted 18 students at our head office in Kennington Park and out on site with our centre teams.

Shine Wellbeing 'Lunch & Learn' sessions for our customers

Through the Workspace network, we have held around 10 'lunch and learn' sessions informing other businesses how to improve employees' mental and physical wellbeing in their places of work. It's something we couldn't have done working in a solitary office and has been made possible through Workspace's hunger to help and the connections we have made.

We have been able to secure business by a simple introduction and chat beside the on-site café, which is what any start-up business dreams of.

Matthew Carlton
Founder of Shine Workplace Wellbeing, a Club Workspace customer at China Works

Workspace have been so supportive of the project and have made a positive impact on the students with their support and workshops. Workspace employees have been very attentive and made everyone feel very welcome and really have shown belief in the project and the students. Thank you Workspace!

Kim Vann
Youth Worker at Groundwork

Case study: Young Green Entrepreneur Programme

Young Green Entrepreneur Programme was an 'Apprentice-style' competition in which six groups of young people at risk of NEET (Not in Education, Employment or Training) from three different schools in Newham participated in a structured programme of business skills workshops and training sessions.

Workspace was partnered with Rokeby School to help a group of 15 year 10 students with their social action project. The theme they chose was 'a campaign to encourage young people to be outside and use their local park more to enhance their physical and mental wellbeing'.

A group of Workspace employees volunteered to deliver several different workshops to aid students in delivering their project. Session topics included sustainability, budgeting, presentation skills and marketing. The students visited Pill Box and Kennington Park business centres to get a feel for what it is like to work at a flexible office space.

The final workshop was held in our boardroom where our Operations Director gave them a brief overview of how Workspace operates as a business, followed by short presentations from various employees from departments from across the business. Each presentation included a summary of their role, their career pathway, any work experience they needed and a Q&A session.

Our HR team also held a CV workshop with the students and Workspace employees volunteered to take practice interviews. On the back of these interviews, three students were then selected for work experience placements.

All three work experience students provided positive feedback and one student came back for an extra week. In addition to these students, Workspace has provided a further 15 (18 in total) work experience placements.

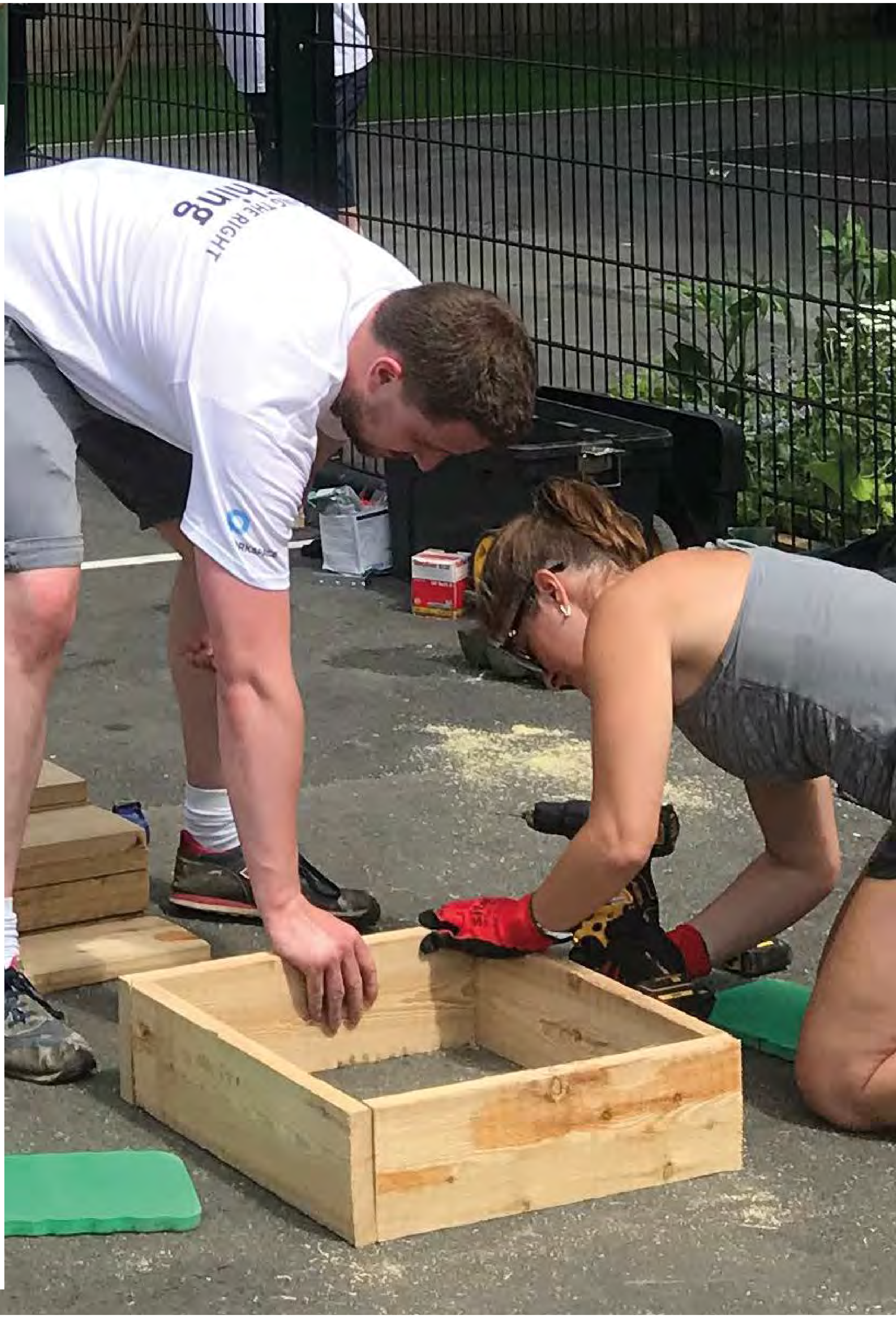
Case study: Garden design and implementation project

Volunteers from Workspace helped the Year 9 Design and Technology students at St Gabriel's College develop their project management and budgeting skills for a garden design project for their playground. The class was split into teams, and the final plan was based on the winning design.

During the school summer holidays, Workspace worked with environmental charity Groundwork to transform this design into real-life. Fifteen volunteers plus four students from St Gabriel's College spent the day building bench planters from scratch and planting fruit trees, ferns, flowers and edibles.

The Workspace team did a really good job implementing the design. I am really pleased with how it's turned out.

Vinay Gupta
School business manager



Our people drive our ESG initiatives

We encourage our employees to involve themselves in our communities as part of our Doing The Right Thing initiatives. 'Show you care' is an integral part of our corporate culture, and our employees volunteer both their time and their skills to make a positive impact on their local community. We also support employees who want to develop their skills and learning.

Attracting, retaining and developing a dedicated and talented team of employees who embrace our values and culture is an important part of our business strategy. We therefore have a strong programme of training, wellbeing and community involvement to support our employees.

This year, we supported seven employees work towards professional qualifications in RICS, Health & Safety, CIPD, Marketing and Project Management.

Over the year, employees donated over 1,200 hours of their time to support a variety of community events, including:
- Thames clean-up.
- Gardening days at St Gabriel's, a school local to Kennington Park.
- Career workshops with Rokeby School in Newham as part of the Young Green Entrepreneur Programme.
- Sporting events to support charities, including the JLL triathlon and 5km run, the JP Morgan run, and the Great Ormond Street Hospital 5km run and 42km marathon.

Our social achievements

Topic	2019/20 targets	2019/20 achievements
Mental health	Increase our focus on mental health, training a number of Mental Health First Aiders across the business who will be equipped to spot the signs and symptoms of mental ill health and provide immediate support.	All Senior Managers and Executive Committee have completed mental health training this year.
Employee engagement	Monitor employee engagement and satisfaction through a new employee survey.	Employee engagement sessions with the Chairman and an employee survey on key issues including sustainability, wellbeing, work/life balance. Resulting initiatives: – Increased communication from the Executive Committee on strategy and direction. – Clear direction on how corporate strategy related to execution. – Future business priorities. – Regular business update from Executive Committee. – Investment in brand and marketing.
Charity partner	Host a variety of fundraising events throughout the year to support Great Ormond Street Hospital.	£48,500 was raised for our employee-chosen charity, Great Ormond Street Hospital, through corporate matching contributions and a variety of employee-sponsored events, including the 42km Winter Walk.
Individual charity fund-raising	Support employees and customers fundraise for their own chosen charities.	Our employees raised £10,000 for 11 other charities, including The Brain Tumour Charity, The British Heart Foundation and Breast Cancer Care through individual events. The Company supported their efforts by donating £6,000 to employees and customers taking on personal challenges for their own chosen charities.
Corporate giving	Donate funds to the local community and charities.	The Doing The Right Thing Committee has donated £16,000 towards helping the local community and paying for charity events including registration fees for 70 employees who took part in The Winter Walk. At the end of the year we donated £5,000 to the National Emergency Trust Coronavirus Appeal and £3,000 towards the purchase of personal protective equipment for NHS staff during the Covid-19 crisis.
InspiresMe	Continue to work with XLP through our InspiresMe programme.	Employees hosted three CV and interview practice workshops.

Our new social objectives and targets

Objective	Topic	2020/21 targets
Support all our stakeholders to collectively improve our environmental and social impact collectively through effective communication, training, transparent reporting and community engagement.	Customer engagement	Engage with our customers on sustainability-related topics through events, workshops, newsletters, posters and social media platforms. Create opportunities for knowledge sharing and engaging with our customers by rolling out customer-led Environmental Groups.
	Customer survey	Continue to collect customer feedback through regular surveys, including questions on 'Doing The Right Thing'.
	Employee engagement	Continue to improve internal communication on our 'Doing The Right Thing' initiatives and targets through internal channels such as the monthly Wrap newsletter, Yammer and SharePoint. Integrate environmental and social KPIs into the formal employee appraisal reviews.
	Employee survey	Collect employee feedback through an annual employee survey and share results internally to drive improvement, including questions on wellbeing, training and sustainability.
	Health and wellbeing	Keep supporting our employees with their mental and physical health by raising awareness and providing training sessions.
	Recruitment	Review our current recruitment process and improve CV screening and interview practices.
	Employee training	Deliver workshops and seminars to equip employees with the relevant skills and knowledge to deliver our ESG targets.
	Volunteering	Provide more opportunities for our employees and customers to support the local community through volunteering and fundraising.
	Supply chain	Screen all approved suppliers and contractors for their environmental credentials (e.g. Environmental Policy & EMS) and social credentials (e.g. employment and labour practices) which relate to our supply chains.
	Air quality	Encourage our customers to switch to zero-emission delivery services such as pushbikes, cargo bikes, electric and hydrogen vans.

Employee survey

We carried out our first ever employee survey, which will now take place annually, to gather feedback and drive improvements

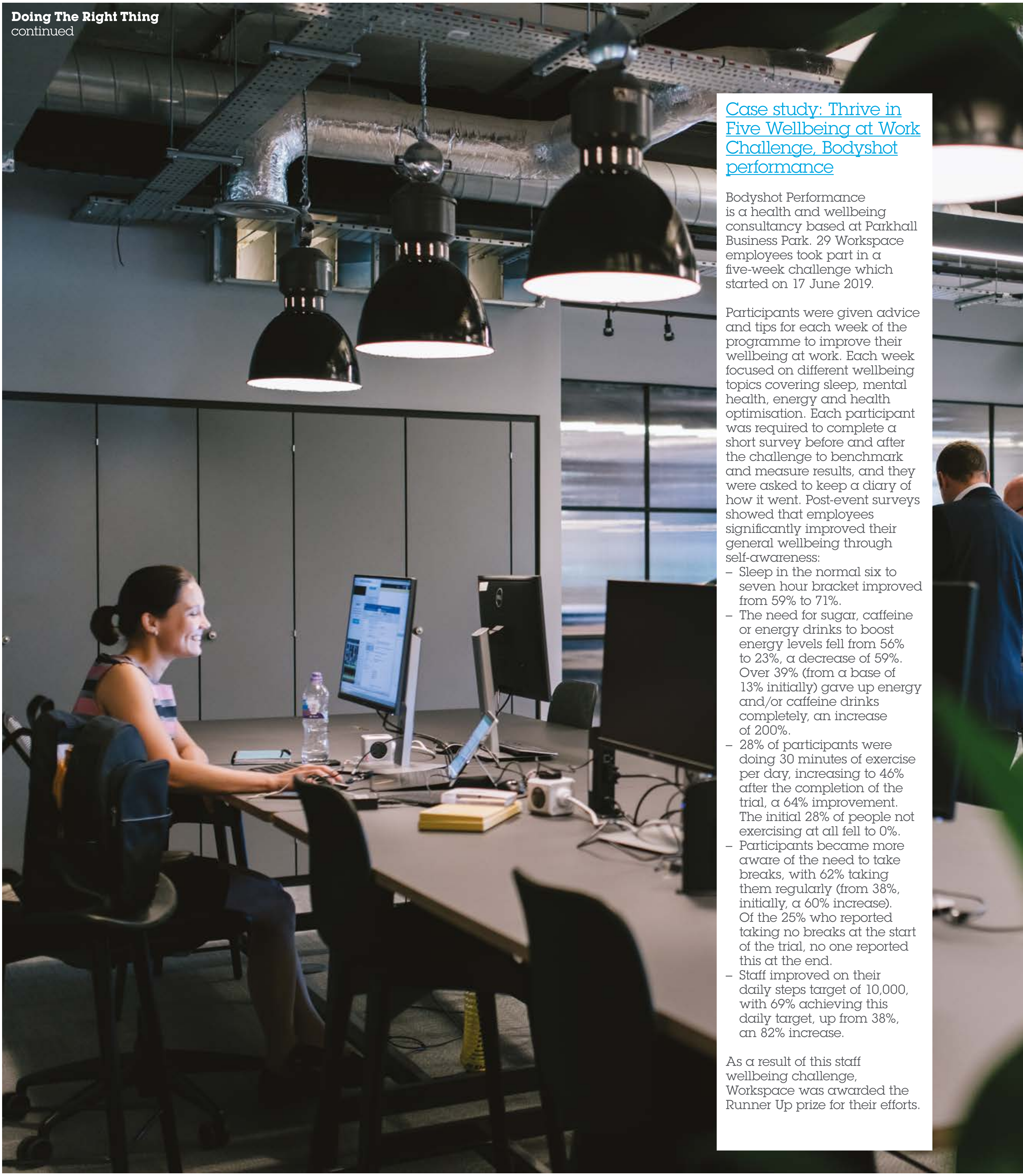
Case study: Winter walk

On 19 January, 70 Workspace employees embraced the challenge of walking either a half or a whole marathon around London to raise money for Great Ormond Street Hospital (GOSH), raising £20,206.

This formed part of the year's total £28,500 raised by staff for the hospital. Workspace as a company topped this up with an additional £20,000, bringing the total donations to almost £50,000.

£20,206

Raised for GOSH by Workspace staff taking part in the Winter Walk



Case study: Thrive in Five Wellbeing at Work Challenge, Bodyshot performance

Bodyshot Performance is a health and wellbeing consultancy based at Parkhall Business Park. 29 Workspace employees took part in a five-week challenge which started on 17 June 2019.

Participants were given advice and tips for each week of the programme to improve their wellbeing at work. Each week focused on different wellbeing topics covering sleep, mental health, energy and health optimisation. Each participant was required to complete a short survey before and after the challenge to benchmark and measure results, and they were asked to keep a diary of how it went. Post-event surveys showed that employees significantly improved their general wellbeing through self-awareness:

- Sleep in the normal six to seven hour bracket improved from 59% to 71%.
- The need for sugar, caffeine or energy drinks to boost energy levels fell from 56% to 23%, a decrease of 59%. Over 39% (from a base of 13% initially) gave up energy and/or caffeine drinks completely, an increase of 200%.
- 28% of participants were doing 30 minutes of exercise per day, increasing to 46% after the completion of the trial, a 64% improvement. The initial 28% of people not exercising at all fell to 0%.
- Participants became more aware of the need to take breaks, with 62% taking them regularly (from 38%, initially, a 60% increase). Of the 25% who reported taking no breaks at the start of the trial, no one reported this at the end.
- Staff improved on their daily steps target of 10,000, with 69% achieving this daily target, up from 38%, an 82% increase.

As a result of this staff wellbeing challenge, Workspace was awarded the Runner Up prize for their efforts.

Key performance indicators

Financial and non-financial key performance indicators (KPIs) are used to measure our performance and gauge the results of our strategy.

Financial performance

1. Net rental income

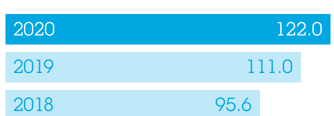
Definition
Net rental income is the rental income receivable after payment of direct property expenses, such as service charge costs, and other direct unrecoverable property expenses.

Why this is important to Workspace
This is one of the most important metrics for Workspace as it drives our trading profit, which in turn determines dividend growth.

Movement in 2019/20
The increase in Net Rental Income to £122m was driven by an increase in rental income from completed projects where we are letting up new and upgraded space, the integration of two significant property acquisitions in the prior year and growth in rental income at our like-for-like properties.

Net rental income
£122m

+10%



Time period measured
Monthly

2. Trading profit after interest

Definition
Trading profit after interest is net rental income, less administrative expenses and finance costs but excluding exceptional finance costs.

Further details in note 8 to the financial statements.

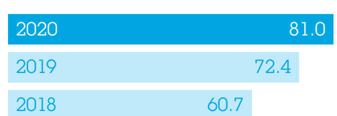
Why this is important to Workspace
Trading profit after interest is a key measure for Workspace and determines dividend growth. We report and review this figure at Board level on a monthly basis compared to previous years and to budget.

Trading profit after interest demonstrates the underlying performance of the trading business and strength of our business model. Both the Executive Directors are incentivised on trading profit after interest.

Movement in 2019/20
Trading profit after interest for the year was £81.0m, up 12% on the previous year. Net rental income is the key driver of trading profit due to our relatively fixed cost base.

Trading profit after interest
£81m

+12%



Time period measured
Monthly

3. EPRA NAV per share

Definition
EPRA NAV per share is a definition of net asset value as set out by the European Public Real Estate Association. It represents net assets after excluding financial derivatives and deferred taxation relating to valuation movements and derivatives.

Further details in note 9 to the financial statements.

Why this is important to Workspace
EPRA NAV is a key external measure for property companies and is used to benchmark against share price. It is a useful measure for Workspace as it excludes any exceptional items and movements on financial derivatives.

Movement in 2019/20
Our EPRA NAV at 31 March 2020 was £10.89, up 0.3% from the prior year.

EPRA NAV per share
£10.89

+0.3%

Time period measured
Six monthly

4. Dividend per share

Definition
The dividend payment per share in issue.

Why this is important to Workspace
We aim to provide good returns for our shareholders, and also work within our REIT requirements for income distribution. Dividend per share is a key measure of the returns we are providing to our investors.

Movement in 2019/20
Given our positive trading profit performance, robust financial position and confidence in our long-term business model, as well as adhering to distribution requirements as a REIT, the Board decided to recommend a 10% increase to the total dividend for 2019/20.

Dividend per share
pence

+10%

2020	36.16
2019	32.87
2018	27.39

Time period measured
Six monthly

5. Like-for-like rent roll growth

Definition
Like-for-like properties are those with stabilised occupancy, excluding recent acquisitions and buildings impacted by significant refurbishment or redevelopment activity.

Rent roll is the current annualised net rents receivable for occupied units at the date of reporting.

Why this is important to Workspace
Like-for-like rent roll growth is an important measure for our business and shows the performance of our core portfolio of properties. We monitor the like-for-like rent roll on a weekly basis in weekly management meetings and also as a key performance indicator in our monthly Board meetings.

Movement in 2019/20
Like-for-like rent roll has continued to grow, increasing by 1.9% year-on-year. Growth was driven by a 2.6% increase in like-for-like occupancy to a record high of 93.1%.

Like-for-like rent roll growth
%

+1.9%

2020	1.9
2019	2.2
2018	8.6

Time period measured
Weekly

6. Like-for-like occupancy

Definition
Like-for-like occupancy is the area of like-for-like space divided by the like-for-like net lettable area.

Why this is important to Workspace
Like-for-like occupancy, pricing and rent roll give us vital information on the performance of our core properties, and early indicators of any decline in these KPIs mean we can be timely in investigating and reacting to these changes.

Movement in 2019/20
Like-for-like occupancy has increased by 0.9% in the year to 93.1% following strong demand at our business centres.

Like-for-like occupancy
93.1%

+0.9%

2020	0.9
2019	-0.9
2018	0.8

Time period measured
Weekly

7. Property valuation

Definition
The independent valuation of our property portfolio, currently valued by CBRE Limited.

See note 10 for reconciliation to IFRS carrying value of investment property.

Why this is important to Workspace
Our properties are critical to our business and the valuation demonstrates the value we are delivering to our shareholders and a measure of how well we are managing our buildings and driving rental income. Whilst we cannot control yield movements, we can enhance the value of our properties through active asset management, including refurbishment and redevelopment activity.

Movement in 2019/20
There was an underlying decrease of 0.3% in the valuation of our property portfolio in the year due in part to the impact of Covid-19 discounts.

See Property Valuation section of the Business Review on pages 72 and 73 for more detail.

Property valuation
£2,574m

-0.3%*

2020	2,574
2019	2,604
2018	2,280

Time period measured
Six monthly

*Underlying

Customers at Metal Box, Bankside.

8. Total Property Return

Definition
Total Property Return is the return for the year combining the valuation movement on our portfolio and the income achieved in the year.

See Glossary of Terms on page 217.

Why this is important to Workspace
This measure shows how our property portfolio has performed in terms of both valuation change and income generated. This figure is produced by MSCI, an independent Investment Property Databank ('IPD'), and is compared to a benchmark group so that we can see how we are performing relative to similar companies. Total Property Return, and performance against the benchmark, form part of the bonus objectives for the Executive Directors and LTIPs for all people in schemes.

Movement in 2019/20
Capital and income returns have led us to outperform compared to the IPD benchmark.

Total Property Return
%

4.48%

2020	4.48
2019	7.7
2018	11.3

Time period measured
Annually

9. Total Shareholder Return

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

See Glossary of Terms on page 217.

Why this is important to Workspace
This measure is important to Workspace as it shows the value that our shareholders receive from investing in Workspace shares. This measure forms part of the performance criteria within our LTIP scheme for those people in schemes.

Movement in 2019/20
Total shareholder return in 2019/20 was down due to a fall in the share price later in the year adversely impacted by market turmoil following the outbreak of Covid-19.

Total Shareholder Return
%

-18.7%

2020	-18.7
2019	-0.5
2018	29.4

Time period measured
Annually

Non-financial performance

1. Customer enquiries

Definition
Customer enquiries represent the number of enquiries we receive for our space. Enquiries come through our website, via phone, from walk-ins or existing customers looking to expand, contract or move locations.

Why this is important to Workspace
Measuring enquiries helps us to assess the strength of demand for our product. Our internal marketing platform generates enquiries both on and offline and we can increase digital marketing spend to target enquiries as required, for example around the launch of a new building.

Movement in 2019/20
Customer enquiries increased by 4% year-on-year thanks to continued demand for our space and despite a significant slowdown in enquiries and lettings activity in late March due to Government restrictions on public movement in relation to the Covid-19 pandemic.

Customer enquiries
Monthly average

1,087

2020	1,087
2019	1,048
2018	1,016

Time period measured
Daily

2. Viewings

Definition
This means the number of viewings of individual units by new or existing customers looking for new or additional space.

Why this is important to Workspace
Viewings are often the first opportunity a customer has to see the quality of our space. It's key to convert as many viewings as possible but even if it does not lead to the prospect taking space, the positive impression they will gain is more to lead them to come back to us in the future.

Movement in 2019/20
The average number of viewings per month increased to 675 in the year following on from the increase in enquiries.

Viewings
Monthly average

675

2020	675
2019	627
2018	565

Time period measured
Daily

3. Offer letters

Definition
Offer letters are sent to prospects once they have viewed one or multiple Workspace units and requested an offer containing pricing information and lease terms.

Why this is important to Workspace
Measuring the number of offer letters we send out allows us to assess the success of our customer viewings and demand for our space.

Movement in 2019/20
The average number of offer letters per month increased by 13% during the year reflecting strong demand for our space following customer viewings.

Offer letters
Monthly average

449

2020	449
2019	397
2018	317

Time period measured
Daily

4. New lettings

Definition
This measures the number of lettings that Workspace signs every month.

Why this is important to Workspace
This is a key measure for the business as lettings drive our net rental income and, as a result, trading profit.

Movement in 2019/20
Levels of lettings increased by 17% year on year due to continued demand for our space and despite a significant slowdown in enquiries and lettings activity in late March due to Government restrictions on public movement in relation to the Covid-19 pandemic.

Lettings
Monthly average

121

2020	121
2019	103
2018	93

Time period measured
Weekly

5. Renewals

Definition
This measures the number of lease renewals that we sign with existing customers every month.

Why this is important to Workspace
Renewals are important as they demonstrate how sticky our customers are and help us to capture reversion on our portfolio.

Movement in 2019/20
Despite a slight decrease year-on-year, we continued to deliver good levels of lease renewals during the year.

Renewals
Monthly average

41

2020	41
2019	39
2018	43

Time period measured
Monthly

6. Employee volunteering days

Definition
The number of days spent by employees volunteering or fundraising for our selected charities.

Why this is important to Workspace
Giving back to our communities is important to Workspace, and we have a number of chosen charities that we support as part of our 'Doing The Right Thing' strategy. In particular, we believe we are well positioned to provide educational and careers support to disadvantaged young people as part of our InspiresMe programme, and many of our employees have got behind this work.

Movement in 2019/20
The number of volunteering days is higher than last year due mainly to the large number of employees joining the Winter Walk event. This figure includes 27 working days and 94 personal days.

Employee volunteering days

121

2020	121
2019	101
2018	121

Time period measured
Annually

Workspace employees competing in the JLL Property Triathlon.

7. Customer events

Definition
The number of events held at our centres for customers. These include informal networking events, as well as business insight events and consultations on topics, such as alternative finance.

Why this is important to Workspace
Holding events to encourage collaboration amongst customers and to create communities in our centres is a key element of The Workspace Advantage. The insights and networking opportunities these events provide help customers to grow their businesses and, in turn, aids customer retention.

Movement in 2019/20
The number of events has increased significantly in the year following an increased focus by centre teams.

Customer events

283

2020	283
2019	125
2018	131

Time period measured
Annually

Principal risks and uncertainties

Key highlights for 2019/20
The extraordinary effects of the Covid-19 outbreak from March posed many new challenges, from managing the safety of customers, employees and other stakeholders to enabling key workers in our centres to continue to operate and supply vital services. Business interruption had already been identified as a potential significant risk in our assurance framework. Overall, our mitigation measures already in place worked well to minimise the impact of Government-enforced measures on limiting movement. Customers accessing their offices in line with Government guidelines were able to in a safe and controlled manner, with extra security and special access codes introduced. Centre managers remained available via internet and telephone.

Our employees strictly followed Government guidelines and have been working remotely to good effect. Our continued investment in technology supported both customers and staff to maintain an ongoing business relationship. Through these measures and regular customer contact, our Executive Committee, team managers and staff have been able to manage the key risks effectively.

Apart from the Covid-19 pandemic, the Risk Committee worked on the following projects:

- Reviewed and considered strategic risks and tabled these for review by the Audit Committee.
- Senior managers from across the business attended meetings to discuss specific risk areas and the controls in place.
- Centre and facilities management staff made presentations to the Committee on specific risks and issues at a centre level.
- Discussed changes in the regulatory environment specifically, data protection and ongoing compliance programme. They received an update on the data protection audit that we conducted during the year, and actions arising from this work stream.
- Considered cyber security risks and received an update from the IT operational team.
- Agreed an annual programme of work and site audits which is also circulated to the Audit Committee.
- Received a presentation and overview from the Head of Health and Safety.
- Reviewed operational risk registers.
- Initial consultation with PwC on further development of the risk and assurance framework.
- Considered an updated report on the risks to the business following the UK's exit from the European Union.

Our strategy
Pages 20 to 23

Executive Committee composition and key highlights
Pages 105 and 106

Risks and delivering our strategy

Delivering our strategy requires an active balance between risk and opportunity. Taking advantage of opportunities whilst evaluating and managing the associated risks is the objective of our risk and assurance frameworks.

Our strategic risk framework is based on our five strategic priorities:

Right market
Our portfolio strategy is wholly London based. The London economy is dynamic, fluid and economically resilient. The wide spread of its industries, international orientation and highly skilled workforce provide a highly liquid and unique market with strong demand for flexible office space.

Right properties
Our strategic focus is properties in vibrant and developing areas with good transport links and the potential to create the flexible office space our customers demand. The combination of rental income from our properties combined with capital appreciation inherent in a pipeline of properties to be refurbished provide a strong basis for value creation and stable income generation.

Right brand
Our strong brand is recognised by customers as offering high quality office space adaptable to their changing needs. Many of our properties are iconic buildings tied to the local history of the community which we seek to enhance. Our brand is a fundamental advantage in attracting both customers and quality staff.

Right offer
Our flexible office platform caters to a range of businesses, from one-person operators in our Club Workspace to larger businesses occupying 50,000 sq. ft. Our strategic priority is to continue to attract customers through our high quality, flexible office space and ancillary services.

Right people
We seek to attract and retain quality staff with the knowledge and skills to deliver our strategy and customer offer.

Strategic priorities
Our strategic priorities are based on the twin pillars of our customers and our property portfolio. We respond to the changing requirements of our customers by investing in our customer offer through technology, services, brand and our in-house teams who deal with customers on a daily basis.

- Continue to attract customers through our flexible office leases and associated customer offer.
- Maximise value from our property portfolio to drive long-term income generation.
- Pursue an active property management strategy of recycling, refurbishment, redevelopment and selective acquisitions to deliver a long-term pipeline of development opportunity.

Effective risk management

Board and Audit Committee

Executive Committee and Risk Committee

External audit

First line of defence
- Management controls.
- Policy and procedure.

Second line of defence
- Financial control.
- Security.
- Risk management.
- Quality control.
- Key Performance Indicators.
- Compliance.

Third line of defence
- Ongoing review and audit by Risk Committee.

Risk management structure

We have an established risk management structure in place to help us capture, document and manage our business risks. We regularly review our identified risks to check that they remain relevant to our environment, business model and culture. New risks are also identified and evaluated in our dynamic risk framework. Our aim is to manage each of our risks and to mitigate their impact in line with our defined risk appetite and the assurance framework.

We focus on risks which could:
- Impact our strategic goals.
- Affect the performance of our business.
- Pose a threat to the safety and security of our customers, employees, suppliers or partners.

The Risk Committee is responsible for setting the risk appetite, identifying risks, coordinating risk activities and implementing actions to mitigate risks outside the define risk appetite. It is comprised of the Chief Executive Officer, Chief Financial Officer, Head of Finance, Operations Director and the Company Secretary alongside other senior managers. The Committee engages with key people across the Group to identify ongoing and developing risks and prepares reports to the Board and Audit Committee on a regular basis.

Risk registers for all business areas are maintained by designated managers who hold responsibility for monitoring and managing risks for their area. Risk is inherent in business management, new business initiatives and the day-to-day operation of our business. Our goal is therefore not to avoid all risk but to see that policies and mitigations are in place to manage risks within our defined appetite.

Risk culture

Risk Management is an integral part of all our activities. Risks and opportunities are considered in every business decision we make. It is embedded in our culture to consider potential risks of any new business decision. We focus on key risks which could impact on the achievement of our strategic goals and therefore on the performance of our business.

We are fortunate to have created a positive culture within Workspace which encourages open communication and engagement. This enables staff from all areas of the business to feel free to raise risks or opportunities, no matter how small, to their managers and teams. Having this culture means that information is communicated across the business well. We try to engage staff with risk-related issues, particularly those which are new and emerging so that we are managing our lower level risks as well as the more strategic ones.

Risks are considered at every level of the business including when approving corporate transactions, property acquisitions and disposals and whenever undertaking refurbishment and redevelopment projects.

The Executive Committee meets weekly to discuss key performance measures and any change in these, meaning they are ideally placed to notice any concerning changes or early warnings. Further information on our KPIs can be found on pages 53 to 57.

Risk appetite

The Board is responsible for deciding the amount of risk it is willing to take. We work towards a medium to low risk profile, implementing mitigating actions to bring each risk down to within the agreed risk appetite.

Risk Committee

Role of the Risk Committee

The Risk Committee's responsibilities include, but are not limited to, the following:

- To drive and co-ordinate Workspace policy and procedure and training in relation to risk management.
- To promote and communicate risk management awareness, both financial and non-financial, throughout the organisation.
- To challenge Executive Directors' review and appraisal of risk.
- To co-ordinate and manage a planned annual programme of review and testing of risks and controls aligned to requirements.
- To oversee and advise the Board on the current risk exposures of the Company and future risk strategy.
- To engage internal or external resources for the review and testing of risks and processes as outlined in the annual plan.
- To co-ordinate reports and papers for the Board and Audit Committee as required.
- To consider any developments in the external environment or regulation, which may impact on risk considerations.

Composition of the Committee

- Graham Clemett, Chief Executive Officer.
- Dave Benson, Chief Financial Officer.
- Chris Pieroni, Operations Director.
- Carmelina Carfora, Company Secretary.
- Viv Frankham, Head of Finance.
- Kate Ankers, Chief Accountant.
- Chris Boultwood, Head of Technology.
- Kelly Carmichael, Head of Legal.
- Ian Dubber, Head of Planning.

The Risk Committee is chaired by the Chief Executive Officer.

Response to Covid-19

The Covid-19 pandemic had a significant and immediate impact on many businesses including Workspace and its customers. It was therefore important for Workspace to monitor the situation closely and develop its response to the rapidly evolving situation.

The planned response included:

Employees: The health and safety of our employees is a top priority. Following the Government's recommendations in March, our employees were asked to work from home and the relevant technology was provided to ensure that they could continue to work effectively.

Customers: Many of our customers suffered an immediate impact to their income and cashflow during the lockdown period. Workspace offered a 50% discount to the majority of our Business Centre customers to help them through this difficult time. Although working remotely, our centre staff maintained regular contact with our customers to ensure they were aware of actions being taken and to answer any queries they had.

Regulation: Workspace kept up-to-date with Government guidelines and sought advice from professionals where possible.

Properties: The majority of our customers worked remotely through the lockdown period. However, our buildings remained open for any customers requiring access. Steps were taken to ensure we could provide a safe and hygienic environment for our customers to work in, including enhanced security and a change to cleaning specifications, such as increasing daytime services and focusing on 'touch points'.

Financial position: During this period of uncertainty, the Company acted swiftly to implement cost saving measures and minimise capital expenditure to protect its strong financial position. As at 31 March 2020, the Company had cash and undrawn credit facilities along with substantial headroom on its financial covenants and no material debt maturities until June 2022.

Back to business

As lockdown restrictions eased, the Company initiated a mobilisation programme allowing for a gradual return to work both for its employees and customers. New measures such as clear signage and the use of one-way systems were put in place to encourage social distancing. Hand sanitiser stations were made available at all sites and new cleaning methods introduced.

A back to business hub has been added to our website for our customers detailing measures we have taken and providing useful information and resources as they return to work.

Ongoing monitoring of Covid-19

Board and Audit Committee

Executive Committee and Risk Committee

Covid-19 working group
Identifying specific risks in relation to the pandemic and implementing an action plan to role out at our business centres for our staff and customers

Viv Frankham, Head of Finance photographed at Kennington Park.

1. Customer demand

Principal risk
Demand for our flexible office space declining as a result of social, economic or competitive factors, which impacts our occupancy and pricing levels.

Risk impact
- Falls in occupancy levels at our properties.
- Falling rent roll.
- Reduction in property valuation.

Mitigation
We use a wide range of marketing strategies to reach our customers, with around 70% of customer leads coming from our lettings website. Advertising, word-of-mouth, social media and aggregators also contribute customer leads. Our range of 59 buildings providing over 3.9m sq. ft. of lettable space enables us to offer different office experiences at various price points to match customer requirements. Weekly enquiries, viewings and lettings are closely tracked to identify changes in expected customer trends. Based on trends in demand, we are able to vary our pricing and occupancy levels to manage demands changes.

Our asset management and in-house lettings teams know and understand our customers through ongoing business relationships, often over several years. Changes in customer behaviour are quickly noted and followed up. Where the customer requires an expansion or contraction of their office space, we are usually able to offer alternative space very quickly due to our flexible lease terms.

Our business plans are stress tested to assess the sensitivity of our forecasts to reduced levels of demand, and contingency measures are able to be implemented. Although a loss of customers is a risk, customer turnover on its own can be beneficial in allowing office space to be refurbished and rent reversion captured.

Impact

Impact
Severe

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right market.
- Right properties.
- Right offer.
- Right people.
- Right brand.

Link to KPIs
- Net rental income.
- Like-for-like rent roll.
- Customer enquiries.
- Viewings.
- Offer letters.
- New lettings.
- Renewals.

Covid-19 impact on risk
Following Government guidelines for businesses to work from home there has been a reduction in demand. This could be exacerbated if the economy falls into recession and businesses are reluctant to take up new office space.

Our response
Workspace has offered a 50% discount to its customers for the three months to the end of June 2020 to support them through most of the lockdown impact.

Measures are being put in place to assist businesses in returning to work while maintain social distancing.

2. Valuation

Principal risk
Value of our properties decreasing as a result of external market or internal management factors.

Risk impact
- Financing covenants linked to loan to value ('LTV') ratio.
- Impact on share price.

Mitigation
Market-related valuation risk is largely dependent on independent, external factors. We maintain a conservative LTV ratio which can withstand a severe decline in property values without covenant breaches.

We monitor changes in sentiment in the London real estate market, yields and pricing to track possible changes in valuation. CBRE, the leading full-service real estate services and investment organisation in the world, provides twice yearly valuations of all our properties.

Alternative use opportunities, including mixed-use developments, are actively pursued across the portfolio.

Impact

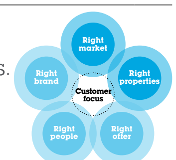
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right market.
- Right properties.



Link to KPIs
- Net rental income.
- EPRA NAV per share.
- Like-for-like rent roll growth.
- Like-for-like occupancy.
- Total Property Return.

Covid-19 impact on risk
A prolonged recession following the lockdown could result in a negative impact on both ERVs and yields.

Our external valuers, CBRE, have included a material uncertainty clause in their year-end valuation.

Our response
We have managed our balance sheet so that we are in a strong financial position and can withstand a fall of 65% in our valuation before loan covenants are breached.

3.
Reputation

Principal risk
Failure to meet customer and external stakeholder expectations through regulatory non-compliance, health and safety breaches or adverse or inaccurate media coverage.

Risk impact
- Adverse publicity could affect demand from customers.
- Employees could perceive the Company to be a less desirable employer.
- Partners and suppliers could require stricter conditions on development projects, thereby increasing costs.

Mitigation
Senior managers and function heads remain closely involved in daily operations and follow established guidelines for managing customers, development projects and stakeholder communications. The Head of People, a newly created position, is responsible for all employee training, development and performance guidelines, including a whistleblowing policy. The Company retains a Head of Investor Relations and Communications and the services of an external communications consultancy that monitor media and social media channels.

We undertake regular customer surveys and have a system of real-time customer feedback in place. Our customer-facing teams have a defined customer engagement plan which allows us to interact with our customers on a regular basis which allows early identification of possible issues. We have strong corporate governance principles and guidelines for health and safety, modern slavery, sustainability, employee engagement and related issues should these arise.

We have open and transparent relationships with stakeholders and work closely with professional trade bodies, regulators and advisers. The Company retains communications advisers to manage reputational risk.

Impact

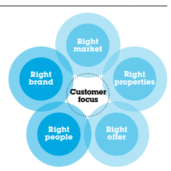
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Low

Link to strategy
- Right people.
- Right brand.



Link to KPIs
- Customer enquiries.
- Employee volunteering days.
- Customer events.

Covid-19 impact on risk
An inappropriate response to the pandemic could lead to negative PR with an impact on our attractiveness as a brand and on our share price.

Our response
We continue to follow Government guidelines in the management of our centres. We have implemented changes at our buildings to maintain higher levels of hygiene and security.

4.
Competition

Principal risk
New entrants to our market space decrease customer demand for our properties.

Risk impact
Centre vacancies impact brand and reputation as a market leader in the flexible office market. Rent roll growth reduced.

Mitigation
We closely monitor competitors locally and across the region more generally by comparing pricing, customer offering and location. Competitor trends and performance are regularly reviewed and discussed at the corporate strategy level. Alongside the review of competition, we also liaise closely with our customers to gain insightful feedback on our business space, facilities and overall product. This helps us to create new initiatives to respond to customer behaviours and keep ahead of competition.

Our asset management and lettings teams maintain close relationships with customers which provides us with real-time information about customer requirements, allowing us to modify or improve our customer offer according to market developments.

Impact

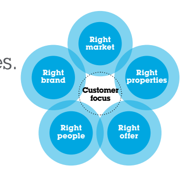
Impact
Medium
Decreased from 'High'

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right market.
- Right properties.
- Right offer.
- Right people.
- Right brand.



Link to KPIs
- Like-for-like occupancy.
- Customer enquiries.
- Offer letters.
- New lettings.
- Renewals.

Covid-19 impact on risk
Competitors may respond to the crisis faster and provide solutions that deal with Covid-19 in offices more effectively.

Our response
Continue to monitor competitor activity.

5. Refurbishments and development

Principal risk
Cost inflation or timing delays or inability to proceed with planned pipeline of schemes.

Risk impact
Failure to deliver expected returns on development, cost overruns and delayed delivery of key projects all have a potential effect on property returns and valuation. Not completing projects on time and on budget can have a negative effect on our reputation.

Mitigation
We maintain a pipeline of potential refurbishments and developments that we bring to market at the appropriate time when customer feedback indicates increasing demand for flexible office space. All projects are fully assessed before work is commenced and full costings developed. Building work is managed to strict financial targets and assessed on an ongoing basis during the project. The Investment Committee is responsible for approving all projects prior to commencement and monitors progress on refurbishments and redevelopments every fortnight against project timings and budgets. After project completion, the Investment Committee reviews the result and notes any key points for future projects.

Impact

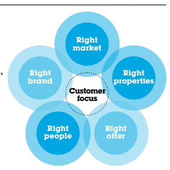
Impact
Medium

Probability (post-mitigation)
Low

Change from last year
No change

Risk appetite
Medium

Link to strategy
– Right market.
– Right properties.
– Right people.



Link to KPIs
– Property valuation.
– Total Property Return.

Covid-19 impact on risk
Extended Government restrictions on movement could impact the deliver of planned projects, impacting the financial returns.

Our response
We completed several projects over the 2019/20 financial year with two properties whose launch coincided with the Government restrictions on movement in March. The launch of these projects has been temporarily put on hold and will launch when appropriate.

6. Acquisitions and business development

Principal risk
Financial underperformance due to inappropriate strategies on acquisitions, disposals and new business initiatives, including timing, incorrect valuations and longer than anticipated letting up processes.

Risk impact
Acquisitions and disposals are essential components of our capital recycling strategy which drives long-term growth and net rental income. Failure to execute that strategy successfully impacts our ability to recycle capital into properties that meet changing customer demand, and ultimately affect growth in net rental income.

Impact

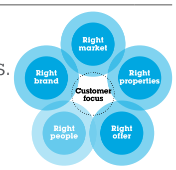
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
– Right market.
– Right properties.
– Right offer.
– Right brand.



Link to KPIs
– EPRA NAV per share.
– Total Property Return.
– Total Shareholder Return.

Covid-19 impact on risk
There is limited transactional activity during these uncertain times.

Our response
We continue to manage our finances prudently to maintain our robust liquidity profile. We remain alert to market opportunities that satisfy our financial and strategic requirements.

7. London

Principal risk
Our property portfolio is solely London-based.

Risk impact
Adverse changes in the political, economic and environmental context could translate into reduced demand for our properties. Single incidents such as a terrorist attack or, in this year, the Government restriction on movement due to the Covid-19 pandemic, can affect lettings, customer demand, and pricing.

Mitigation
We have been active in the London property market for over 30 years with a proven base of knowledge and experience through various property cycles. We have regular meeting with influencers and decision-makers in the London economy to keep us abreast of economic and political trends that could affect our portfolio.

We manage our portfolio conservatively and keenly monitor political and economic risks that could affect the London market. Our development strategy tends to be incremental with fewer large scale developments to impact our cost base. Over the longer term, we believe that the London market is one of the most resilient given its global exposure. Our strong balance sheet and market-leading position ensures that we are well-placed to benefit from both positive and negative developments in the London market in the medium term.

Impact

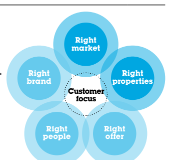
Impact
High

Probability (post-mitigation)
Medium

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right market.
- Right properties.



Link to KPIs
- Property valuation.
- Total Property Return.

Covid-19 impact on risk
Businesses could reconsider their office requirements following the pandemic with a preference for locations outside of Central London requiring less reliance on public transport.

Our response
Workspace has a portfolio of properties spread across London including outside of transport zone 1. We are monitoring enquiries closely to understand any changes in requirements.

8. Business interruption

Impact
Major events outside the Company's control could prevent us from carrying out our normal daily business for an undefined period of time.

Risk impact
Our centres are there to support our customers and their daily business activities. Loss of access, Wi-Fi or other amenities could affect our customers and our own operations. This could result in loss of rental income, impact on valuation and reputational damage.

Mitigation
We have robust business continuity plans and procedures in place to manage short-term shutdowns of our centres due to terrorism or other incidents. A crisis management plan and cascade of customer communications details a series of actions designed to disseminate crucial information and ensure the safety of our employees, customers and suppliers during a crisis situation. IT controls maintain the security of customer and corporate data and are regularly tested and updated.

These measures were tested to the limit during the Covid-19 pandemic in the first and second quarters of 2020. This was an unprecedented situation that far exceeded contingency plans for short-term shutdowns. Nonetheless, our systems worked well in allowing customers to access their premises in accordance with Government guidelines, data was kept secure and our asset management teams worked tirelessly to maintain contact with all customers throughout the prolonged shutdown.

Impact

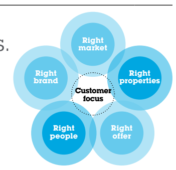
Impact
High

Probability (post-mitigation)
High

Change from last year
No change

Risk appetite
Low

Link to strategy
- Right properties.
- Right people.



Covid-19 impact on risk
The Covid-19 pandemic is the most serious business interruption event that we have encountered.

Our response
Our business continuity planning and investment in IT structure meant that we were well prepared to adapt quickly to remote working.

A mobilisation plan was developed to assist employees and customers in returning to work in the office.

Ongoing impact of Brexit

The UK is now in a transition period following its exit from the EU on 31 January 2020. Whilst international trade deals continue to be negotiated, the situation is still considered a key issue for Workspace. We do not feel it requires a specific standalone risk, but impacts a number of our Principal Risks, such as Customer Demand, Resourcing, Regulation and Financing.

The Risk Committee and the Board have continued to debate and discuss the potential impacts that Brexit may have on the business in all these key areas throughout the year.

Workspace operates solely in London with no international activities. The main risks to the Group are the impact on the UK economy and Workspace customers.

Our key mitigation activities in relation to Brexit are:
- Modelling and stress testing our business plans and viability throughout the year.
- Reviewing and monitoring loan covenants and borrowing levels.
- Regular communication with customers and stakeholders to gather information on potential Brexit impacts.
- Review of any key contracts which may be impacted by Brexit.
- Consideration of the potential impact on employees, and communication with staff as and when applicable.
- Liaising with our advisors on any potential changes to regulation which may arise.

We continue, as always, to track our customer demand, pricing and vacations levels on a weekly basis. Our current level of borrowings and financial covenant headroom also helps to maintain a steady position following the transition period.

9. Regulatory

Principal risk
Failure to meet regulatory requirements and/or lack of knowledge about changing regulation in property development, finance or health and safety.

Risk impact
Regulatory infringements can lead to fines, tax penalties, health and safety sanctions, or more stringent regulatory controls which can also affect our corporate reputation, development activity and customer demand.

Mitigation
We closely monitor our REIT requirements and test them on a regular basis. We retain the services of various advisory firms who are experts in REIT requirements and have a productive working relationship with HMRC to enable us to comply with all regulation.

We have close working relationships with our partners, including suppliers, government and site inspectors. Health and safety is one of our primary concerns, and we have well-developed policies and procedures in place to ensure that any workers on site comply with strict safety guidelines. We also work with well-respected suppliers who share our high quality standards in health and safety.

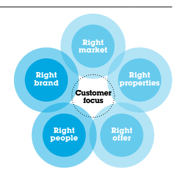
Climate change, sustainability and ESG principles are increasingly important to customers, investors, partners and Government. You can read more about our review of climate change risk on page 67 and our sustainability credentials in the section, Doing The Right Thing, on pages 34 to 52.

The Company Secretary, supported by the Head of Legal and Assistant Company Secretary, prepares a detailed briefing for the Board on a regular basis covering all regulatory issues. The Company's Health and Safety Manager meets regularly with the Chief Executive Officer to keep abreast of health and safety provisions which are also reported to the Board.

Impact

Impact Medium	Probability (post-mitigation) Low
Change from last year Reduced from high	Risk appetite Low

Link to strategy
- Right people.
- Right brand.



Covid-19 impact on risk
There may be changes to health and safety requirements.

Our response
We have kept up-to-date with Government announcements and following guidelines regarding hygiene and social distancing.

10.
Resourcing

Principal risk
Failure to implement our strategy successfully due to an inability to recruit and retain talented employees in key areas which limits our growth strategy and income-generation.

Risk impact
- Inability to implement strategic goals.
- Adverse impact on brand and reputation.
- A high turnover could lead to a loss of knowledge base.

Mitigation
We have a robust recruitment process to attract new joiners and established interview and evaluation processes with a view to ensuring a good fit with the required skill set and our valued corporate culture. Various incentive schemes align employee objectives with the strategic objectives of the Group to motivate employees to work in the best interests of the Group and its stakeholders. This is supported by a robust appraisal and review process for all employees.

Our HR and Support Services teams run a detailed training and development programme designed to ensure employees are supported and encouraged to progress with learning and study opportunities. The HR function was this year strengthened by the newly created appointment of a Head of People who will coordinate all activities to attract and retain talented employees.

We have a strong internal culture based on our Company values which encourage independent thought and initiative which is articulated in our four key values:
- Know your stuff.
- Find a way.
- Show we care.
- Be a little bit crazy.

Impact

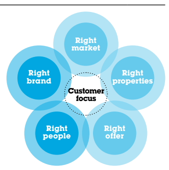
Impact
High

Probability (post-mitigation)
Low

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right people.
- Right brand.



Link to KPIs
- Employee volunteering days.

Covid-19 impact on risk
Employees will be more aware of their safety when travelling to work and in the office.

Our response
Workspace implemented a plan to allow employees to return to work in a clean and safe environment that allows for social distancing. Measures include staggered hours and a limit on the number of staff allowed in the office at one time.

11.
Cyber security

Principal risk
Loss of data or income arising from malicious threats to information systems.

Risk impact
- Loss of critical data.
- Financial loss due to fraud.
- Reputational damage amongst customers.

Mitigation
Cyber security risk is managed using a mitigation framework comprising network security, IT security policies and third party risk assessments. Controls are regularly reviewed and updated and include technology such as next generation firewalls, multi layered access control through to people solutions such as user awareness training and mock-phishing emails.

Assurance of the frameworks performance is gained through an independent maturity assessment, penetration testing and network vulnerability testing, all performed annually.

Risk management in action
During the year an independent cyber risk review was undertaken, overing the key cyber risks that could impact Workspace, their likelihood and the impact of each on our operations, finances and reputation. Following this review, monthly Board reporting has been established with clear KPIs and targets.

Impact

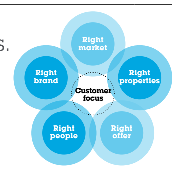
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right properties.
- Right people.
- Right brand.



Covid-19 impact on risk
At a time when there is increased reliance on technology as employees work remotely, there is a higher risk of cyber attacks from criminals taking advantage of businesses focusing on other events.

Our response
We already have robust processes surrounding cyber security which have been reviewed to consider the impact of the pandemic and put in place additional safeguards to cover remote working.

12. Financing

Principal risk
Reduced availability of financing options resulting in inability to meet business plans or satisfy liabilities.

Risk impact
- Inability to fund business plans.
- Restricted ability to invest in new opportunities.
- Increased interest costs.
- Negative reputational impact amongst lenders and in the investment community.

Mitigation
We regularly review funding requirements for business plans and we have a wide range of options to fund our forthcoming plans. We also prepare a five-year business plan which is reviewed and updated annually. Further detail is provided in the Viability Statement on page 76.

We have a broad range of funding relationships in place and regularly review our refinancing strategy.

We also maintain a specific interest rate profile via use of fixed rates and swaps on our loan facilities so that our interest payment profile is stable.

Loan covenants are monitored and reported to the Board on a monthly basis and we undertake detailed cashflow monitoring and forecasting.

Impact

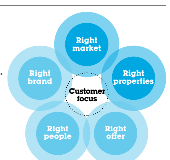
Impact
Severe

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right market.
- Right properties.



Link to KPIs
- Trading profit after interest.

Covid-19 impact on risk
The pandemic has impacted our customers and their ability to pay which could impact our financial performance and lead to a breach in covenants.

Our response
There has been an extensive review of our forecast models considering various downside scenarios. Refer to our going concern disclosure on page 76.

Climate change risk

During the year the Risk Committee considered the risks associated with climate change.

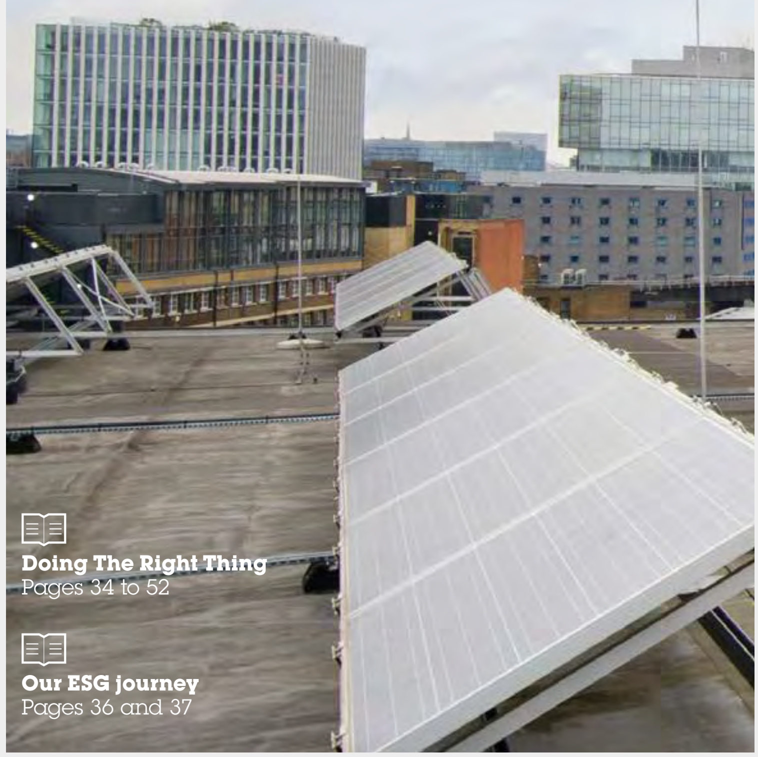
Workspace recognises that climate change will have an increasing impact on our business. Our properties are at risk from physical climate-related issues including changes in temperature extremes leading to increase cooling and heating loads, changes in precipitation leading to flash flooding, and physical damage to buildings from extreme weather events, which in turn can lead to greater stresses on our properties.

The property industry is one of the highest contributors to the global footprint. Therefore property companies are in a unique position to make a material contribution managing climate change through the use of environmentally friendly building practices.

Our sustainability policies have been influenced by legislation such as Carbon Reduction Commitment Energy Efficiency Scheme (CRC), Energy Saving Opportunity Scheme (ESOS), and Minimum Energy Efficiency Standard (MEES). More recently we have been working towards developing Science Based Targets (SBTs) and are preparing for the implications of new legislation such as the Streamlined Energy and Carbon Reporting Scheme (SECR).

We focus heavily on energy and carbon reduction measures, to ensure that our assets operate as efficiently as possible. We are working towards developing science-based targets which are set against recognised 1.5°C transition scenarios. Setting targets in this way will enable us to determine a carbon reduction trajectory between our base year and target year of 2050.

We maintain a separate risk register for climate change related risks which is managed by the Head of Sustainability and was presented to the Risk Committee during the year. Consideration is also given to opportunities such as the use of on-site renewable energy and the recycling of materials when refurbishing properties. For example, this year, in addition to installing solar panels onto our new developments, we have carried out a feasibility study for installing solar panels onto existing assets.



Doing The Right Thing
Pages 34 to 52

Our ESG journey
Pages 36 and 37

A robust business well positioned to navigate challenges ahead.

Customers at Metal Box, Bankside.

How we performed in 2019/20

Portfolio

59
Properties

£132.8m
Total Rent Roll

Financial highlights

+12%
Trading profit after interest is up

+10%
Total dividend per share

£2.574m
Property valuation

£10.89
EPRA net asset value per share

21%
Loan to value

£166m
Undrawn facilities available

Enquiries and lettings

1,087
Average monthly enquiries

121
Average monthly lettings

Disposals

4
Disposals

21%
Premium to book value at 31 March 2019

Completed projects

4
Projects completed in year

Refurbishments

5
Refurbishments projects underway

214,000 sq. ft.
New and upgraded space to be delivered

Redevelopments

3
Redevelopment projects underway

98,000 sq. ft.
New commercial space to be received

Enquiries and lettings

We saw strong levels of demand over the year with enquiries averaging 1,087 per month (2019: 1,048) and lettings averaging 121 per month (2019: 103). The Government restrictions on public movement began to impact enquiries and lettings in late March 2020, and we have seen a significant slowdown in activity since then. Prior to this, enquiries and lettings in the fourth quarter were very strong with a high of 1,430 enquiries in January 2020.

	Quarter ended					
Average number per month	**31 Mar 2020**	31 Dec 2019	30 Sept 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Enquiries	**1,128**	1,001	1,158	1,060	1,244	907
Lettings	**117**	113	134	121	130	98

Rent roll

Total rent roll, representing the total annualised net rental income at a given date, was up 4.2% to £132.8m at March 2020 as detailed below:

Rent roll	£m
At 31 March 2019	127.5
Like-for-like portfolio	1.7
Completed projects	7.8
Projects underway and design stage	(1.0)
Disposals/other	(3.2)
At 31 March 2020	**132.8**

The total estimated rental value (ERV) of the portfolio, comprising the ERV of the like-for-like portfolio, and those properties currently undergoing refurbishment or redevelopment (but only including properties at the design stage or being sold at their current rent roll and occupancy) is £165.8m.

Like-for-like portfolio

The like-for-like portfolio represents 68% of the total rent roll as at 31 March 2020. It comprises 29 properties with stabilised occupancy, excluding buildings impacted by significant refurbishment or redevelopment activity or contracted for sale. This category includes the prior year acquisitions of Centro Buildings and The Shepherds Building. Like-for-like trends reported for previous financial years are not restated for the property transfers made in the current financial year.

The like-for-like rent roll has increased by 1.9% (£1.7m) in the year to £90.4m. The growth over the twelve months has come from a 2.6% increase in occupancy from 90.5% to an all-time high of 93.1% offset by a 0.7% decrease in rent per sq. ft. to £43.32, reflecting some moderation in pricing levels in the first half of the year.

If all the like-for-like properties were at the current occupancy level of 93.1% at the CBRE estimated rental values at 31 March 2020, the rent roll would be £99.2m, £8.8m higher than the actual cash rent roll at 31 March 2020.

Completed projects

There are now a total of thirteen projects in the completed projects category, with rent roll increasing by 43% (£7.8m) in the year to £26.1m and overall occupancy at 87%.

If the buildings in this category were all at 90% occupancy at the CBRE estimated rental values at 31 March 2020, the rent roll would be £31.2m, an uplift of £5.1m.

The Light Box, Chiswick.

Projects underway – Refurbishments
We are currently underway on five refurbishment projects that will deliver 214,000 sq. ft. of new and upgraded space. As at 31 March 2020, rent roll was £2.2m, down £0.1m in the year. We expect to complete four of these refurbishments during the current year delivering 148,000 sq. ft. of new space.

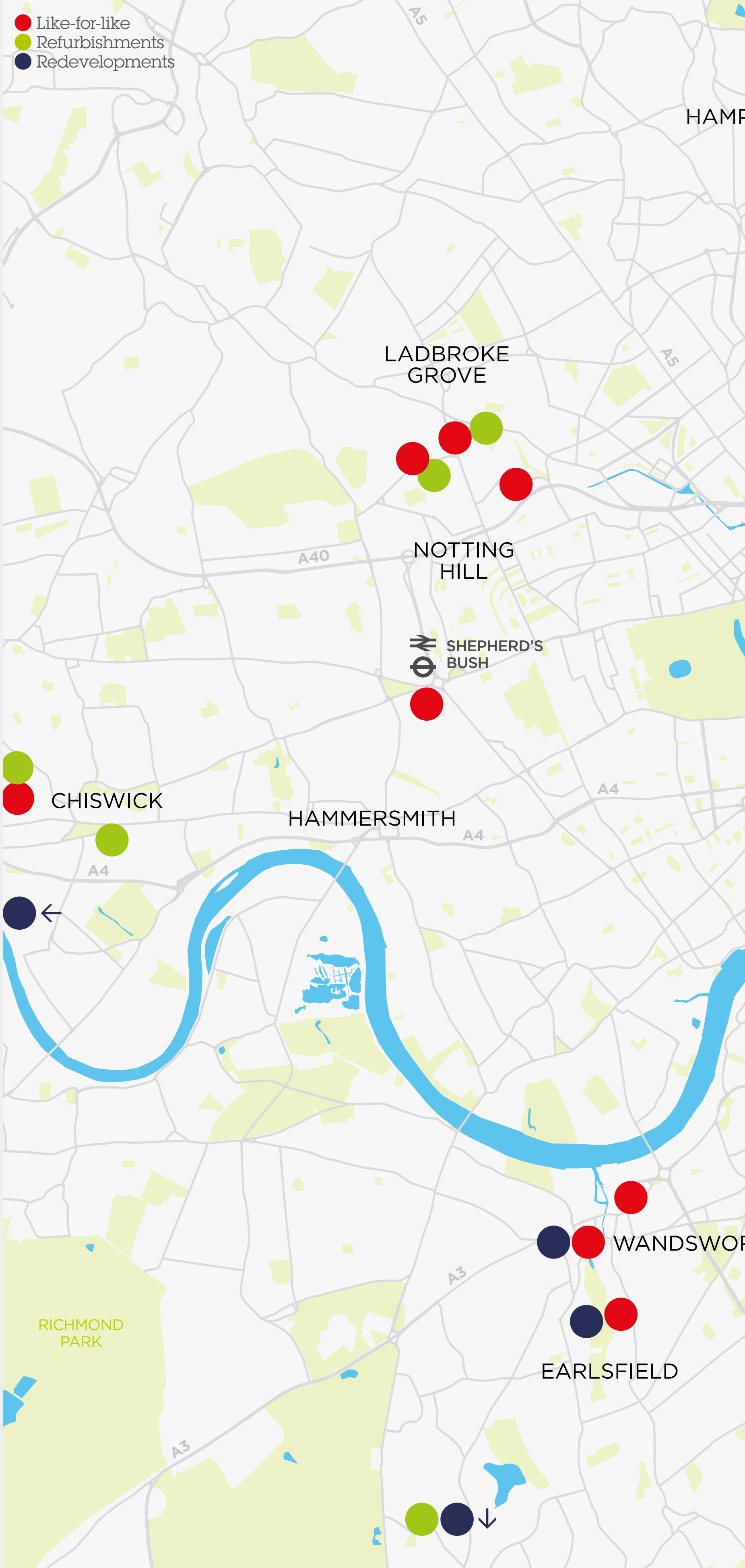
Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2020, the rent roll at these five buildings once they are completed would be £7.2m, an uplift of £5.0m.

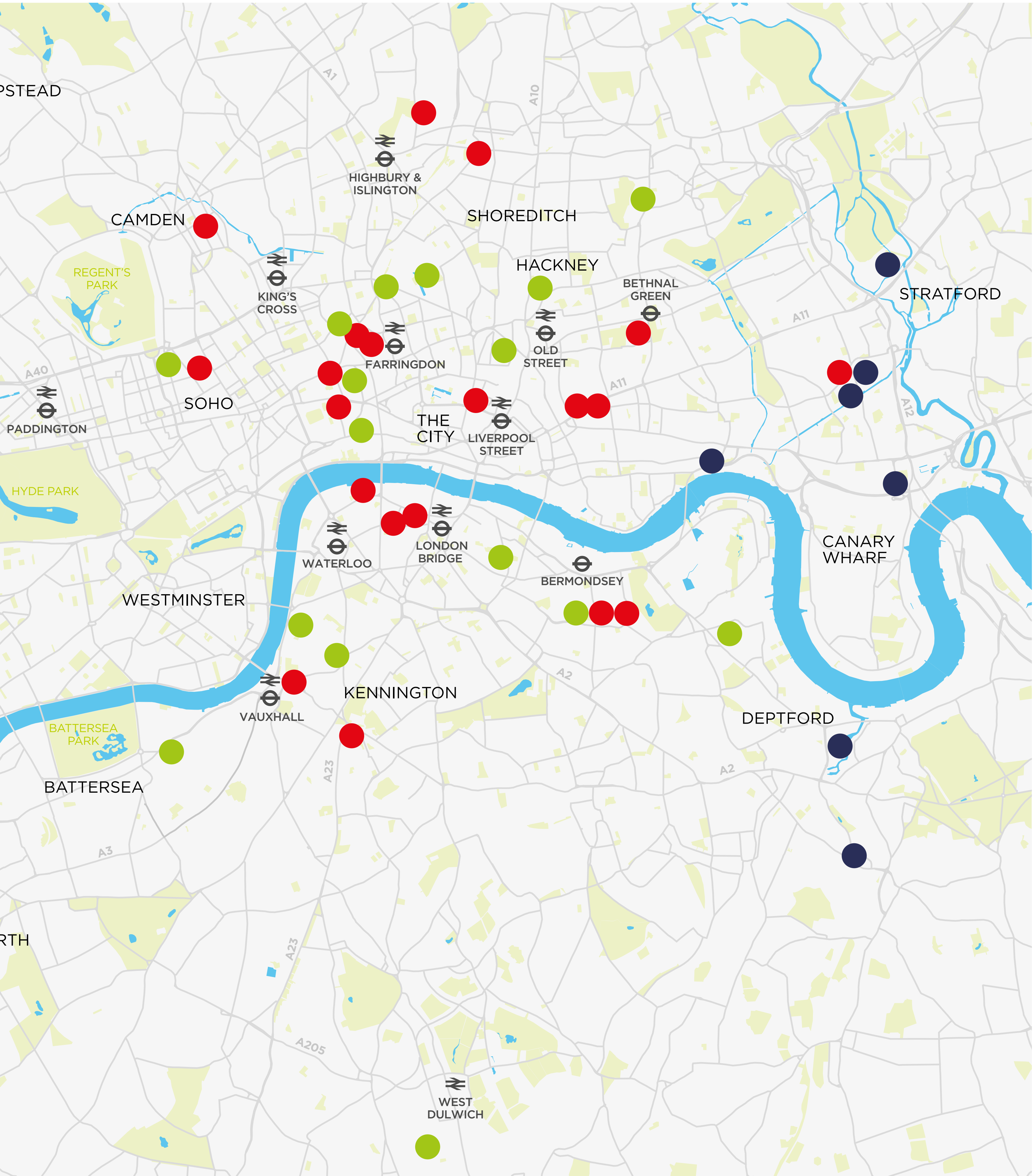
Projects underway – Redevelopments
There are currently three mixed-use redevelopment projects underway. At all of these sites, new business centres built at no cost to Workspace, will be delivered providing 98,000 sq. ft. of net lettable space.

Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2020, the rent roll at the three new business centres would be £2.2m.

Projects at design stage
These are properties where we are planning a refurbishment or redevelopment that has not yet commenced. In a number of cases this is because we are awaiting planning consent. The rent roll at these properties at 31 March 2020 was £14.1m, down £0.9m in the year.

The Chocolate Factory, Wood Green.




HIGHBURY &
ISLINGTON
SHOREDITCH
CAMDEN
REGENT'S
PARK
KING'S
CROSS
HACKNEY
BETHNAL
GREEN
STRATFORD
OLD
STREET
FARRINGDON
SOHO
PADDINGTON
THE
CITY
LIVERPOOL
STREET
HYDE PARK
WATERLOO
LONDON
BRIDGE
BERMONDSEY
CANARY
WHARF
WESTMINSTER
KENNINGTON
VAUXHALL
DEPTFORD
BATTERSEA
PARK
BATTERSEA
WEST
DULWICH
A1
A10
A11
A12
A40
A2
A23
A3
A205

Profit performance

Trading profit after interest for the year is up 11.9% (£8.6m) on the prior year to £81.0m.

£m	31 Mar 2020	31 Mar 2019
Net rental income	**122.0**	111.0
Administrative expenses – underlying	**(15.1)**	(14.9)
Administrative expenses – share based costs*	**(2.6)**	(2.2)
Net finance costs	**(23.3)**	(21.5)
Trading profit after interest	**81.0**	72.4

* These relate to both cash and equity settled costs.

Net rental income was up 9.9% (£11.0m) in total to £122.0m, as detailed below:

£m	31 Mar 2020	31 Mar 2019
Underlying net rental income	**103.9**	97.5
Acquisitions	**16.0**	9.9
Disposals	**2.1**	3.6
	122.0	111.0

There was a £6.4m (6.6%) increase in underlying net rental income, largely driven by the successful letting up of recently completed projects. The income from acquisitions relates to the Centro Buildings and The Shepherds Building acquired in the last financial year; while disposals include both sales in the last financial year and the current financial year.

Underlying administrative expenses increased by 1.3% (£0.2m) to £15.1m from inflationary pay rises and cost increases, offset by a short-term saving in Executive costs following Jamie Hopkins stepping down as CEO in May 2019.

Net finance costs increased by 8.4% (£1.8m) in the year. The average net debt balance over the year was £40.0m higher than the prior year, whilst the average interest rate was stable at 3.7%. This interest rate includes the commitment fee on the undrawn portion of the revolver facility. The marginal cost of the undrawn revolver facility is 1.5% over LIBOR.

Profit before tax decreased to £72.5m with an adverse movement year-on-year in the property revaluation from a surplus of £60.8m in the prior year to a deficit of £7.5m in the current year.

£m	31 Mar 2020	31 Mar 2019
Trading profit after interest	**81.0**	72.4
Change in fair value of investment properties	**(7.5)**	60.8
(Loss)/profit on sale of investment properties	**(0.8)**	8.3
Exceptional finance costs	**–**	(3.1)
Other items	**(0.2)**	(1.1)
Profit before tax	**72.5**	137.3
Adjusted underlying earnings per share	**44.6p**	40.6p

The small loss on sale of investment properties relates to sales costs associated with four disposals completed in the second half of the year which were calculated by reference to the September 2019 CBRE valuation. The sales were made at a premium of 21% relative to the March 2019 valuation.

Adjusted underlying earnings per share, based on EPRA earnings adjusted for non-trading items and calculated on a diluted share basis, is up 9.9% to 44.6p. The 12% growth in trading profit after interest is reduced by the impact of an increase of 9.96% in the number of shares in issue following the share placement in June 2018.

Dividend

Our dividend policy is based on trading profit after interest, taking into account our investment and acquisition plans and the distribution requirements that we have as a REIT, with our aim being to ensure the dividend per share is covered at least 1.2 times by adjusted underlying earnings per share. We believe that the strong trading performance for the year to 31 March 2020 combined with our business model and robust financial position leave us well positioned to address the challenges caused by the Covid-19 pandemic.

The Board is therefore recommending a final dividend of 24.49p per share (2019: 22.26p) to be paid on 7 August 2020 to shareholders on the register at 3 July 2020. The dividend will be paid as a Property Income Distribution and fully meets the REIT distribution requirement for the year to 31 March 2020, with a dividend cover at 1.23 times adjusted underlying earnings per share.

Property valuation

At 31 March 2020, our property portfolio was independently valued by CBRE at £2,574m, an underlying decrease of 0.3% (£8m) in the year. The main movements in the valuation over the year are set out below:

	£m
Valuation at 31 March 2019	2,604
Revaluation uplift – 6 months to September 2019	59
Revaluation deficit – 6 months to March 2020	(67)
Capital expenditure	55
Capital receipts	(12)
Disposals	(65)
Valuation at 31 March 2020	**2,574**

There was a revaluation decrease of 2.5% (£67m) in the second half of the year compared to an increase of 2.2% (£59m) in the first half. The reduction in the second half of the year includes a capital deduction by CBRE of £32m reflecting their assessment of the deduction a buyer might expect to allow for the risk of increased customer defaults and non-payment of rent. The external valuation of our portfolio at 31 March 2020 contains a material uncertainty clause from CBRE, which is in line with the RICS guidance to valuers and reflects the difficulty in determining asset values when few comparable transactions have occurred in the current trading environment.

A summary of the full year valuation and revaluation movement by property type is set out below:

£m	Valuation	Uplift/deficit
Like-for-like properties	1,540	(27)
Completed projects	547	4
Refurbishments	331	8
Redevelopments	145	(2)
Disposals – exchanged	11	(1)
Disposals – completed	–	10
Total	**2,574**	**(8)**

Like-for-like properties

There was a 1.7% (£27m) underlying decrease in the valuation of like-for-like properties to £1,540m, largely reflecting the capital deduction made by CBRE in respect of Covid-19.

	31 Mar 2020	31 Mar 2019	Change
ERV per sq. ft.	**£47.54**	£48.11	-1.2%
Rent per sq. ft.	**£43.32**	£43.64	-0.7%
Equivalent Yield	**5.9%**	6.0%	-0.1%
Net Initial Yield	**5.2%**	5.1%	+0.1%
Capital Value per sq. ft.	**£687**	£691	-0.5%

The fall in CBRE's ERV estimate reflects reductions in pricing across the like-for-like portfolio, primarily in the first half of the year.

Grand Union Studios, Ladbroke Grove.

The Print Rooms, Bankside.

Completed projects

There was an underlying uplift of 0.7% (£4m) in the value of the thirteen completed projects to £547m. The overall valuation metrics for completed projects are set out below:

	31 Mar 2020
ERV per sq. ft.	**£45.76**
Rent per sq. ft.	**£39.67**
Equivalent Yield	**5.6%**
Net Initial Yield	**4.4%**
Capital Value per sq. ft.	**£723**

Ink Rooms, Clerkenwell.

Current refurbishments and redevelopments

There was an underlying uplift of 2.5% (£8m) in the value of our current refurbishments to £331m and a reduction of 1.4% (£2m) in the value of our current redevelopments to £145m.

Refurbishment activity

In April 2019, we completed the refurbishment of The Light Box, Chiswick which now provides 78,000 sq. ft. of net lettable space, following a roof extension and significant upgrade to the common areas.

In June 2019, we completed two new buildings:
- Brickfields, adjacent to Hoxton Rail Station, provides 57,000 sq. ft. of net lettable space. The industrial design of the building features a steel-frame interior and a large central atrium.
- Ink Rooms, a former printing ink factory in Clerkenwell, has been converted and extended to provide 22,000 sq. ft. of net lettable space.

In September 2019, we completed the refurbishment of 338 Goswell Road, Angel, comprising 43,000 sq. ft. of upgraded space.

The major re-build of Mare Street Studios, Hackney, providing 55,000 sq. ft. of new business space completed in April 2020 and we plan to launch this building shortly.

A summary of the status of the refurbishment pipeline at 31 March 2020 is set out below:

Projects	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	5	£36m	£15m	214,000
Design stage	6	–	£90m	437,000
Design stage (without planning)	1	–	£60m	155,000

Redevelopment activity

Many of our properties are in areas where there is strong demand for mixed-use redevelopment. Our model is to use our expertise, knowledge and local relationships to obtain a mixed-use planning consent and then agree terms with a residential developer to undertake the redevelopment and construction at no cost and limited risk to Workspace. We receive back a combination of cash, new commercial space and overage in return for the sale of the residential scheme to the developer.

A summary of the status of the redevelopment pipeline at 31 March 2020 is set out below:

	No. of properties	Residential units	Cash received	Cash/ overage to come	New commercial space (sq. ft.)
Underway	3	407	£25m	£4m	98,000
Design stage	4	783	–	–	115,000
Design stage (without planning)	1	402	–	–	171,000

The sale of the residential schemes at the three redevelopment schemes underway is expected to deliver £29m in cash (of which £25m has already been received) and three new commercial buildings.

The third and final phase of the Bow Enterprise Park redevelopment scheme has been completed with a new 39,000 sq. ft. business centre delivered to us by the developer. We plan to launch this building, called Lock Studios, shortly.

There are four schemes at the design stage that have obtained mixed-use planning consents but are not yet contracted for sale.

Discussions with the planners for the re-designation of land use for a significant mixed-use redevelopment scheme in Wandsworth are progressing well and we hope to obtain planning consent shortly.

Disposals

Four properties have been exchanged and sold in the year for a total of £65m at a premium of 21% (£10m) to the 31 March 2019 valuation:

- In September 2019, we exchanged contracts for the sale of Alexandra House, Wood Green for £15.5m. The sale completed in March 2020 at a net initial yield of 4.1% and a capital value of £283 per sq. ft. The premium achieved is well ahead of the returns we expected to achieve from the planned repositioning of this building.
- In September 2019, we also exchanged contracts for the sale of Vestry Street Studios, near Old Street for £19.25m. The sale of this small office building completed in October 2019 at a net initial yield of 4.3% and a capital value of £847 per sq. ft.
- In October 2019, we exchanged and completed on the sale of 12-13 and 14 Greville Street, Farringdon for £14.75m. This represents a net initial yield of 1.3% and a capital value of £1,000 per sq. ft. In June 2018 we obtained planning consent for a refurbishment project. However, the premium to book value achieved on the sale exceeds the return anticipated from this planned project.
- In November 2019, we exchanged contracts for the sale of Quality Court, Holborn for £15.8m. The sale completed in January 2020 at a net initial yield of 4.3% and a capital value of £930 per sq. ft.

Cash flow

The Group generates strong operating cash flow in line with trading profit, with good levels of cash collection. Bad debts remained low over the year at £0.4m (March 2019: £0.2m). A summary of the movements in cash flow are set out below:

£m	**31 Mar 2020**	31 Mar 2019
Net cash from operations after interest	**85**	76
Dividends paid	**(61)**	(52)
Capital expenditure	**(62)**	(87)
Purchase of investment properties	**–**	(221)
Property disposals and cash receipts	**65**	51
Capital receipts	**12**	6
Share placement proceeds	**–**	176
Other	**–**	(12)
Net movement	**39**	(63)
Opening debt (net of cash)	**(580)**	(517)
Closing debt (net of cash)	**(541)**	(580)

There is a reconciliation of net debt in note 13(b) to the financial statements.

Financing

As at 31 March 2020, the Group had £70.3m of cash and £96.0m of undrawn facilities:

	Drawn amount	Facility	Maturity
Private Placement Notes	£457.5m	£457.5m	2020-2029
Bank facilities	£154.0m	£250.0m	2022
Total	**£611.5m**	**£707.5m**	

All facilities are provided on an unsecured basis with an average maturity of 4.5 years (31 March 2019: 5.6 years).

The average interest cost of our fixed rate private placement notes is 4.0%. Our revolver bank facilities are provided at a floating rate of 1.65% over LIBOR. At 31 March 2020, 63% of our facilities are at fixed rates, representing 73% of our borrowings on a drawn basis.

At 31 March 2020, loan to value (LTV) was 21% (31 March 2019: 22%) and interest cover (based on net rental income) was 5.2 times (31 March 2019: 5.2), providing good headroom on all facility covenants. We estimate that we could withstand a reduction in net rental income of 62% or a fall in asset valuation of 65% before any debt covenants are breached.

Net assets

Net assets increased in the year by £17m to £1,998m. EPRA net asset value (NAV) per share at 31 March 2020 was up 0.3% (£0.03) to £10.89:

	£
At 31 March 2019	10.86
Adjusted trading profit after interest	0.45
Property valuation surplus/(deficit)	(0.04)
Dividends paid	(0.34)
Other	(0.04)
At 31 March 2020	**£10.89**

The calculation of EPRA NAV per share is set out in note 8 of the financial statements.

Key property statistics

Outlook for the year to 31 March 2021

The results for the first quarter will be impacted by rent discounts, partially offset by cost savings. We have offered customers in our business centres affected by the Government restrictions a rent reduction of 50% initially for the lockdown period and now extended until the end of June 2020. We have also, on a case by case basis, offered customers the opportunity to defer a proportion of their rental payments. The rent discount is only available to customers who continue to pay their rent or have a deferred payment agreement.

Overall, we have given rent reductions to around 75% of our customers (by rent), which represents a reduction in rent of c.£15m in the quarter. We have agreed to defer around 15% of the discounted rent amounts due from these customers.

Of the total rent (net of discounts and deferrals) that we expected to collect for the first quarter, we have so far collected approximately 70% and continue to work with customers on the remaining rent due.

Whilst our centres have remained open during the lockdown period and our teams have continued to support customers remotely, the significant temporary decrease in the number of people using our centres has allowed us to reduce service costs, although these are partially offset by higher costs in areas such as security.

Government restrictions on public movement began to impact enquiries and lettings in late March 2020 and we have seen a significant slowdown in enquiries and letting activity since then, with enquiries falling to a low of around 50 per week in early April. Whilst it is it is too soon to draw any conclusions, we have seen enquiry levels start to pick up again in May, albeit still significantly below normal levels.

Our customer base comprises over 3,000 businesses, highly diversified both by size and by sector, with those customers in sectors most directly impacted by Covid-19, including retail, travel, hospitality, events and leisure, accounting for less than 15% of total rent roll. Despite this diversity and our best efforts to support them, not all customers' businesses will survive. The key test will come over the next few months as lockdown eases, Government support is reduced and our customers assess the prospects for their businesses.

Whilst the risk of material bad debts is largely mitigated by the rent deposits we hold, the space vacated, combined with that released by customers downsizing, will put downward pressure on occupancy. Our focus will be on retaining existing customers as best we can, alongside capturing the demand from new customers. As the structural shift towards flexible working continues, we do believe we will see ongoing demand from a broad range of businesses for the space and services Workspace provides.

It is too soon to see any clear trends or predict exactly the extent to which the factors above will impact the results for the year to March 2021. We have, however, modelled a number of scenarios to better understand the wide spread of potential outcomes and to ensure the robustness of the business as a going concern. The key variables for our operating performance are occupancy and pricing, with a 5% change in occupancy or rent per sq. ft. having an impact of approximately £7m on total rent roll. For reference, during the Global Financial Crisis, we saw like-for-like occupancy drop by 7% to 83% at its lowest point and rent per sq. ft. drop by 6%.

Whilst the results for the year to 31 March 2021 will be impacted by the rent reductions we have given our customers in the first quarter and any short-term pressure on occupancy, our experience from previous economic downturns has shown that our dynamic operating model and flexible offer allow us to adapt quickly to capture demand and achieve good occupancy levels in any market conditions.

	Half Year ended			
	31 Mar 2020	30 Sep 2019	31 Mar 2019	30 Sep 2018
Workspace Group portfolio				
CBRE property valuation	**£2,574m**	£2,682m	£2,604m	£2,435m
Number of locations	**59**	64	64	64
Lettable floorspace (million sq. ft.)	**3.9**	4.0	3.9	3.8
Number of lettable units	**4,009**	4,969	4,796	4,709
Rent roll of occupied units	**£132.8m**	£130.4m	£127.5m	£115.0m
Average rent per sq. ft.	**£39.18**	£38.06	£38.45	£36.66
Overall occupancy	**87.0%**	86.3%	84.8%	82.4%
Like-for-like number of properties	**29**	28	30	30
Like-for-like lettable floor space (million sq. ft.)	**2.2**	2.2	2.1	2.1
Like-for-like rent roll growth	**1.2%**	0.7%	(0.4)%	2.6%
Like-for-like rent per sq. ft. growth	**0.3%**	(1.0)%	1.0%	2.8%
Like-for-like occupancy movement	**0.9%**	1.7%	(0.7)%	(0.2)%

1. The like-for-like category has been restated in the current financial year for the following:
   - The transfer in of Centro Buildings, Camden, and The Shepherds Building, Shepherd's Bush, from the acquisitions category.
   - The transfer in of The Record Hall, Hatton Garden, Cocoa Studios at The Biscuit Factory, Bermondsey, and Vox Studios (phase 2), Vauxhall, from the completed projects category.
   - The transfer out of Canalot Studios, Ladbroke Grove, Parkhall Business Centre, Dulwich, and Havelock Terrace, Battersea, to the refurbishment projects category.
   - The transfer out of Vestry Street Studios, Old Street, and Quality Court, Holborn, to the disposals category.

2. Like-for-like statistics for prior years are not restated for the changes made to the like-for-like property portfolio in the current financial year.
3. Overall rent per sq. ft. and occupancy statistics include the lettable area at like-for-like properties and all refurbishment and redevelopment projects, including those projects recently completed and also properties where we are in the process of obtaining vacant possession.

The Strategic Report on pages 6 to 77 was approved by the Board of Directors on 4 June 2020 and signed on its behalf by:

Graham Clemett
Chief Executive Officer

Dave Benson
Chief Financial Officer

Compliance statements

Going Concern

The Group's activities, strategy and performance are explained in the Strategic Report on pages 6 to 77.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 176 to 208.

The Directors, have conducted an extensive review of the appropriateness of adopting the going concern basis in light of the Covid-19 pandemic. More details can be found on page 123. Following this review and having made appropriate enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources and sufficient headroom on the Group's bank loan facilities to continue in operational existence. For this reason, the Directors believe that it is appropriate to continue to adopt the Going Concern basis in preparing the Group's accounts.

Viability statement

Assessment of prospects

The Group assesses its prospects primarily through the annual Strategic Review process which involves a debate of the Group's strategy and business model, consideration of the Group's principal risks and a review of the Group's five-year plan. Particular attention is given to existing refurbishment and redevelopment commitments, long-term financing arrangements, compliance with financing and REIT covenants and existing macro-economic factors.

The most recent strategy day was held in September 2019 and the Board reviewed the business plan for the five years to 31 March 2024.

In light of the current uncertainty resulting from the impact of Covid-19 on the conditions the Group is operating in, consideration has also been given to a number of updated scenarios covering the period to 31 March 2025.

The scenarios modelled include a severe but realistically possible scenario based on the following key assumptions:
- Six months of Government restrictions on public movement ('lockdown').
- 90% of customers receive a 50% discount and 80% of the discounted rent is deferred for 12 months after lockdown ends.
- A reduction of 30% in occupancy and 20% in rent per square foot. These reductions are more severe than that experienced during the global financial crisis.
- A gradual recovery period of 23 months post-lockdown to return to 90% occupancy.
- An expansion in investment yields of 350bps.

The Group's activities, strategy and performance are explained in the Strategic Report on pages 6 to 77, including a description of the Group's strategy and business model on pages 20 to 23 and 30 to 33.

Assessment of time period

The Board has selected a review period of five years for the following reasons:

a) The Group's strategic review covers a five-year period.
b) Our current project pipeline spans five years, covering the time for the currently planned major refurbishments and redevelopments to progress from initiation to completion.
c) The average period to maturity of the Group's committed facilities is 4.5 years.

Although financial performance is assessed over a period of five years, the strategy and business model are considered with the longer-term success of the Group in mind. The Directors believe they have no reason to expect a significant adverse change in the Group's viability immediately following the end of the five-year assessment period.

Assessment of viability

The Board has considered the key risks and mitigating factors that could impact the Group, details of which can be found on pages 58 to 67. Those risks that could have an impact on the ongoing success of the Group's strategy, particularly in light of Covid-19, were identified and the resilience of the Group to the impact of these risks in severe, yet plausible scenarios has been evaluated.

Sensitivity analyses have been prepared to understand the impact of the identified risks on solvency and liquidity. The specific risks which were evaluated are shown in the following table.

Risk sensitivity analyses

Specific risk	Risk category	Sensitivity analysis
Demand for space falls dramatically impacting occupancy and pricing levels, leading to a breach of loan covenants.	– Customer. – Valuation. – London.	Net rental income would need to reduce by 61% from the comparable for the year to 31 March 2020. This represents an additional 22% reduction from the net rental income included in the severe scenario modelled.
Property values are adversely impacted by the uncertainty in the economy leading to a breach of covenants.	– Valuation. – London.	The property valuation would need to fall by 61% compared to the valuation as at 31 March 2020. This is a further decrease of 24% compared to the valuation as at 31 March 2022 in the severe scenario modelled.
Changes in the economic and regulatory UK environment impact the availability and pricing of debt.	– Financing.	The Group's £250m RCF is repayable in June 2022. Under the scenario modelled, the Group would need to refinance this debt to continue in operation.
A further business interruption event impacts London in the months following Covid-19 leading to further restrictions in the use of the Group's properties.	– Business interruption. – London.	A further severe instance of business interruption, particularly within the 6 months following Covid-19 would put significant pressure on the Group's Interest Cover covenant.

The Group benefits from a freehold property portfolio and a flexible business model that allows the business to adapt to changing requirements of its customer base. This, coupled with a strong balance sheet, means the Company can withstand a strong downturn in the economy and demand.

Of the scenarios tested, the most significant impact would be to the level of available facilities resulting from an inability to refinance existing facilities. To mitigate this risk, the Group regularly reviews funding requirements and maintains a close relationship with existing and potential funding partners to facilitate the continuing availability of debt finance.

Also, the maturity of debt facilities is spread over a number of years to avoid a concentration of risk in one period and gearing is relatively low with LTV of 21% as at 31 March 2020.

There are a number of mitigating factors that were not considered in the scenarios tested but which could be actioned:
- Disposal of assets.
- Cancellation or significant reduction in dividend.
- Reduction in refurbishment programme.

Conclusion

The sensitivity and stress analyses outlined above indicate that the Group would have adequate means to maintain headroom in its facilities and covenants to continue operations for the period under review. On this basis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period stated above.

Section 172 – making the right decisions

The Board of Workspace Group PLC takes its responsibilities under Section 172 of the Companies Act 2006 seriously and acts in good faith to promote the success of the Company (and its Group) for the benefit of its shareholders. When making decisions, we consider the interests of all our stakeholders, the long-term consequences of these decisions and our own reputation for high standards of business conduct.

During the past year we have introduced a stakeholder impact analysis form which is discussed by the Board each time a key strategic decision is proposed. The analysis sets out the expected impacts of the proposed decision on different stakeholder groups and how any negative impacts might be mitigated. Decisions are made within the context of the long-term factors that may impact the Group, including key competitive trends and disruptions, technology capability and climate change considerations.

Examples of how the Board considered s172 matters in decisions this year can be found on pages 92 and 93 and more information on all our activities related to s172 can be found throughout our strategic and governance reports as outlined below.

Requirement	Explanation	Reference
a) The likely consequences of any decision in the long term	The Board and its committees have taken this duty into consideration when making key strategic decisions during the year, including articulation of our purpose and key investment decisions such as the disposal of Quality Court.	**Case study: Articulation of our purpose** Page 92 **Case study: The disposal of Quality Court** Page 93
b) The interests of the Group's employees	Daniel Kitchen, Chairman of the Board, held focus groups with employees in his role as the designated Non-Executive Director for employee engagement. Key issues raised during the year included ideas to enhance our customer offer as well as thoughtful discussions around health and well-being for both customers and employees, sustainability and climate change. We have incorporated these ideas into our Board discussions and explored with the Executive team how to implement these ideas further. One of the first significant actions taken was the expansion of the Executive Committee.	**Our people** Page 24 to 29 **NED responsible for employee engagement** Pages 100 and 101
c) The need to foster the Group's business relationships with suppliers, customers and others	The Board has identified the Company's key stakeholders to be shareholders, employees, customers, suppliers, debt financiers and communities. A communications programme is in place to engage with, and encourage participation from, our stakeholders. The Board receives regular updates on stakeholder engagement conducted by the wider business through reports from management which are presented at Board meetings. Key issues raised during the year included customer service, our response to Covid-19 and sustainability.	**Stakeholder engagement** Pages 97 to 99
d) The impact of the Group's operations on the community and the environment	Sustainability, climate change and other ESG topics have been topics of ongoing interest. We have a strong track record in ESG, through the Doing The Right Thing Committee, and this year announced our commitment to achieve net zero carbon by 2050.	**Doing The Right Thing** Pages 34 to 52 **Net zero carbon** Page 38
e) The desirability of the Group maintaining a reputation for high standards of business conduct	We operate a robust internal control system with clear leadership supported by a wide training and awareness programme. This system is coupled with a clear corporate culture and set of values. Our key control policies include our Employee Code of Conduct, Whistleblowing Policy, Data Protection Policies & Procedures, Modern Slavery Statement, Anti-Bribery & Corruption Policy and Equal Opportunities Policy, as well as strong internal financial controls.	**Policies** Pages 100 and 105 **Culture and values** Page 92
f) The need to act fairly as between members of the Group	The Executive Directors, Chairman, Senior Independent Director and Committee Chairs regularly speak to investors through face-to-face meetings, phone calls, presentations and roadshows.	**Shareholder engagement** Pages 95 to 96

Good governance and an experienced leadership team have been critical during a year of significant change.

Daniel Kitchen
Non-Executive Chairman

More information:
Pages 16 to 23 and 30 to 33
Our market, strategy and business model
Pages 110 and 119 to 121
Board diversity, succession planning and effectiveness
Pages 100 to 101
Employee engagement
Pages 95 to 99
Stakeholder relations strategy
Pages 82 and 86
Board meetings and activity during the year
Pages 36 to 45
Sustainability and the environment

Delivering in 2019/2020

We said we would recruit a new CEO and expand the leadership team
Appointed an experienced CEO after a rigorous selection process. We also appointed a new Non-Executive Director and CFO.

For more information
Pages 113 to 117

We established a timeline to articulate the Company Purpose
Engaged with stakeholders to define what makes Workspace a leading company.

For more information
Page 92

We said we wanted to expand our employee engagement
The Non-Executive Director responsible for employee engagement held several meetings with staff. Employee consultation group meetings were also held to define our Company Purpose and culture.

For more information
Pages 100 and 101

Dear Shareholder
I am pleased to present our corporate governance statement for the year. Strong corporate governance principles provide the framework within which we manage risk, our relations with stakeholders and our broader responsibilities to our communities and society. This year we have completed the implementation of 2018 UK Corporate Governance Code, and I am pleased to report that we are fully compliant.

The Board regularly debates our strategy and the evolving needs of our customers in the dynamic London market. Our successful strategy is demonstrated by the value we delivered for both shareholders and stakeholders over the year. Both our dividend and net asset value increased despite a volatile market affected first by the uncertainty of Brexit and a general election in the UK and subsequently by the global response by governments to the threat of Covid-19. Although we are currently experiencing a period of unprecedented uncertainty, our business model and prudent financial management continue to underpin our Company's resilience.

Board composition and succession
The Board underwent a number of changes in the year. The appointments made over the year combine continuity and existing expertise with fresh external perspectives. This prudent approach to Board succession has resulted in the Company being led in challenging times by a strong and experienced team at both the Non-Executive and Executive level.

Daniel Kitchen, Non-Executive Director, is responsible for holding meetings with staff as part of our employee engagement programme.

After nine years as Chairman, I announced in December 2019 my intention to step down after the Annual General Meeting ('AGM') in July 2020. I am pleased that Stephen Hubbard was chosen to take over as Chairman at the close of the AGM. As a current Non-Executive Director of Workspace and previous Chairman of CBRE UK, Stephen brings in-depth knowledge of both Workspace and the wider property sector. His experience will help support our strategy going forward as we enhance our customer offer and, continue to build on our leading position in the London market and provide continuity after a year of considerable change in the Executive Committee.

In September 2019, Graham Clemett was appointed as our new Chief Executive Officer after a rigorous selection process involving both internal and external candidates. Graham was previously the Chief Financial Officer of our Group and joined the Board in 2007. His strong leadership as Interim CEO during the search process, and his track record within the business, gives the Board confidence that Graham is the right person to guide the Group going forward.

In January 2020, Suzi Williams joined the Board, bringing extensive skills in marketing and brand management in customer-centric businesses. Suzi brings a wealth of expertise in these areas from her roles at various large and publicly-listed companies. Her experience is hugely relevant as we refine our customer focus in the coming year.

In April 2020, Dave Benson joined the Group as Chief Financial Officer and was appointed to the Board. Dave combines a strong commercial focus with broad finance skills and a wealth of experience that will help support our ambitions as we continue to build on our leading market position.

More information on our Board diversity, succession planning and effectiveness can be found on pages 110 and 119 to 121.

Company Purpose, culture and values
We are proud of our Company's history and the part we have played in revitalising London's historical neighbourhoods into vibrant, exciting hubs of corporate life. Articulating our Company Purpose and integrating it into our strategy has therefore been one of the Board's activities over the year.

Over the past 18 months, we have engaged with our employees, suppliers and partners to help us define what it is that has made Workspace a leading company. Flexibility, customer support and the drive to make things happen – for the Company, our customers and other stakeholders – is at the core of our strategy and operating philosophy. 'Freedom to Grow' is the result of our stakeholder engagement and encapsulates our Company Purpose – removing barriers to success, focusing on making differences and responding to changing customer demands. Freedom to Grow will not change how we engage and manage our business, but it provides a clear unifying purpose that underpins everything we do as a business, including how we are governed.

Employee engagement
As Non-Executive Director responsible for employee engagement, I was pleased to meet with our staff from across the business. We considered various initiatives ranging from wellbeing to sustainability and ESG as well as suggestions to enhance our customer offer. We regularly seek feedback from our staff, and this year we also completed an employee survey which yielded good insights into a range of topics, such as leadership, teamwork, service, values and wellbeing. The survey was followed up by meetings with the Executive team and various employee groups to develop further initiatives. Examples of these include a new service training programme that will embrace our site and head office staff; the re-introduction of a monthly award scheme to recognise staff achievements and the launch of a programme of mental health training for all employees. More details of our meetings can be found on pages 100 and 101.

Diversity and inclusion are at the heart of our corporate culture which we actively promote in all areas of our activities. Embedding best practice in diversity is essential in helping us remain a valued and preferred employer. We are pleased to report that women now constitute 50% of middle ranking management roles, 25% of the Executive Committee and 38% of the Board. We continue to engage with our employees and receive advice from specialist recruitment consultants with the aim of continuing to improve our Company diversity.

Board activities over the year
Board meetings and activity during the year can be found on page 82.

Relations with stakeholders
We meet regularly with shareholders to get their views, as does the Executive team. The Executive team manages a proactive investor engagement programme, participating in roadshows, industry conferences and site visits. Over the year, we held 89 meetings with investors and analysts.

Our wider stakeholder group, in addition to our employees and customers, includes our suppliers and partners, as well as debt capital providers, planning authorities, local councils and others who support our business activities. Maintaining strong business relations with our stakeholders is essential to our success and the creation of long-term sustainable value. As such, it is a key part of the Board's role in stewardship and the Board and the Executive team meet regularly with our stakeholders to share our strategy, vision and values.

Sustainability and the community
We are committed to driving positive change both within our business and in partnership with suppliers, customers and local communities. Our business model and strategy aim to deliver sustainable growth for all stakeholders and in the communities we support. Environmental, Social and Governance (ESG) factors are integral to our decision-making process and management of our business. These factors are monitored regularly, and we report our performance against rigorous industry benchmarks, including the Global Real Estate Sustainability Benchmark (GRESB), Carbon Disclosure Project (CDP), and FTSE4Good Index. We have been actively involved in consultations with the Government, investors, industry groups and sustainability experts helping the Group to continue to improve our performance in sustainability, energy efficiency, social mobility, and resilience to climate change.

Mare Street Studios, Hackney
As part of our rolling development and refurbishment programme, we try to retain as much of our buildings' original structure and history as we can. This year we took on the challenge to transform the old furniture factory in Hackney into a modern business hub, creating Mare Street Studios. The East London business centre has been refurbished to BREEAM Excellent standards and has achieved a B EPC rating. The main sustainability features include a green roof, solar PV, an Optergy Building Energy and Management System (BEMS) and LED lighting throughout with daylight and presence sensors. The centre has been designed to have a generous amount of natural light to provide a space which boosts productivity and wellbeing. There are also 154 cycle spaces and the existing car parking facility has been removed in order to encourage our customers to choose a more sustainable way to travel into work.

InspiresMe
Our InspiresMe programme is a key part of our Doing The Right Thing strategy which focuses on supporting disadvantaged young people in London. Through partnering with local schools and charities, we hosted CV and interview practice workshops, and have provided work experience across our business. Last summer we partnered with environmental charity Groundwork to design and create a garden for our local school, building bench planters, and planting fruit trees, flowers and edibles. Maintaining environmentally friendly, thriving communities is something our customers value highly, which we support through providing volunteering opportunities, working groups and green travel facilities.

Board effectiveness
In respect of our operation as a Board, we continue to reflect upon our collective skills and experience. Through the work of the Nominations Committee, I am very pleased with the changes that we have implemented during the year.

A mechanism to inform our future development plans is the annual Board evaluation. This year we engaged in an internally led process. The conclusion that we continue to operate effectively was welcomed, however we continue to recognise the value of objective findings and suggested areas for improvement. Pages 120 and 121 explain in full the process that was adopted. Every three years, the Board will engage in an externally facilitated evaluation process.

Board Committee support
The Board Committees continue to inform, underpin and support many aspects of the Board's role, and although the key focus areas for each Committee remain unchanged, priorities throughout the year continue to respond to the needs of the Group and relevant governance developments. Each Board Committee presents its own detailed report in the pages that follow.

One area that I will touch on is the constructive discussion surrounding executive remuneration outturns and the Group-wide pay environment which continues to be delegated to the Remuneration Committee. Following proactive shareholder engagement, and in line with the three-yearly review, Workspace's Remuneration Policy will be put forward for shareholder consideration at the 2020 AGM.

Covid-19 Outbreak
These are and have been extraordinary times. Together, we can take steps to mitigate the threat and the disruption caused by the virus. Foremost in our efforts is the health, safety and wellbeing of all of our stakeholders, especially our customers and employees, as well as the communities around our buildings.

We have continued to support our customers during this unprecedented time and implementing measures to manage and respond to these events.

I hope you find this report informative. If you have any queries on our governance principles, please contact our Company Secretary, Carmelina Carfora.

Daniel Kitchen
Chairman
4 June 2020

Strengthening the leadership team for the next phase of growth

Over the past year appointments made to the Board combine continuity and existing expertise with a fresh external perspective, to provide us with the right skills, knowledge and experience within our leadership team in order to operate effectively and deliver our strategy going forward.

Appointed Graham Clemett as Chief Executive Officer
With over 12 years of experience in the Group in his role as CFO, Graham demonstrated outstanding leadership and clear vision for the Group's future in his role as Interim CEO. Graham assumed the role of CEO on 24 September 2019.

Appointed David Benson as Chief Financial Officer
David joins us from Whitbread plc where he held the role of Corporate Finance Director. David combines a strong commercial focus with broad finance skills and a wealth of experience that will support our ambitions.

Appointed Suzi Williams as Non-Executive Director
Suzi has an outstanding track record in brand development, marketing and customer behaviours with over 30 years' experience in marketing, brand and innovation for leading consumer, media, technology and service brands.

Appointed Stephen Hubbard as Chairman (role effective from July 2020)
Stephen was the natural choice for the Board given his strong track record in the UK property market having served as Chairman of CBRE until his retirement in December 2019, and his in-depth knowledge of Workspace from his time as a Non-Executive Director.

How the Executive Committee will support growth

To improve our marketing expertise and customer focus, Will Abbott joined the Executive Committee as Chief Customer Officer. Claire Dracup has joined as Head of People. She will lead on all HR, training and staff development matters. Richard Swayne has joined the Committee as Investment Director and will continue to lead our property investment team. David Benson, our new CFO, has also joined the Executive Committee alongside Carmelina Carfora, Company Secretary, who will lead on all legal, governance and compliance matters. Chris Pieroni will be retiring from his role as Operations Director in June 2020.

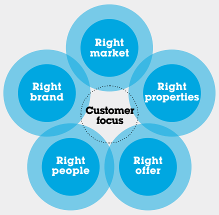
More details about our Executive team
Page 106

Key activities of the Board during 2019/20

The Board met seven times during the year ended 31 March 2020.

One meeting every year is arranged specifically to consider the Group's strategy and the five-year plan. Additional meetings are arranged if necessary for the Board to properly discharge its duties.

An overview of our Board's key activities is detailed below.



Key:
1. Right market
2. Right properties
3. Right offer
4. Right people
5. Right brand

Strategy	Held an annual strategy day in September 2019. The Board also received presentations from members of the Executive Committee and other senior managers.	Considered the impact of Brexit and political uncertainty on our business.		**Relevant strategic objectives** 1, 2, 3, 4, 5
Property portfolio	Reviewed and approved the independent valuations of the Group's property portfolio.	Approved the sale of Quality Court and completed a S172 assessment of the possible impact of the sale on stakeholders. See page 93.	Received an update from the Development Director and Asset Management Director on key refurbishment and redevelopment projects.	**Relevant strategic objectives** 1, 2
Stakeholder engagement	Received updates on our investor engagement programmes and received reports from brokers and analysts.	Received an update from the Chairman on his employee engagement meetings with staff in his role as NED responsible for employee engagement. See pages 100 and 101.	The Chief Executive Officer provided an overview of the results of the first employee survey conducted in late 2019. See page 27. Received an update on our diversity targets and focus areas. See page 119.	**Relevant strategic objectives** 3, 4, 5
People, succession planning and 'Doing The Right Thing'	Approved changes to the leadership team with the appointment of Graham Clemett as CEO, David Benson as CFO and Suzi Williams as Non-Executive Director.	Approved the appointment of Stephen Hubbard as Chairman, with effect from the AGM in July 2020.	Received an update from the Head of Sustainability on the Group's ESG initiatives and our target to become Net Zero Carbon by 2050. See page 38 for more information.	**Relevant strategic objectives** 4, 5
Corporate reporting	Reviewed the 2019 Annual Report to check it is fair, balanced and understandable.	Approved the 2019 year end and interim results.	Conducted a review of the Company's viability. See pages 76 and 129.	**Relevant strategic objectives** 5
Corporate governance and compliance	Received updates from the Remuneration Committee on the Remuneration Policy Review and the feedback received from shareholders during the consultation process. See pages 142 to 148.	Participated in an internally facilitated evaluation of the Board and its Committees. See page 120. Received regular governance updates from the Company Secretary.	Approved certain key statements and policies. Examples include Modern Slavery Statement, Whistleblowing Policy, and Share Dealing Procedures.	**Relevant strategic objectives** 4, 5
Risk management and internal control	Reviewed the Group's principal risks and considered emerging risks. Reviewed the results of an external audit into our GDPR procedures.	Received regular reports on health and safety matters. Received an update from the Head of Technology on cyber security.	Considered the impact of Covid-19 on our business, staff, customers and partners. During Board calls in March and April 2020, members of the Executive Committee presented their plans and steps to mitigate the threat and disruption being caused by the virus.	**Relevant strategic objectives** 1, 2, 3, 4, 5

Terms of reference for Board Committees are online
www.workspace.co.uk/investors/about-us/governance/committee-terms-of-reference

Our governance framework

Workspace Group PLC – Board of Directors
The role of the Board is to promote the long-term success of Workspace by setting a clear purpose and the Group's strategy for delivering the long-term value to our shareholders and other stakeholders.

It sets the governance and values of the Group and has ultimate responsibility for its management, direction and performance. The effective working relationship between the Board and the Executive Committee facilitates both support and challenge where required, with Board awareness enhanced through regular dialogue, including reporting from key individuals and the provision of minutes from all Board Committee and Executive Committee meetings.

Board of Directors
The Board delegates certain matters to three Committees:

Audit Committee
Chaired by Chris Girling

Membership

6

Six Independent Non-Executive Directors

Key responsibilities:
- Oversees the Group's financial reporting.
- Maintains and manages the relationship with the external auditor, including monitoring their performance and reappointment.
- Reviews and monitors the risk management and internal controls framework.

More information:
Audit Committee – pages 122 to 129

Nominations Committee
Chaired by Daniel Kitchen

Membership

7

Seven Independent Non-Executive Directors

Key responsibilities:
- Reviews succession plans for the Board and its Committees and considers its structure, size, composition and diversity.
- Monitors that the Board has the appropriate knowledge, skills and experience to operate effectively and deliver our strategy.
- Supports the development of an inclusive and diverse talent pipeline, and reviews supporting initiatives to increase diversity.
- Recommends to the Board the appointment of a Non-Executive Director for Employee Engagement.

More information:
Nominations Committee – pages 110 to 121

Remuneration Committee
Chaired by Maria Moloney

Membership

7

Seven Independent Non-Executive Directors

Key responsibilities:
- Determines the Remuneration Policy for Executive Board Directors and considers whether there is a clear link between performance and remuneration.
- Reviews workforce remuneration and related policies.
- Develops remuneration policy and practices to support clarity, simplicity, transparency and alignment with culture.

More information:
Remuneration Committee – pages 130 to 161

Executive Committee
(as at 1 April 2020)
Chief Executive Officer (Chairman), Chief Financial Officer, Development Director, Operations Director, Asset Management Director, Chief Customer Officer, Investment Director, Head of People and Company Secretary.

Key responsibility:
The Executive Committee is responsible for the execution of the Company's strategy and the day-to-day management of the business.

Disclosure Committee
Chief Executive Officer (Chairman), Chief Financial Officer, Head of Finance, Head of Investor Relations and Company Secretary.

Key responsibilities:
Identifies and controls inside information or information which could become inside information and determines how and when that information is disclosed in accordance with applicable legal and regulatory requirements.

We also operate other supporting committees which provide oversight on risk and investment activities.

Risk Committee
Members of the Risk Committee for the year ended 31 March 2020 can be found on page 60.

Key responsibility:
Coordinates Workspace policy and procedures in relation to risk management and oversees and advises the Board on risk exposures and controls.

Investment Committee
Members of the Investment Committee for the year ended 31 March 2020 can be found on page 94.

Key responsibility:
Monitors the progress of our extensive pipeline of refurbishment and redevelopment projects and will review and approve the acquisition of investment property assets.

Board statements and 2019/20 activities in relation to the UK Corporate Governance Code 2018

Board Leadership and Company Purpose

Principle A **A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.**	There have been a number of changes to the Board this year. Graham Clemett was appointed as CEO in September 2019, having assumed the role of Interim CEO and CFO in May 2019. David Benson joined as CFO in April 2020 and we were pleased to welcome Suzi Williams as a Non-Executive Director in January 2020. Stephen Hubbard will also assume the role of Chairman following the retirement of Daniel Kitchen at our AGM in July 2020. Read more about our effective and experienced Board together with the appointment and induction of new members of the Board on pages 86 to 90 and 113 to 117.
Principle B **The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.**	This year we underwent a process to articulate our purpose with full support from the Board, executive and senior leadership team. Our purpose drives everything we do and is aligned with our culture, values and strategy. Read more on page 92.
Principle C **The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.**	The Board regularly discusses our strategy and our progress against that strategy. Read more on page 95. The Risk Committee and Audit Committee regularly review our risk framework and internal control processes. The Board discusses the risk register on a regular basis. Read more on page 59.
Principle D **In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.**	We have undertaken a more advanced programme of stakeholder engagement this year, with our people, customers and suppliers. Read more on pages 97 to 99. We continue to have a thorough programme of investor engagement. Read more on pages 95 and 96.
Principle E **The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.**	We value the contribution that our people make to the success of our business. Read more on our workforce policies on page 100.

2018 UK Corporate Governance Code
This Governance Report sets out how the Board has applied the principles of the Code.

The Company was fully compliant with the Code during the year.

Edinburgh House, Vauxhall.

Corporate governance code 2018: Principle A
A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

Board composition

We continue to have a strong mix of experienced individuals on the Board who are not only able to offer an external perspective on the business, but also provide constructive challenge to review the Group's strategy.

During the year, the Board underwent a number of changes. Graham Clemett was appointed as the new CEO in September 2019, after the departure of Jamie Hopkins earlier in the year. Graham brings extensive knowledge of the business to his new role, having joined the Company and the Board in 2007.

In addition, we welcomed Suzi Williams and David Benson to the Board. Suzi has extensive experience in brand development, marketing and customer behaviours, which are a welcome addition to the Board's mix of skills and experience. Suzi also served as Chair of the Remuneration Committee for The AA plc.

David joined as CFO on 1 April 2020 and combines a strong commercial focus with broad finance skills. He also has a wealth of experience of working in large publicly listed companies. This experience will help support our ambitions as we continue to build on our leading market position.

These appointments enhance the experience of the Board and represent a continuing fit with Workspace's future needs.

The Board has carefully considered the guidance criteria regarding the composition of the Board under the UK Corporate Governance Code. In the opinion of the Board, the Chairman and all the Non-Executive Directors bring independence of judgement and character, a wealth of experience and knowledge and the appropriate balance of skills. The Directors are given sufficient time to enable them to carry out effectively their responsibilities and duties to the Board and the Committees on which they sit. They are sufficiently independent of management and are free from any other circumstances or relationships that could interfere with the exercise of their judgement.

Biographical details of the Directors standing for election and re-election at the forthcoming AGM are set out on pages 87 to 90 which show the breadth of their skills and experience and Committee memberships. All our Directors have significant experience and knowledge of the sector in which we operate.

For more information on the composition, succession and evaluation of our Board
Nominations Committee Report, Pages 110 to 121

Getting the right mix
The Board believes that it, and its Committees, have the appropriate combination of experience and knowledge to enable them to carry out their duties effectively, bringing a diverse yet complementary set of skills. The Nominations Committee keeps under review the tenure of all Directors, Board diversity and the effectiveness of individual Directors.

The table below provides an overview of the skills and experience of our Directors as at 1 April 2020.

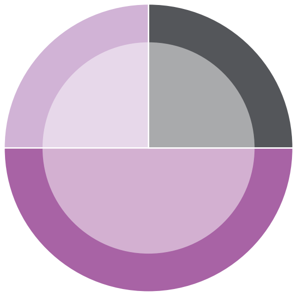
Board skills and experience As at 1 April 2020	Number of Non-Executive Directors	Number of Executive Directors
Strategic leadership Senior executive and strategic director experience	7	2
Property and real estate, and capital projects Experience in property development and real estate management	3	1
Consumer marketing and branding Experience in brand development, consumer marketing and digital innovation	3	1
Corporate governance Prior experience as Board member	7	2
Health and Safety, risk management Experience in health and safety, risk management, internal controls and experience of working on an Audit Committee	7	2
Sustainability Experience in corporate and social responsibility	7	2
Investor relations and stakeholder engagement Experience in investor relations and stakeholder engagement	7	2
Remuneration Prior Remuneration Committee experience and/or experience in setting employee and executive remuneration policies	7	1
Financial acumen and experience Financial experience in financial accounting, reporting or corporate finance	4	2

Our Board

Led by our Chairman, Daniel Kitchen, the Board provides the leadership of the Company and is collectively responsible and accountable to shareholders for the Company's long-term success, leadership, strategy, values, culture, control and management.

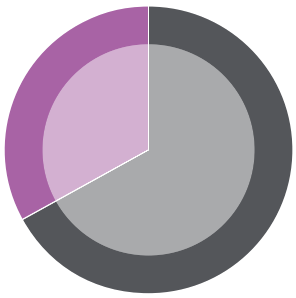
Board sector experience

As at 1 April 2020
- Property **25%**
- Finance **50%**
- Brand and marketing **25%**



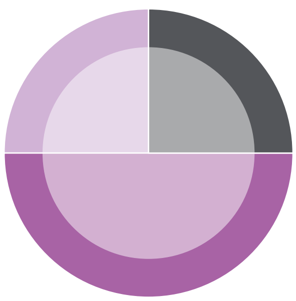
Board diversity

As at 1 April 2020
- Male **67%**
- Female **33%**



Board tenure

As at 1 April 2020
- 0–5 years **25%**
- 5–7 years **50%**
- 7+ years **25%**



Attendance at Board and Committee meetings

	Board	Audit	Remuneration	Nominations
Daniel Kitchen	7/7	–	6/6	7/7
Graham Clemett	7/7	–	–	–
Chris Girling	7/7	3/3	6/6	7/7
Damon Russell	7/7	3/3	6/6	7/7
Maria Moloney	7/7	3/3	6/6	7/7
Suzi Williams[1]	2/7	1/3	1/6	1/7
Stephen Hubbard	7/7	3/3	6/6	7/7
Ishbel Macpherson	7/7	3/3	6/6	7/7

1. Suzi Williams was appointed to the Board with effect from 21 January 2020; consequently, Ms Williams attended her first Board and Committee meetings from this date.
2. David Benson does not appear in the table above as he joined as a Director on 1 April 2020.

Non-Executive Chairman

Daniel Kitchen
Non-Executive Chairman

Appointed to the Board

Daniel was appointed to the Board in June 2011 and subsequently assumed the role of Chairman at the AGM in July 2011. He will retire from the Board in July 2020.

Daniel was appointed as designated Non-Executive Director for employee engagement in November 2018.

Independent

Yes.

Current external appointments

Chairman of Hibernia REIT plc, Applegreen plc and Sirius Real Estate Limited and a Non-Executive Director of Irish Takeover Panel Limited and Governor of St Patrick's Hospital in Dublin.

Previous appointments

Daniel was previously Deputy Chief Executive at Heron International plc and, prior to that, was Finance Director at Green Property Plc for eight years. He retired as Non-Executive Director of LXB Retail Properties Plc in May 2019, as Non-Executive Chairman of Irish Nationwide Building Society in July 2011 and Kingspan Group Plc in May 2012.

Relevant skills and business experience

- Detailed knowledge of the Group, having served as Chairman since July 2011.
- Extensive experience in the property sector and is a chartered accountant. Daniel brings strong financial skills to the Board, having also served as CFO for a property development and investment company.
- Strong leadership skills.
- Strategy development and execution.
- Over 25 years' experience of public company boards and their operations.
- Experience of acquisitions and disposals.

Board and Committee memberships

- Chairman of the Board.
- Chairman of the Nominations Committee.
- Remuneration Committee.

Stephen Hubbard
Non-Executive Director
Becomes Chairman after 2020 AGM

Appointed to the Board
Stephen was appointed to the Board in July 2014.

At the conclusion of the AGM in July 2020, Stephen will become Chairman of the Company. Stephen will also assume the role of designated Non-Executive Director for employee engagement.

Independent
Yes.

Current external appointments
Stephen is Non-Executive Chairman of LXI REIT PLC and a member of the advisory board of Redevco, a pan-European property holding company.

Previous appointments
Stephen was Chairman of CBRE UK until he retired in December 2019. He joined Richard Ellis in 1976 and held the position of Head of EMEA and UK Capital Markets from 1998 to 2012.

Relevant skills and business experience
- Many years' experience of operating within the property sector.
- An outstanding track record in the investment market and has advised on several landmark transactions involving international capital.
- Broad range of knowledge and experience at board level.
- Extensive experience in leadership and executive management.
- Experience of public company boards and their operation.
- Experience of regeneration and development projects.
- Strong financial skills.

Board and Committee memberships
- Board.
- Remuneration Committee.
- Audit Committee.
- Nominations Committee.

Executive Directors

Graham Clemett
Chief Executive Officer

Appointed to the Board
Graham joined the Board as Finance Director in July 2007. Graham took on the role of Interim CEO on 31 May 2019 and was appointed as CEO on 24 September 2019. Further information can be found on page 113 of the Nominations Committee Report.

Current external appointments
Graham is currently a Non-Executive Director and Chairman of the Audit Committee for The Restaurant Group Plc, having been appointed on 1 June 2016.

Previous appointments
Previously, Graham was Finance Director for UK Corporate Banking at RBS Group PLC. Prior to that, Graham spent eight years at Reuters Group PLC, latterly as Group Financial Controller.

Relevant skills and business experience
- Detailed knowledge of Workspace operations and extensive experience of the property sector, gained through his 12 years' experience with the Group.
- Strong commercial, strategic and communication skills.
- Previously CFO of the Group, having joined in 2007.
- Graham is a chartered accountant.
- Strong financial skills.
- Extensive experience in leadership and management and establishing an open and transparent culture.
- Significant experience of financing and capital raising.
- Extensive investor relations experience.

Board and Committee memberships
- Board.
- Chairman of the Executive Committee.
- Chairman of the Investment Committee.
- Chairman of the Disclosure Committee.
- Chairman of the Risk Committee.

Executive Directors continued

David Benson
Chief Financial Officer

Appointed to the Board
David was appointed as Chief Financial Officer on 1 April 2020.

Current external appointments
David does not have any current external appointments.

Previous appointments
Prior to joining Workspace, David was the Corporate Finance Director of Whitbread PLC. He previously held senior finance roles at Kier Group plc and Keller Group PLC. He qualified as a chartered accountant with Deloitte.

Relevant skills and business experience
- Strong financial skills, having gained experience in a series of dynamic businesses. David is a Chartered Accountant.
- A good understanding of technology and its commercial applications.
- High level of commercial expertise, business and strategy development gained with Whitbread plc and in other public companies.
- Strong communication and leadership skills.
- Experience of infrastructure and development projects.
- Extensive experience of corporate transactions, acquisitions and integrations.
- Experience of investor relations, capital markets and investor roadshows.
- Detailed knowledge of risk management and internal control systems.

Board and Committee memberships
From 1 April 2020, David became a member of the:
- Board.
- Executive Committee.
- Investment Committee.
- Disclosure Committee.
- Risk Committee.

Non-Executive Directors

Chris Girling
Senior Independent
Non-Executive Director

Appointed to the Board
Chris was appointed to the Board in February 2013 and became Chairman of the Audit Committee in July 2014.

Independent
Yes.

Current external appointments
Chris, a Chartered Accountant, is currently a Non-Executive Director and Chairman of the Audit Committee of Johnson Service Group PLC and Non-Executive Director and Chairman of the Audit Committee of South East Water Limited. He is Chair of Trustees for the Slaughter and May Pension Fund.

Previous appointments
Chris was Group Finance Director of Carillion PLC from 1999 to 2007 and Vosper Thornycroft PLC from 1991 to 1999. Chris retired as a Non-Executive Director of Keller Group PLC in May 2019 and stepped down as their Chairman of the Audit Committee with effect from 1 January 2019.

Relevant skills and business experience
- CFO of FTSE 250 companies for 17 years.
- Recent and relevant financial experience as a Chartered Accountant.
- Detailed knowledge of risk assessment and management systems.
- Experience of infrastructure and development projects.

Board and Committee memberships
- Board.
- Chairman of the Audit Committee.
- Remuneration Committee.
- Nominations Committee.

Maria Moloney
Non-Executive Director

Appointed to the Board
Maria was appointed to the Board in May 2012 and became Chairman of the Remuneration Committee in July 2013.

Independent
Yes.

Current external appointments
Maria is currently on the Board and a Trustee of the Northern Ireland Cancer Centre in Belfast.

Previous appointments
Maria was previously on the Board of the Belfast Harbour Commissioners, the Industrial Development Board for Northern Ireland, the Northern Ireland Transport Holdings Company, the Independent Television Commission (London) and The Broadcasting Authority of Ireland (Dublin).

Relevant skills and business experience
- Strong marketing and commercial skills.
- A lawyer by background, with significant legal and corporate governance experience.
- Business and strategy development.
- Strategic business assessments across diverse market sectors.

Board and Committee memberships
- Board.
- Chairman of the Remuneration Committee.
- Audit Committee.
- Nominations Committee.

Suzi Williams
Non-Executive Director

Appointed to the Board
Suzi was appointed to the Board in January 2020.

Independent
Yes.

Current external appointments
Suzi is currently a Non-Executive Director at The AA plc and Non-Executive of Zegona Communications plc.

Previous appointments
Suzi was Chief Brand & Marketing Officer at BT plc and, prior to that, held senior strategy, commercial and marketing roles at Orange, The BBC, Capital Radio, KPMG, and Procter & Gamble Europe.

Relevant skills and business experience
- Over 25 years' experience of consumer marketing, digital and innovation, which contributes to the skills of the Board.
- A variety of senior marketing, strategy and commercial roles at various large and publicly-listed companies.
- A wealth of experience in brand development and driving customer-centric growth in the telecoms, media and consumer/service sectors.
- Good experience in remuneration, having also served as Chairman of the Remuneration Committee at The AA plc.
- Business and strategic development.

Board and Committee memberships
- Board.
- Remuneration Committee.
- Audit Committee.
- Nominations Committee.

Non-Executive Directors continued

Damon Russell
Non-Executive Director

Appointed to the Board
Damon was appointed to the Board in May 2013.

Independent
Yes.

Current external appointments
Damon holds advisory roles for a number of private companies in the digital media, sport, and educational sectors. He is currently Chief Executive of Spoke Interactive, a media service provider and a Director of The Dating Lab, a business that provides online dating services to some of the world's leading media brands. Previously he co-founded Telecom Express which was sold to AMV BBDO, part of the Omnicom Group. In 2004, Damon led a successful management buyout. He has over 30 years' experience in this fast-paced and ever-evolving, dynamic industry.

Previous appointments
Damon was previously Non-Executive Director of iannounce before its merger with Legacy.com in May 2013.

Relevant skills and business experience
- Extensive digital and media technology experience.
- Strong strategic and commercial understanding.
- Significant experience in alliances, ventures and partnerships.
- Knowledge of service-related industry requirements and key client relationships.

Board and Committee memberships
- Board.
- Remuneration Committee.
- Audit Committee.
- Nominations Committee.

Ishbel Macpherson
Non-Executive Director

Appointed to the Board
Ishbel was appointed to the Board in January 2019.

Independent
Yes.

Current external appointments
Ishbel is currently Senior Independent Director at Dechra Pharmaceuticals PLC and Non-Executive Director at Lloyds Register Group Ltd.

Previous appointments
Ishbel has previously been Non-Executive Director at Speedy Hire PLC, Dignity PLC, Galliford Try PLC, Fidessa Group PLC and Bonmarché Holdings PLC and previously held several senior roles in the finance sector.

Relevant skills and business experience
- Many years' experience of operating within the finance sector.
- A broad range of plc Board experience.
- Investment and corporate transactions.
- Strong financial skills.

Board and Committee memberships
- Board.
- Remuneration Committee.
- Audit Committee.
- Nominations Committee.

Co-ordinating the Board and its Committees

Carmelina Carfora
Company Secretary

Carmelina Carfora is Secretary to the Board and its Committees, monitoring compliance with its procedures and providing advice on governance matters. At the direction of the Chairman, she is responsible for ensuring the Board receives accurate, timely and relevant information. She also co-ordinates the induction of new Board members and the provision of ongoing training and development of the Board.

The table, to the right, sets out the membership of Board and other Committees.

Our governance framework supports the development of good governance practices across the Group. The Executive Committee is responsible for effectively communicating and implementing these policies and practices across the business. Each of the Board's standing committees has Terms of Reference which were reviewed by the Committees and the Board during the year. These are available on the Group's website at www.workspace.co.uk/investors/about-us/governance/committee-terms-of-reference.

The performance of the Audit, Nominations and Remuneration Committees are assessed annually as part of the evaluation process described later in this report. Further details of the work, composition, role and responsibilities of the Audit, Nominations and Remuneration Committees are provided in separate reports on pages 110 to 161.

Carmelina's other responsibilities include: corporate governance, monitoring and compliance with legislation (including data protection legislation) and the administration, vesting and granting of awards under the Company's share schemes.

Date appointed
Carmelina was appointed Company Secretary in March 2010.

Board and Committee membership
As at April 1 2020

○ Chair
● Member

	Board	Nominations Committee	Audit Committee	Remuneration Committee	Risk Committee*	Executive Committee	Investment Committee**	Disclosure Committee
Chairman								
Daniel Kitchen Non-Executive Chairman	Chair	Chair		Member				
Stephen Hubbard Becomes Chairman after 2020 AGM	Member	Member	Member	Member				
Executive Directors								
Graham Clemett Chief Executive Officer	Member				Chair	Chair	Chair	Chair
David Benson Chief Financial Officer	Member				Member	Member	Member	Member
Non-Executive Directors								
Chris Girling Senior Independent Non-Executive Director	Member	Member	Chair	Member				
Maria Moloney Non-Executive Director	Member	Member	Member	Chair				
Suzi Williams Non-Executive Director	Member	Member	Member	Member				
Damon Russell Non-Executive Director	Member	Member	Member	Member				
Ishbel Macpherson Non-Executive Director	Member	Member	Member	Member				
Members of the Executive Committee								
Angus Boag Development Director						Member	Member	
Chris Pieroni Operations Director					Member	Member	Member	
John Robson Asset Management Director						Member	Member	
Claire Dracup Head of People						Member		
Will Abbott Chief Customer Officer						Member		
Richard Swayne Investment Director						Member	Member	
Carmelina Carfora Company Secretary					Member	Member	Member	Member

How information is made available to the Board
Pages 108 and 109

* Risk Committee, page 60.
** Investment Committee, page 94.

Corporate governance code 2018: Principle B
The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

Board in action

Purpose, values and culture

Establishing and overseeing the process
In 2019 the Board asked the business to carry out a project to articulate its corporate purpose. The aim was to put into words the Group's reason for being – something that has always been present in Workspace's culture and DNA, and has driven the Group forward over the past 30 years, but hadn't yet been formally set out.

Stakeholder engagement
Through a series of discussions and workshops, feedback was gathered from a full range of Workspace stakeholders, including customers, employees, brokers, suppliers and partners. This work was synthesised into a handful of overarching themes that were taken forward for refinement.

Staff and Board presentations
The drafted options were presented and discussed at a series of staff workshops, before giving businesses the freedom to grow, was collectively agreed as our purpose, see page 27. The Board was instrumental in shaping the final purpose statement and its rationale, to assess whether it reflected our heritage and aligned with Workspace's distinct internal culture and values.

How our purpose influences our culture and values
Since its launch in 2018, the Board has taken an active role in the Group's key internal values framework, recognising the crucial part it plays in employee engagement and supporting the development and delivery of the customer offer, see values on pages 24 to 26. As Workspace staff have continued to embed the values in the Workspace culture over the last year, the Board has used them as a lens through which to guide and enhance its decision making.

Similarly, the Board believes a clearly set out purpose helps inspire employees and align their efforts with a shared, accessible intention. It is the values – the shared behaviours and mindset of employees – that help drive the Group forwards in line with its purpose.

How the Board monitors the delivery of our purpose
The purpose provides an aspirational framework for making decisions, accomplishing tasks and interacting with stakeholders. Board meetings with the leadership team provide opportunity for the Board to ascertain how it is being applied and the associated levels of employee engagement. Progress reports on its articulation and roll out across the business will be shared with the Board throughout 2020/21.

Our broader stakeholder engagement programme
Pages 98 to 99

Duncan Pelham, Corporate Communications Manager, engaged with a variety of stakeholders during the process of defining our purpose including Karen Jamison, Head of Sustainability.

Our strategy
Pages 20 to 23

Our strategy and its alignment with executive remuneration
Page 133

Looking to the future

Increased customer focus
The Board regularly debates the relevance and effectiveness of the Group's strategy in the context of current and future market conditions.

With the implementation of our Company Purpose this year, and ongoing customer engagement, our strategic pillars have been adjusted so that we can focus on meeting the evolving needs of our customers. Two key themes that have emerged are the increased importance our customers place on great customer service and sustainability. To address these, this year we have taken several actions:
– Appointed a new Head of Technology to meet the challenge of ever-increasing demands for seamless connectivity and creating a more user-friendly digital customer portal.
– Appointed a new Chief Customer Officer who will leverage our strong customer offer as well as focusing on customer service, marketing and branding.
– Reorganised our sales teams to focus on attracting customers while freeing up our centre teams so that they can focus on customer service.

We have an excellent record in building environmentally friendly and sustainable buildings. In 2019, we committed to becoming net zero carbon by 2050. This year we are setting out our path to that goal by developing science-based targets aligned with the Intergovernmental Panel on Climate Change (IPCC) 1.5°C report.

Making the right strategic decisions

Section 172 analysis – how we used this in 2019/20
In November 2019, the Board decided to proceed with a proposal to sell the property, Quality Court, after considering their Section 172 duties and the potential impacts of the decision on the Company's stakeholder groups. A stakeholder impact analysis indicated that positive impacts were expected in the longer term for shareholders. Despite the anticipated reduction in income after the sale, the proposed sale price was at a premium to valuation and the money raised could be put towards larger acquisitions and redevelopments more in line with strategy. A positive impact was also expected for some employees and suppliers, who would be able divert their time and resources to properties considered more strategic to the business.

It was, however, identified that some stakeholders might experience a negative impact. This included customers at Quality Court who would see a change of landlord or, in the case of Club Workspace customers, need to relocate. In addition, transferring employees who were wholly assigned to Quality Court, and some suppliers who might see a loss of revenue if the buyer did not retain their services. These potential negative aspects, and possible mitigations, were considered carefully.

As the sale process proceeded, we engaged with affected customers to keep them informed of developments and to assist them in relocating to another Workspace property where appropriate. We confirmed which employees would be affected by the sale and offered them employment at a different Workspace property instead. We also facilitated discussions between affected suppliers and the purchaser. With these mitigations, the Board balanced the potential negative impacts on these stakeholders against the positive impacts that were expected for others and concluded the right decision was to proceed with the sale.

The Investment Committee

Our Investment Committee was responsible for considering the Quality Court (pictured) disposal and its impact on stakeholders, and making sure the Board had all the information it needed to weigh up those impacts.

After careful deliberations, the Committee submitted to the Board its recommendation to proceed alongside the stakeholder impact analysis that the Committee had completed.

Composition of the Committee during the financial year ended 31 March 2020

The Investment Committee is chaired by the Chief Executive Officer.

- Graham Clemett, Chief Executive Officer.
- Chris Pieroni, Operations Director.
- Angus Boag, Development Director.
- John Robson, Asset Management Director.
- Richard Swayne, Head of Investment (Appointed Investment Director from 1 April 2020).
- Clare Marland, Head of Corporate Communications.
- Mike Webber, Head of Financial Planning and Analysis.
- Simon Webb, Head of Professional Services.
- Carmelina Carfora, Company Secretary.

+3%

We received a premium of 3% to book value for Quality Court

4

In 2020 we sold four properties from our portfolio realising £65m

Corporate governance code 2018: Principle C

The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

Corporate governance code 2018: Principle D

In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

Strategy awayday

Why these are important

The Board has an annual strategy away day to discuss longer-term strategy issues in a less structured format that encourages active debate, fresh thinking and positive working relationships. Market trends, capital structure, portfolio evolution and other issues affecting the long-term viability of the Company are topics that have been explored in the past.

This year the Board's focus has been on:
- Performance review and five-year plan.
- Market trends.
- Succession planning.
- Developing the portfolio.
- Impact of Brexit and political uncertainty.
- Culture and corporate purpose.
- Review of product strategy and initiatives to enhance the customer offer.

Members of the Executive Committee and senior colleagues from asset management and investment joined the Board to provide insights and stimulate discussion on a number of different topics. Following the strategy day, certain ideas generated were further considered and refined for incorporation into the business plan.

The strategy of the business will, of course, remain central to the Board's activities.

Our strategy
Pages 20 and 23.

Our stakeholder engagement programme

Engaging with shareholders

We have an active and constructive dialogue with our shareholders, and we regularly seek their views on major issues such as governance, strategy and financial structure. Where significant views were expressed, either during or following meetings, these were recorded and circulated to all Directors. Our Investor Relations team manages a comprehensive calendar of engagement, including formal announcements, conference calls, roadshows, AGM and events, as well as ad hoc outreach contact with financial analysts, business media, investors, private client fund managers, retail investors and equity sales teams to ensure that our strategy and value creation are well understood by both shareholders and influencers.

The Covid-19 pandemic impacted shareholder meetings during the first half of 2020, with a number of conferences and investor meetings cancelled.

Investor meetings and conferences

During 2019/20, we held 89 meetings with current and potential investors. Investor meetings are attended by various senior executives, including the CEO, CFO, Chairman, Senior Independent Director and Executive Committee members, as well as the Head of Investor Relations and the Head of Finance.

We hosted seven tours over the year at several of our properties to showcase the range of flexible office space we offer and the additional services at our centres such as cafes, gyms, meeting rooms, breakout areas and cycle storage.

Senior executives regularly participate in industry and property conferences globally. In 2019/20, we attended eight conferences in London, Edinburgh, Amsterdam and Miami.

89

During 2019/20, we held 89 meetings with current and potential investors

8

In 2019/20, we attended eight conferences in London, Edinburgh, Amsterdam and Miami

Our ongoing investor relations calendar of events

	Calendar of events	Regular programme: Investor meetings	Regular programme: Investor tours
2020			
January	**Q3** Business Update	✓	✓
February			
March	US property conference UK private client roadshow **Financial year end**		
2019			
April		✓	✓
May		✓	✓
June	**Full year financial results** Investor roadshows – London and Edinburgh	✓	✓
July	**AGM** **Q1** business update Investor roadshow – Amsterdam	✓	✓
August		✓	✓
September		✓	✓
October			
November	**Half Year Results** Investor roadshows – London and Edinburgh	✓	✓
December	London and Edinburgh		

Debt providers

We manage an active private placement programme with an established network of private placement investors, primarily in the United States. The CEO and CFO regularly meet with our private placement investors to ensure that they remain fully informed of corporate developments and to discuss financial performance, future strategy and cash flows. These discussions are open, productive and mutually beneficial. This high level of engagement helps support our wider credit relationships.

Annual General Meeting ('AGM')

The 2019 Annual General Meeting was held on 11 July 2019 at 160 Fleet Street, London EC4A 2DQ. All resolutions passed by over 85% votes in favour, and all but two resolutions passed by over 98%. Resolution 9 proposing the re-election of Mr Stephen Hubbard as a Non-Executive Director of the Company was passed although 20.38% of votes were cast against. We subsequently constructively engaged with shareholders who had voted against the resolution to understand their reasons and it was evident that votes against Mr Hubbard's re-election were based on his additional board roles, and in particular his role as Executive Chairman of CBRE UK. In accordance with Provision 4 of the Code, we published an update of the views received from shareholders on 13 December 2019.

As stated in that announcement, in November 2019 we were notified of Mr Hubbard's imminent retirement from CBRE UK, which took effect on 31 December 2019. The Board continues to believe that Mr Hubbard is a valuable and effective Non-Executive Director and remains satisfied that he is able to devote sufficient time to his role at the Company in order to effectively discharge his responsibilities, including his future responsibilities as Chairman of the Company, a role he will assume following the conclusion of the AGM in July.

Our 2020 AGM will be held on Thursday 9 July 2020. Safeguarding the health and safety of our employees, shareholders and guests is a priority. Due to the current Stay at Home measures implemented by the UK Government, large public gatherings are not permitted, therefore shareholders are not allowed to attend the AGM this year. Shareholders are encouraged to vote by proxy and processes have been put in place to enable shareholders to do so.

Stakeholder engagement remains a priority for Workspace and we encourage all our shareholders to submit questions for the Board in advance of the AGM. Our Notice of Meeting for the 2020 AGM contains details of how shareholders can submit questions and where answers will be published. Any changes to arrangements for the AGM will be announced via the Regulatory News Service.

Annual Report

Our Annual Report is available to all shareholders. Through our electronic communication initiatives, we aim to make our Annual Report available to a universal audience. Shareholders can opt to receive a hard copy in the post or PDF copies via email or from our website. Additionally, if a shareholder holds their shares via a nominee account and encounters difficulty receiving our Annual Report via their nominee provider, they are welcome to contact the Company Secretary to request a copy.

Corporate website

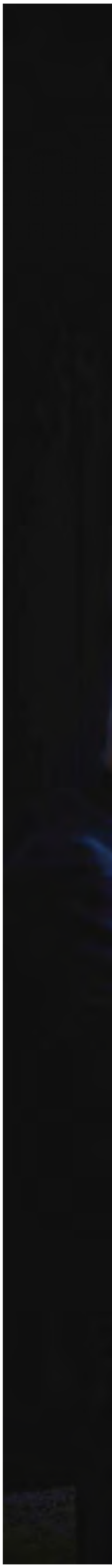
Our website, www.workspace.co.uk, has a dedicated investor section which includes our Annual Reports, results presentations (which are made to analysts and investors at the time of the interim and full year results) and our financial and dividend calendar for the upcoming year. Our website also shows details of all our properties and the history behind many of them.

Senior Independent Director

If shareholders have any concerns, which the normal channels of communication to the CEO, CFO or Chairman have failed to resolve, or for which contact is inappropriate, then our Senior Independent Director, Chris Girling, is available to address them.

Other shareholder contacts

Contact details for our Investor Relations team, Company Secretary and Company Registrars are available on page 218 of this Report as well as on our website.



Broader stakeholder engagement

Our stakeholders are essential partners in our ongoing success. The Board recognises the contribution that our stakeholders and partners make to our business, and we continue to work closely with them.

Effective corporate governance principles rely on open, transparent and productive stakeholder engagement, and we work hard to incorporate stakeholders' views into our decision-making process.

The Board engages with key stakeholders on a regular basis to identify strategic actions. Our customer-facing teams provide ongoing daily feedback from customers, from the point of viewing through their entire relationship with us.

Broader stakeholder engagement

Stakeholder group

Customers

65%

of customer enquiries come directly through to our in-house letting team

How we engage

We work closely with our customers, from the start of their office search throughout the life of their office needs. Over 65% of customer enquiries come directly through our website to our in-house letting team, and our centre managers maintain direct relationships with our customers after they move in. Our close customer contact gives us a wealth of knowledge which we use to refine and continuously improve our customer offer.

In addition to this daily interaction, we gather regular feedback from our customers so that we can use the data to inform decisions on service provision, building management and refurbishments and acquisitions.

Significant topics raised

- Ability to expand office space quickly as business grows.
- Flexibility of space and leases.
- Customisable space.
- Choice of location.
- Vibrancy and 'buzz' of the reception and 'front of house' environment.
- Personal contact.
- Meeting rooms and breakout areas.
- Superfast, building-wide Wi-Fi.
- Customer service.
- Wellbeing and additional services.
- Business networking.

Actions we have taken

- Five refurbishment projects and three redevelopments in progress, delivering 312,000 sq. ft. of new and upgraded space.
- Four refurbished properties totalling 200,000 sq. ft. launched last year which continue to let up well.
- Four properties sold at a premium to net assets in a regular review of our portfolio.
- Established a dedicated sales team to manage customers' space requirements.
- Expanded the role of the centre managers to focus on customer service.
- Organised a calendar of events (including virtual events/ webinars).
- Enhanced our customer service training.
- Continued to develop our customer benefits platform, Workspace Perks).

Employees

71%

of staff completed our employee engagement survey

How we engage

We have an enthusiastic and caring culture, grounded in our open, inclusive and mutual respect and non-discrimination.

We train, encourage and give our employees the freedom to think differently and act proactively, so that they can achieve their ambitions.

This year we developed our first employee engagement survey to gather in-depth feedback with 71% of staff completing the survey.

Significant topics raised

- Job satisfaction.
- Pride in the Company.
- Opportunities to train, develop and grow.
- Empowerment.
- Open dialogue.
- Equal opportunities.
- Responsible corporate citizenship.
- Flexible working.
- Climate change and sustainability.
- Perceived divide between centre and head office staff.

Actions we have taken

- Employee survey.
- Launched values videos to demonstrate culture in action.
- Weekly employee communications articles to inform and motivate.
- Used new communications tools (e.g. Yammer, SharePoint) to help connect site and centre staff.
- Employee update event on strategy and survey feedback.
- Comprehensive action plan to address staff feedback.

Shareholders

89

Investor meetings

How we engage

Through our investor relations programme and our Annual General Meeting, we maintain an active dialogue with shareholders. Their views are discussed at Board level and considered in our decision making.

Significant topics raised

- Financial performance.
- Strategy and business model.
- Board composition.
- Corporate governance.
- Management succession.
- ESG principles.
- Sustainability and climate change.
- Dividend policy.
- Capital appreciation.
- Total Shareholder Return.

Actions we have taken

- Broad market engagement. following financial reporting announcements.
- Investor roadshows in the UK, US and Europe.
- Calls with analysts and investors.
- Ad hoc investor calls and meetings.
- Regular analyst engagement.
- Participation in global investor conferences.
- Property tours.
- Annual General Meeting.
- Dedicated investor section on the corporate website.

Stakeholder group

Debt financiers

BBB

Maintained investment grade credit rating

How we engage
We arrange debt facilities from a diverse group of providers including banks, private investors and private placement investors. We engage with our debt holders and rating agencies through regular meetings and presentations to ensure that they remain fully informed on all relevant areas of our business.

Significant topics raised
- Current financial performance.
- Cash flow.
- Uses of cash and financing.
- Liquidity.
- Quality of earnings.
- Openness and transparency.
- Credit rating.

Actions we have taken
- Maintained our BBB rating with a move to negative outlook following a review post Covid-19.
- Organised regular strategy and financial review meetings.

Partners

Supply chain

Encouraged our supply chain to eliminate use of plastics

How we engage
We work with a wide range of valued and long-term partners in Government, local communities and building development. We have a strong track record of refurbishment and redevelopment in which good relations with local government, communities and contractors are an integral part. Shared vision, integrity and a long-term development pipeline characterise our supplier relationships and ensure that we have continued access to quality suppliers.

Significant topics raised
- Sustainable and attractive communities.
- Quality buildings.
- Compliance with building regulations and neighbourhood plans.
- Access for all user groups.
- Imagination and aspiration in our buildings.
- Urban regeneration.

Actions we have taken
- Encouraged our supply chain to eliminate the use of single-use plastics.
- Promoted recycling and waste practices.

Communities

18

Local work experience students placed in our business centres

How we engage
'Doing The Right Thing' is an integral part of our culture, supported by a company-wide steering group with people drawn from all areas of the Company. We strongly believe that adding something back to our communities is an essential part of our corporate responsibility. In a small way, everyone can contribute to the larger whole of communities, and we aim to play our part in sustaining a vibrant London culture.

Significant topics raised
- Using our corporate skills to help local residents through training, work experience and ongoing engagement with community groups.
- Creating an environmentally sustainable community.
- Addressing local concerns.
- Organising regular charity fundraising events for Great Ormond Street Hospital.

Actions we have taken
- Raised £50,000 for Great Ormond Street Hospital.
- Donated to a Covid-19-related community charity.
- Hosted community consultation events for local residents and businesses.

Environment

2050

Pledged to become net zero carbon by 2050

How we engage
Sustainability and climate change are increasingly important imperatives to all our stakeholders. We have a dedicated Head of Sustainability and are developing defined and concrete objectives in managing our carbon footprint and impact on the environment. We adhere to numerous industry standards in sustainability and responsible building and have established a blue-chip track record in achieving improvements in these areas.

Significant topics raised
- Setting measurable climate change goals aimed at achieving net zero carbon.
- Measuring and monitoring air and energy pollution measures to inform proper management of usage and emissions.
- Creating energy-efficient buildings.
- Creating sustainable communities.

Actions we have taken
- Pledged to become net zero carbon by 2050.
- Launched Optergy software enabling customers to manage energy use.

Corporate governance code 2018: Principle E
The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

Workforce policies and practices

The Board and Executive Committee review and approve all key policies and practices which could impact our employees and influence their behaviours. Policies are reviewed to check that they are aligned and are consistent with the Company's values.

All policies are available to employees and published on the Company's intranet, with some also included in the employee handbook. We also take the opportunity to remind employees of our policies and any changes made to them through our internal monthly publication, 'The Workspace Wrap'. In addition, we also provide regular training to reinforce practices and requirements and to reinforce key compliance messages relating to anti-bribery and data protection. Through our learning management system and newly recruited training manager, we shall also devise training initiatives in the interest of enhancing employee understanding and engagement.

Through our HR processes and The Code of Conduct, employees are required to notify the Company of any conflict of interest. Similarly, the Board is also reminded of this requirement, and any conflict of interest will be recorded.

The Remuneration Committee has oversight of wider remuneration practices and policies. A schedule of the remuneration arrangements applicable to the wider workforce was presented to the Committee during the year. It was concluded that the schedule was clear and comprehensive and that no further information was required at that time. In addition, the Chief Executive Officer attends the Remuneration Committee, typically in May, to provide an overview of remuneration for members of the Executive Committee and their direct reports.

Our culture is one of openness and transparency. Workspace is committed to a free and open culture in dealings between its officers, employees, customers, suppliers and all people with whom the Company engages in business relations.

We conduct ourselves with honesty and integrity. The Board recognises that effective and honest communication is essential to maintain our business values, and we encourage our employees to speak out if they witness any wrongdoing. This is reinforced in our whistleblowing procedures and in our Code of Conduct, both of which can be found on our intranet. The Company Secretary also meets with new members of staff through induction programmes organised by the HR team. This is an opportunity to highlight the importance of key policies and for new staff to ask questions.

Our Whistleblowing Policy provides employees with information on how they can report, anonymously if they wish, any concerns about impropriety or wrongdoing within the business. An independent telephone line is available for anonymous reporting of concerns. The Board receives updates from the Company Secretary on the operation of the whistleblowing system. During the year under review, we did not receive any whistleblowing messages (2018/19: No messages received).

This forum will help us expand our existing communications channels and build a constructive dialogue with employees.

Daniel Kitchen
Non-Executive Chairman

Employee engagement with the Chairman

In October 2019 and January 2020, Daniel Kitchen held two working sessions with employees, representing a cross-section of staff from across the Company. A number of themes were discussed, including corporate strategy, sustainability, employee benefits and working arrangements. The discussions were positive and constructive, with open and honest communication at their heart.

Following these meetings, Daniel shared with the Board the key themes and issues that had arisen, to inform the Board's discussion and decisions. Some of the areas raised by staff included wellbeing, social mobility, training and development. Graham Clemett addressed these as part of his presentation to staff in February 2020. See page 27 for more details.

As Daniel will step down from the Board at the 2020 AGM, the Board has appointed Stephen Hubbard as the designated Non-Executive Director for employee engagement. Stephen will be continuing Daniel's work in this area throughout the next year.

1. Charles Fraser
Head of Sales
"The sessions with Danny were a great platform for people to voice their opinions across all departments of Workspace. It is refreshing to see some of the ideas being implemented today."

2. Mark Bradley
Head of Systems Innovations
"Having meetings with Danny has helped enhance communication between the Board and members of staff."

3. Emma Bird
Senior Marketing Manager
"The employee engagement programme is a valuable initiative for two reasons. Firstly, it's really interesting to hear the strategic direction and background on the Company and the reasons behind the Company's decisions and future plans. Secondly, it's a rare opportunity to bring together employees from across all departments together to connect, learn and work together in a way that wouldn't happen organically."

4. Sean Bottamley
Senior Facilities Manager
"Sitting down with Danny and have him run through the Board's decisions and direction for the Company has been a great insight. Equally it feels the points we raised and discussed have been taken away and implemented, which is beneficial for everyone at Workspace."

5. Lisa Carroll
Head of Business Development
"We discussed ideas around business progression, and how we are able to all contribute to the same goal."

6. Jay Marfo
Senior Relief Manager
"For me it provided an honest platform where views could be shared. It was great to see that some of our suggestions have been taken on board."

7. Karen Jamison
Head of Sustainability
"The engagement sessions with Danny Kitchen have given us a real insight into the Board's responsibilities and decision-making processes. It has also been a great opportunity for us as employees to provide feedback on the day-to-day management at Workspace and to ask questions about our shareholders and future business plans."

8. Andre Cavaco Bonsu
Senior Business Analyst
"The meetings with Danny gave an insight into the strategic thinking and future direction of Workspace, which was both enlightening and informative."

9. Claudia Palomino
Centre Manager
"I truly enjoyed the meetings with Danny and with my other colleagues. It was a great opportunity for us to communicate our thoughts and provide feedback. We also gave suggestions which were heard. It was an amazing opportunity and I will be delighted to repeat it again. Thank you."

Division of responsibilities

Principle F **The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.**	Read about our Division of responsibilities on pages 103 to 105.
Principle G **The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.**	Read about our Division of responsibilities on pages 103 to 105. Read about our board composition on pages 85 and 86.
Principle H **Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.**	Read about our Division of responsibilities on pages 103 to 105.
Principle I **The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.**	Read about how the Board works on pages 108 and 109.

The Light Bulb, Wandsworth.

Corporate governance code 2018: Principle F
The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

Division of responsibilities

The roles and responsibilities of the Non-Executive Chairman and Chief Executive Officer are separate, with a clear division of responsibilities between them. The Chairman is responsible for the leadership of the Board, and the Chief Executive Officer manages and leads the business.

Chairman: Daniel Kitchen	– Primarily responsible for the operation, leadership and overall effectiveness of the Board. – Sets the Board's agenda and ensures that the Board as a whole plays a full and constructive part in the development of the Group's strategy and that there is sufficient time for boardroom discussion. – Facilitates the effective contribution of the Non-Executive Directors and monitors that all Directors receive accurate, timely and clear information. – With the Nominations Committee, monitors that the Board remains appropriately balanced to deliver the Group's strategic objectives and to meet the requirements of good corporate governance. – Promotes effective engagement with the Group's shareholders and other key stakeholders. The Chairman is not involved in an executive capacity with any of the Group's activities.
Chief Executive Officer: Graham Clemett	– Responsible for leading and managing the business and is accountable to the Board for the financial and operational performance of the Group, and the execution of the strategy set by the Board. – Leads the Group Executive Committee in the day-to-day running of the Group's business in order to execute objectives successfully. – Regularly reviews the Group's organisational structure and recommends changes as appropriate. – Sets overall policies for recruitment, management, staff development and succession planning and provides updates to the Remuneration Committee. – Together with the Chairman and CFO, represents the Company to its customers, suppliers, shareholders and other stakeholders.
Chief Financial Officer: David Benson	– Supports the CEO in developing the strategic direction of the Group and works closely with the CEO and Board to develop and implement the Group's strategy. – Provides financial leadership to the Group and aligns the Group's business and financial strategy. – Manages the capital structure of the Group. – Leads and monitors the effectiveness of the key finance functions and appropriate development of the finance team. – Co-ordinates and delivers IT projects to support the growth and strategic priorities of the Group.
Senior Independent Director: Chris Girling	– Provides an alternative communication channel for shareholders, if required, and is available to meet with investors on request. – If necessary, deputises for the Chairman in his absence and counsels all Board colleagues. – Acts as an intermediary for Non-Executive Directors when necessary. – At least annually leads a meeting of the Non-Executive Directors without the Chairman present, to appraise the Chairman's performance and address any other matters which the Directors might wish to raise. He then conveys the outcome of these discussions to the Chairman.
Non-Executive Directors (NEDs)	– Constructively challenge and assist in the development of strategy. – Promote the highest standards of integrity and corporate governance. – Review the succession plans for the Board and key members of senior management. – Determine appropriate levels of remuneration for the senior executives. – Review the integrity of financial reporting and the systems of risk management and financial controls. – Serve on or chair various Committees of the Board.
Non-Executive Director for employee engagement: Daniel Kitchen (Stephen Hubbard to assume the role from July 2020)	– Represents the Board in discussions with employees. – Develops, implements and reports on employee engagement initiatives. – Provides an employee voice in the boardroom by raising relevant matters or issues. – Communicates to employees the outcomes and developments made by the Board on specific matters.
Company Secretary: Carmelina Carfora	– Secretary to the Board and its committees. – Ensures compliance with Board procedures and supports the Chairman. – Develops Board and Committee agendas, collates and distributes papers. – Considers the Board's effectiveness in conjunction with the Chair. – Facilitates Directors' induction programmes. – Provides advice and support to all Directors as and when required. – Responsible for organising the Annual General Meeting.

Corporate governance code 2018: Principle G
The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

Non-Executive Directors (NEDs)
The Non-Executive Directors have a broad mix of business skills, knowledge and experience acquired across different business sectors. This allows them to provide independent and external perspectives to Board discussions.

The NEDs provide constructive challenge to the Executives, help to develop proposals on strategy and monitor performance.

Independence of Non-Executive Directors
During the year, the Board considered the independence of all the Non-Executive Directors, save for the Chairman who was deemed independent by the Board at the date of his appointment. The Board has reconfirmed that our Non-Executive Directors remain independent from executive management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

All Non-Executive Directors have confirmed that they have sufficient time to discharge their responsibilities effectively and to meet their Board responsibilities. They act in a robust and independent manner and bring constructive challenge. They offer strategic guidance to Board discussions and independent decision making to their Board and Committee duties.

The Chairman held a number of meetings with the Non-Executive Directors without executive management being present. These meetings are useful to safeguard the independence of our Non-Executive Directors by providing them with time to discuss their views in a more private environment.

Stephen Hubbard
As in previous years, the independence of Stephen Hubbard was specifically considered during the year. Stephen was previously Chairman of CBRE UK, having retired in December 2019. CBRE are the Group's external independent valuers.

Stephen did not take part in any considerations of the valuation of the Group's property portfolio at either Board or Committee level. Furthermore, he had no involvement in any discussions or decisions regarding the appointment of CBRE or the fees paid to them.

CBRE have also confirmed that Stephen had no involvement in relation to the conduct of the valuations that they carried out, in the year, on behalf of the Company. Their appointment is by the Directors of the Company, acting through the Executives, and any communication is entirely with them. CBRE have stated that Stephen had no access to the data or calculations, was not involved in the process and they did not discuss the valuations with him. The Board is satisfied and continues to conclude that Stephen remains independent both in character and in judgement, including his future responsibilities as Chairman of the Company following the conclusion of the 2020 AGM.

At the 2019 AGM, 20.38% of votes were cast against the re-election of Stephen Hubbard. See page 96 for further details on how the Company engaged with shareholders on this matter and actions taken.

Re-election and election of Directors
In accordance with the Code, all the Directors will submit themselves for election or re-election at the AGM on 9 July 2020, except for Daniel Kitchen who will be stepping down from the Board as Chairman, and will not seek re-election. Following the Board evaluation review, detailed on page 120, and taking into account the Directors' skills and experience (set out on pages 85 to 90), the Board believes that the election and re-election of the Directors is in the best interests of the Company.

The explanatory notes in the Notice of Meeting for the AGM state the reasons why the Board believes that the Directors proposed for re-election at the AGM should be reappointed.

Suzi Williams was appointed to the Board as a Non-Executive Director with effect from 21 January 2020 and David Benson was appointed to the Board as CFO with effect from 1 April 2020. Ms Williams and Mr Benson are each submitting themselves for election by shareholders at the AGM in July 2020 as this will be the first AGM since they were appointed as Directors in January 2020 and April 2020, respectively.

The Board is satisfied that Ms Williams is independent in accordance with the Code and that there are no circumstances which are likely to impair or could appear to impair her independence as a Non-Executive Director. The Nominations Committee of the Group has considered her commitments and has concluded that she has sufficient time to meet her Board responsibilities.

The Nominations Committee also recommended that Chris Girling has the necessary level of relevant financial and accounting experience required by the provisions of the UK Corporate Governance Code to continue to perform the role of Chairman of the Audit Committee, having previously held Chief Financial Officer positions in public companies. Mr Girling is also a Chartered Accountant.

Mr Clemett has a service contract and details can be found on page 160.

Mr Benson has a service contract and details can be found on page 160.

None of the Non-Executive Directors have service contracts and are instead given letters of appointment. The appointment of Chris Girling, Maria Moloney, Damon Russell, Ishbel Macpherson and Suzi Williams may be terminated by either the Company or any one of them giving three months' notice in writing. The appointment of Daniel Kitchen and Stephen Hubbard may be terminated by any one of them or the Group giving six months' notice in writing.

The terms and conditions of appointment of Non-Executive Directors, including the expected time commitment, are available for inspection at the Company's registered office.

The schedule of matters reserved for the Board is reviewed at least once a year and can be accessed on the Company website at www.workspace.co.uk.

The relationship between the Board and the Executive Committee

The Board
The Board is responsible for mapping market trends, assessing appropriate levels of risk and setting the strategy for the business. It delegates the delivery of the strategy to the Executive Committee.

Executive Committee
The Executive Committee is responsible for managing the business, day-to-day operational decisions and delivering the strategy set by the Board.

The Board considers there to be an appropriate balance between Executive and Non-Executive Directors required to lead the business and safeguard the interest of shareholders. Whilst David Benson, CFO, was not in tenure during the year, he was appointed to the Board on 1 April 2020.

As at 1 April 2020, the Board comprises the Chairman, six Non-Executive Directors (all of whom are independent) and two Executive Directors. Graham Clemett served as Interim CEO and CFO from 31 May 2019, until his appointment as CEO on 24 September 2019. However, he continued in this dual role, with support of the finance team, until David joined on 1 April. Jamie Hopkins stepped down as CEO on 31 May 2019. This meets the requirement of the Code for at least half the Board, excluding the Chairman, to be independent Non-Executive Directors.

Executive Committee – Managing the business
The Executive Committee, which is chaired by Graham Clemett, supports the Board by providing executive management of Workspace within the strategy approved by the Board.

The Executive Committee is accountable to the Board for implementation of the agreed strategy. The Executive Committee monitors customer and market trends, assesses the implications and benefits of asset management initiatives and overseas the effectiveness of the governance framework.

The Board delegates all operational matters to the Executive Committee except for the matters reserved for the Board.

Matters reserved for the Board
The Board has a formal schedule of matters reserved for its approval which includes:
- The review and approval of the Group strategy, business objectives and annual budgets.
- The approval of the Group's dividend policy and the payment and recommendation of interim and final dividends.
- The approval of Full Year and Half Year Results, including the review and approval of the going concern basis of accounting and the viability assessment.
- Health and Safety performance across the Company.
- On the advice of the Nominations Committee, reviewing succession plans for the Board and senior management team.
- Approval of significant funding decisions.
- Review and approval of corporate transactions.
- The operation and maintenance of the Group's systems of risk management, internal control and corporate governance.
- Setting the Company's purpose, values and standards.

Other day-to-day operational decisions are delegated by the Board to the Executive Committee, subject to formal delegated authority limits.

The Executive Committee has been expanded to complement the existing skills of the Executive Directors and provide a more diverse executive leadership group that will focus more on customer needs and our people.

For details of these changes see page 81.

Executive Committee activities in 2019/20
- Developing the Group strategy and budget for approval by the Board.
- Monitoring of operational and financial results against plans and budgets.
- Considering regulatory developments and the GDPR compliance programme.
- Reviewing and approving capital expenditure within the authorities delegated by the Board.
- Collectively responsible for the day-to-day running of the business.
- Developing leadership skills and the future talent of the business so that strong succession plans are in place as the Group develops.
- Analysing and reviewing initiatives of particular interest to the Company and presenting these to the Board as appropriate.
- Focusing on the effectiveness of risk management and control procedures.
- Reviewing, monitoring and implementing the operational response to Covid-19.

Composition of the Executive Committee

1. Graham Clemett
Chief Executive Officer
Specific responsibilities:
Strategic management; investor relations; and day-to-day operations. Chairman of the Executive, Investment, Disclosure and Risk Committees.

From 31 May 2019, Graham took on the role of Interim CEO as well as his existing role as CFO until David Benson joined the business as CFO on 1 April 2020.

2. David Benson
Chief Financial Officer
Specific responsibilities:
Finance; treasury; tax; investor relations; and technology.

David joined the business as CFO on 1 April 2020.

3. Chris Pieroni
Operations Director (retiring June 2020)
Specific responsibilities:
Corporate and business development; marketing; and new business initiatives.

Background and relevant experience:
Chris joined the Group as Operations Director in October 2007. Prior to joining Workspace, he worked at KPMG specialising in real estate and infrastructure finance. He began his professional career teaching economics at Cambridge University. Chris was a Non-Executive Director of the Group from 2000 until his retirement from the Board in August 2006. Chris was Chairman of the Business Centre Association from 2014–2016.

4. Angus Boag
Development Director
Specific responsibilities:
Planning consents; redevelopment and refurbishment project management; building maintenance; joint ventures; valuations; sustainability and environmental strategy.

Background and relevant experience:
Angus joined the Group in June 2007 as Development Director. He has experience in property and construction management and is responsible for adding value to the Group's assets through planning consents, development, and joint ventures. Angus also manages all construction across the portfolio and has responsibility for the sustainability programme.

5. John Robson
Asset Management Director
Specific responsibilities:
Asset management of the portfolio, including lettings, lease renewals, property management and management of the centre and facilities team.

Background and relevant experience:
John joined Workspace in May 2008 as an Asset Manager. John was promoted to Head of Asset Management in February 2013 and Asset Management Director in October 2017. Prior to joining Workspace, John qualified as a chartered surveyor and worked for Legal & General Investment Management, London Merchant Securities and ING Real Estate.

6. Claire Dracup
Head of People
Specific responsibilities:
HR; training and staff development; internal culture; business centre support; health and safety; monitoring of customer service.

Background and relevant experience:
Claire joined Workspace in 1995, initially as a centre manager before progressing to Portfolio Manager. In 2008 Claire became Head of Support Services and was responsible for Facilities Management, Security, Health and Safety and business centre support which included recruitment, training and improvements to service and quality control. Claire was appointed as Head of People in April 2020.

7. Will Abbott
Chief Customer Officer
Specific responsibilities:
Customer engagement; marketing and brand development.

Background and relevant experience:
Will joined the business on 20 April 2020, bringing a wide range of experience from over 20 years in Marketing. Having started his career in advertising, Will held a number of senior roles across digital media, FMCG, financial services and travel sectors. Prior to Workspace, Will was Marketing Director UK & Ireland at Hiscox during a significant period of growth for the insurer, and most recently was Chief Marketing Officer of Neilson Active Holidays.

8. Richard Swayne
Investment Director
Specific responsibilities:
Investment, acquisitions and disposals.

Background and relevant experience:
Richard joined Workspace in November 2014 as an Investment Manager. He was promoted to Head of Investment in October 2017 and Investment Director in April 2020. Prior to joining Workspace, Richard qualified as a chartered surveyor and worked for Cushman & Wakefield Investors and LFF Real Estate Partners.

9. Carmelina Carfora
Company Secretary
Specific responsibilities:
Company Secretary to the Board and its Committees. Advises on legal, corporate governance, regulatory and compliance; manages share schemes and ensures compliance with Board procedures.

Background and relevant experience:
Carmelina joined the Company as Company Secretary in March 2010. Carmelina was previously Company Secretary of Electrocomponents plc.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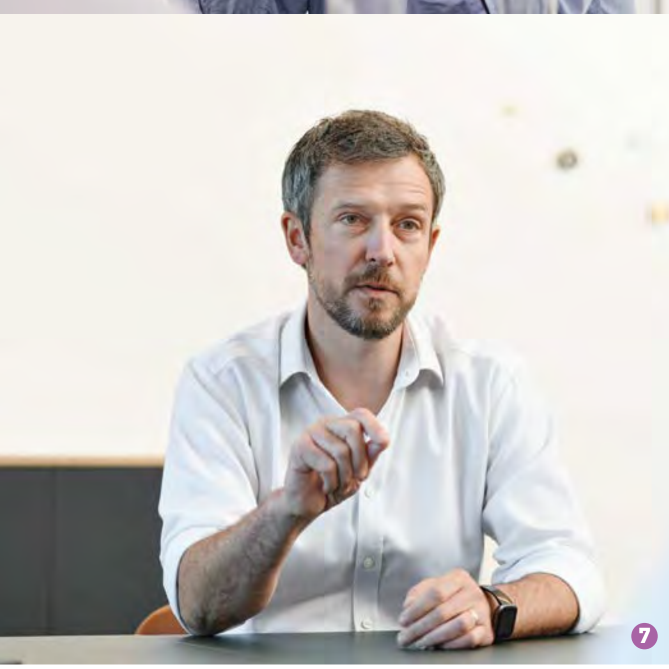
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Corporate governance code 2018: Principle H
Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

External appointments

The Board considers a Director's other external commitments when considering them for appointment, to satisfy itself that the individual can discharge sufficient time to Workspace and assess any potential conflicts of interest.

Prior to joining the Board, Suzi Williams disclosed her current commitments and the time commitment involved. The Board was satisfied that Suzi Williams could provide sufficient time to discharge her duties as a Director of the Company. See biographies on page 89.

The Board is satisfied that each of the Non-Executive Directors can devote sufficient time to the Company's business to discharge their responsibilities effectively.

Prior to accepting any additional appointments, or changes to their external commitments, Non-Executive Directors are required to notify the Chairman. In the case of the Chairman, he will discuss any changes to his appointments with the Senior Independent Director.

Agreement of the Board is then required to identify any conflicts of interest and consider whether the relevant Director will continue to have sufficient time available to devote to their role.

Further details of their Directorships can be found on pages 86 to 90.

Executive Directors may accept a non-executive role at another company with the approval of the Board.

Graham Clemett was appointed as a Non-Executive Director and Chairman of the Audit Committee for The Restaurant Group Plc.

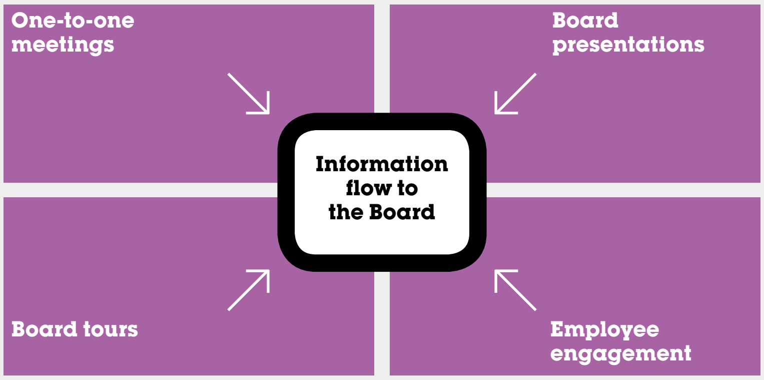
David Benson, CFO, is not a Director of any other listed company.

When assessing additional directorships, the Board considers the number of public directorships held by the individual already and their expected time commitment for those roles. The Board takes into account guidance published by institutional investors and proxy advisers as to the maximum number of public appointments which can be managed efficiently.

All Directors have confirmed that they have been able to allocate sufficient time to discharge their responsibilities effectively. See the table for meeting attendance on page 86.

Corporate governance code 2018: Principle I
The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

Reporting lines



One-to-one meetings	One-to-one meetings are held between new Directors and senior management as part of the induction process. The CEO and CFO meet with senior management individually to discuss operations and performance, after which, the CEO and/or CFO will report back to the Board on matters that require discussion.
Board presentations	Employees below Board level are invited to present to the Board on operational topics from time to time. See page 109.
Employee engagement	The Chairman held several meetings with staff as part of his role as Non Executive Director responsible for employee engagement. The Company also conducted an employee survey in 2019, the feedback from which was presented to the Board.
Board tours	During the year, members of the Board will visit our properties and meet with centre staff. In November 2019, Maria Moloney accompanied by John Robson, visited Edinburgh House, Salisbury House and Centro Buildings.

Information and support to the Board
The Board and its Committees are provided with comprehensive papers in a timely manner to allow members to be fully briefed on matters to be discussed at their meetings.

The Directors have access to the advice and services of the Company Secretary, Carmelina Carfora. Her biography can be found on page 106. At the direction of the Chairman, Carmelina is responsible for advising the Board on matters of corporate governance and compliance with Board procedures.

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Number of Board meetings in 2019/20

In consultation with the Chairman, the Chief Executive Officer and Chief Financial Officer, the Company Secretary manages the provision of information to the Board for their formal Board meetings and at other appropriate times.

The Chief Executive Officer and the Chief Financial Officer keep the Board fully aware, on a timely basis, of business matters relating to the Group. They provide various updates to the Board on many aspects of the business, ranging from trading performance, progress being made on our refurbishment and redevelopment projects, the rationale for acquisitions and disposals and how these are aligned to strategy. They also inform the Board on the discussions held with analysts, investors and other stakeholders.

The Company Secretary and external advisers periodically update the Board on regulatory changes. In particular, this year the Board considered the new requirements of the UK Corporate Governance Code 2018, and developing guidance and practice in data protection, as well as regulatory developments relating to the Covid-19 outbreak.

Employees below Board level are invited to present to the Board on operational topics from time to time. During the year, Duncan Pelham, Corporate Communications Manager provided an update on our Purpose and how our values are being embedded into the business; Karen Jamison, Head of Sustainability, attended the meeting to provide an update on our ESG programme, objectives and progress against targets; Andrea Kolokasi, Head of Business Development, and John Robson, Asset Management Director, attended to provide an update on business initiatives; Chris Boultwood, Head of Technology, gave an overview on cyber and network security and Richard Swayne, Investment Director, provided an overview of investments.

The Board utilises an electronic Board paper system which provides immediate and secure access to Board papers and materials. Prior to each Board meeting, the Directors receive through this system the agenda and supporting papers permitting them to have the latest and relevant information in advance of the meeting.

After each Board meeting, the Company Secretary operates a comprehensive follow-up procedure to enable actions to be completed as agreed by the Board.

How the Board discharges its responsibilities
The Board discharges its responsibilities through an annual programme of Board and Committee meetings which are scheduled throughout the year, with main meetings timed around the Group's financial calendar. Additional meetings are convened to consider an annual cycle of topics, including the annual strategy day, key management and financial updates, review of risk as well as the approval of acquisitions and refurbishment programmes. In the year ended 31 March 2020 the Board met formally on seven occasions, including a strategy day in September 2019. Supplementary meetings or conference calls are held between formal Board meetings as required.

The Board engaged with the Company's advisers during the year and there was a presentation from the Company's brokers in July 2019 and March 2020. The Group's valuer, CBRE, presented to the Audit Committee meeting in May 2019 and circulated a report to the meeting in November 2019. The CBRE presentation covered the valuation of the property portfolio and the wider market in which the Company operates.

Slaughter and May attended in March 2019 to give an update to the Board on the UK Corporate Governance Code 2018, the Market Abuse Regulation and matters relating to the AGM.

The Directors are expected to attend all meetings of the Board, the Committees on which they serve and the AGM, and to devote sufficient time to the Company's affairs, to enable them to fulfil their duties as Directors.

Should the Directors be unable to attend meetings, they would be provided with papers to allow them to make their views known to the Chairman ahead of that meeting.

Periodically, the Chairman meets the Non-Executive Directors without the Executive Directors present and maintains regular contact with the Chief Executive Officer and other members of the management team.

If any Director has concerns about the running of the Company or proposed action which cannot be resolved, these concerns are recorded in the Board Minutes. No such concerns arose during the year under review.

Despite the unprecedented conditions we have experienced over recent weeks, the Workspace team has continued to work closely during the period of lockdown. The Board, through the use of technology, have continued with their normal cycle of Board meetings, and remained in regular communication with each other and with the management team.

Training and development
With the ever changing environment in which the Group operates, it is critical that the Board maintains a good working knowledge of the property sector and how the Group operates within its sector, as well as remaining aware of recent and upcoming developments in the wider legal and regulatory environment.

Directors are regularly provided with summaries of external seminars and briefings in areas considered appropriate for their professional development. This training is designed to build upon the diverse range of experience that each Director brings to the Board. The Company Secretary provides regular updates on legal, regulatory and corporate governance matters. As appropriate, external professional advisers are engaged to provide training and updates on their specialist areas. These cover not only legislative developments, but also market trends, the political and economic environment, ESG and IT.

Our Directors are invited to identify areas in which they would like additional information or training, following which the Company Secretary will arrange for the necessary resources to be put in place. The resulting sessions may be internally or externally facilitated.

This year the Directors have received updates and presentations on the following areas:
- The legal duties of a Director (and, in particular, Section 172 considerations).
- ESG plans.
- Compliance with the 2018 UK Corporate Governance Code.
- Data Protection Act 2018.
- Managing cyber risk and security.
- Executive remuneration trends and best practice.
- The Company Purpose and how it aligns with culture and values.
- Inclusion and diversity.

Composition, succession and evaluation

Principle J **Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained by board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.**	Read about our recent Board appointments on pages 113 to 118.
Principle K **Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.**	Read about our Board composition on page 85.
Principle L **Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.**	Read about Board evaluation on page 120.

Nominations Committee membership and attendance

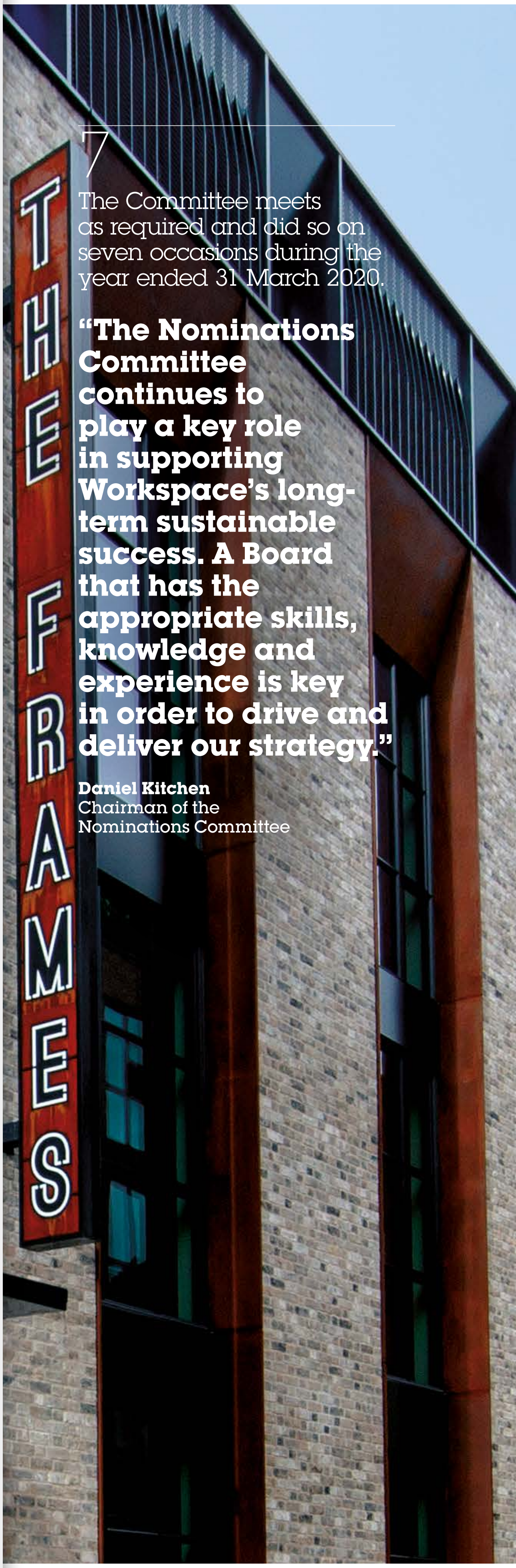
The Committee meets as required and did so on seven occasions during the year ended 31 March 2020. Our Committee consists of the Non-Executive Directors and the Company Chairman.

	Member since	Meetings attended
Daniel Kitchen (Chairman)	2011	7/7
Stephen Hubbard	2014	7/7
Maria Moloney	2012	7/7
Chris Girling	2013	7/7
Damon Russell	2013	7/7
Ishbel Macpherson	2019	7/7
Suzi Williams[1]	2020	2/7

1. Suzi Williams was appointed on 21 January 2020 and joined the Nominations Committee at this time.
– The Company Secretary is Secretary to the Nominations Committee.
– The Chairman of the Board chairs all meetings of the Committee unless a matter relates to the Chairman, in which case the Senior Independent Director is invited to take the Chair. During the year, Chris Girling assumed the chair of the meeting when the Committee considered the succession plans for the Chairman, who will be retiring at the AGM in 2020.

Details of the skills and experience each Director brings to the Board.
Pages 85 to 90

The full responsibilities of the Nominations Committee are set out in its terms of reference, which have been updated during the year. They are available to view in full on the Company's website.
www.workspace.co.uk/investors/about-us/governance/committee-terms-of-reference



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The Committee meets as required and did so on seven occasions during the year ended 31 March 2020.

"The Nominations Committee continues to play a key role in supporting Workspace's long-term sustainable success. A Board that has the appropriate skills, knowledge and experience is key in order to drive and deliver our strategy."

Daniel Kitchen
Chairman of the Nominations Committee

Nominations Committee Report

Daniel Kitchen
Chairman of the Nominations Committee

Dear Shareholder
I am pleased to present the Nominations Committee report covering the work of the Committee for the financial year ended 31 March 2020.

This year has been a year of change with the Committee devoting a lot of time to succession planning which has helped to establish a pipeline of talented individuals who are available to support the Group to achieve its objectives. The appointments made over the year combine continuity and existing expertise with a fresh external perspective, positioning the right skills, knowledge and experience within our leadership team to enable them to operate effectively and deliver our strategy.

Changes to the Board and the Executive Committee
During 2019/20, the Board underwent a number of changes in the year as we prepare for the next stage of the Company's growth. Firstly, we are delighted that Graham Clemett became our new Chief Executive Officer in September 2019, after a rigorous selection process. Graham was previously the Chief Financial Officer of the Company, having joined Workspace in 2007. Graham's strong leadership, experience and his successful track record within the business gives the Board confidence that he is the right person to guide the Company going forward.

Following Graham's appointment as CEO, a search then commenced for a new Chief Financial Officer. I am pleased to report that David Benson was appointed to the Board as CFO on 1 April 2020. David joins us from Whitbread plc where he held the role of Corporate Finance Director. David combines a strong commercial focus with broad finance skills and a wealth of experience that will help support our ambitions as we continue to build on our leading market position and joins as a member of the Board and Executive Committee.

In January 2020, we also welcomed Suzi Williams as a new Non-Executive Director of the Company. Suzi has an outstanding track record in brand development, marketing and customer behaviours, to add to the Board's mix of skills and experience. Suzi has over 25 years' experience in marketing, brand and innovation for leading consumer, media, technology and service brands. Suzi also served as Chair of the Remuneration Committee at The AA plc for two years.

As a Committee, we believe that these appointments enhance the experience of the Board and represent a continuing fit with Workspace's future needs. The dedicated search and induction processes for both Suzi and David are set out on pages 116 to 117 and 114 to 115 respectively.

After serving nine years as Chairman, I advised the Board of my intention to step down after the Annual General Meeting in July 2020. I am pleased that Stephen Hubbard has accepted the role as Chairman from the close of the AGM. After initiating a search process, Stephen was the natural choice for the Board given his strong track record in the UK property market and his in-depth knowledge of Workspace. Stephen served as Chairman of CBRE UK, until he retired in December 2019.

The Nominations Committee also considered an expansion to the Executive Committee with the creation of a number of new roles. To support and deliver our renewed focus on our customer offer, I am pleased that Will Abbott joined the Executive Committee in April 2020 as Chief Customer Officer. This newly created position will oversee customer engagement, as well as marketing and brand activities. Claire Dracup and Richard Swayne, both internal promotions, also joined the Committee. Claire was appointed as Head of People in a role that encompasses HR, training and staff development across the Company and Richard, who leads our property investment team, joined as Investment Director. Carmelina Carfora, Company Secretary also joined the Committee. As stated earlier, David Benson joined the Company in April 2020 as CFO and as a member of the Executive Committee. More details of the Executive Committee can be found on page 106.

Employee engagement
Engagement with our employees is an important channel for gathering customer-focused market information, maintaining a positive corporate culture and a proactive working environment. Awareness and understanding of employees' views informs our discussions at the Board and Executive Committee level. In line with the recommendations in the 2018 UK Corporate Governance Code, I assumed the role of Non-Executive Director responsible for employee engagement. During the year, I held meetings with staff, discussing feedback from a diverse cross-section of our workforce and covering a range of topics. Details can be found on pages 100 and 101.

As I will be stepping down as Chairman in July 2020, the Nominations Committee recommended the appointment of Stephen Hubbard to assume this role going forward and the Board agreed with this recommendation. Stephen played a key role on employee engagement activities in his role as Chairman of CBRE. The Board approved this with effect from July 2020.

Board effectiveness
This year's Board effectiveness review continued to provide a valuable opportunity for the Board to reflect on how it operates and identify areas for improvements. The evaluation process for this year was led by me and assisted by the Company Secretary. No material issues or concerns were identified. Further information can be found on page 120.

Looking forward
The appointments made during the year provide a strong framework of experience and management expertise to lead the Company and deliver our strategy going forward. The Covid-19 pandemic has created challenges for all businesses, which no one could have predicted. The Committee is confident, however, that it has carried out its role effectively in building a Board and Executive team ready to meet these challenges successfully.

Daniel Kitchen
Chairman of the Nominations Committee
4 June 2020

Corporate governance code 2018: Principle J
Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained by board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Corporate governance code 2018: Principle K
Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

The role of the Nominations Committee

The Nominations Committee is responsible for monitoring that the Board, its Committees and Workspace's senior management have the correct balance of skills, knowledge and experience, to lead Workspace effectively both now and in the longer term. This is achieved through succession planning and talent development, and an understanding of the changing competencies required to support the Group's strategy, purpose, vision, culture and values. The way in which this is supported through the current Board composition is set out on page 85.

The Committee also plays a key role in supporting inclusion and diversity at Workspace, which at Board level involves reviewing and monitoring the enhancement of the mechanisms used to engage with the workforce. The Committee is also responsible for recommending candidates for the role of Non-Executive Director responsible for Employee Engagement.

How the Committee operates

The Committee met formally on seven occasions, primarily to progress the appointment of a new CEO, CFO, Chairman and Non-Executive Director.

- The meetings are usually held immediately prior to or following a Board meeting, though the Committee also meets on other occasions on an ad hoc basis, as required.
- Only members of the Committee have the right to attend meetings. However, an invitation to attend meetings is, on occasion, extended to the Chief Executive Officer, in order that the Committee can understand his views, particularly on key talent within the business.
- The Directors can, for the purpose of discharging their duties, obtain independent professional advice at the Company's expense. No Director had reason to use this facility during the year.

Nominations Committee activities in 2019/20

Board succession

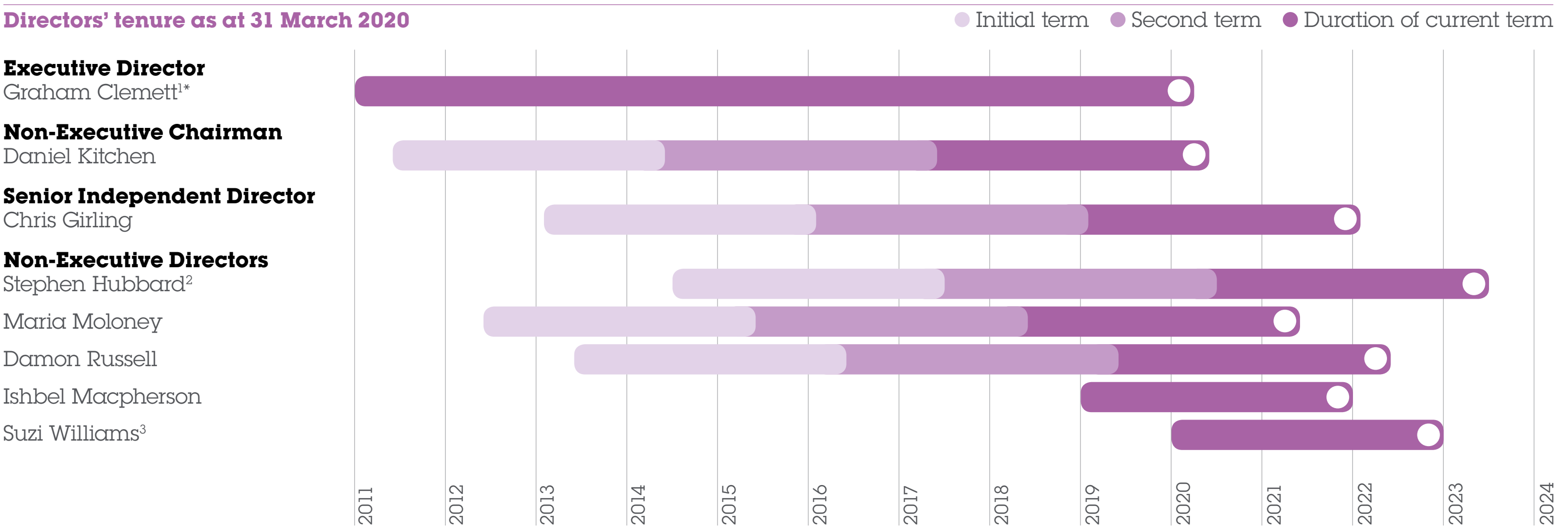
Throughout the reporting period, the Committee continued to focus on the succession pipeline for the Board and senior management team, including the tenure of all Directors.

In line with good practice, the Company has contingency, medium- and long-term arrangements in place with a view to ensuring that changes to the Board are well-managed and effective.

Spencer Stuart, Odgers Berndtson and Russell Reynolds Associates were appointed to assist with the search and identification of a number of executive and non-executive roles this year. These independent search agencies perform no other work for the Group and are signatories to the voluntary code of conduct for executive search firms. We believe that diversity in our leadership team is important and brings many benefits. These agencies are all committed to identifying the most qualified and inclusive candidates for the roles identified.

The following changes to the Board and Executive team were successfully implemented during the year.

Directors' tenure as at 31 March 2020



* 12-month rolling contract.

1. Graham Clemett joined as CFO in July 2007 and was appointed as CEO on 24 September 2019.
2. Stephen Hubbard will assume the role of Chairman after the AGM in 2020.
3. Suzi Williams was appointed to the Board with effect from 21 January 2020.

David Benson is not shown in the table above as he was appointed to the Board on 1 April 2020.

Strengthening the leadership team in 2019/20

Graham Clemett photographed at Edinburgh House, Vauxhall.

Appointment of Chief Executive Officer

Following Jamie Hopkins stepping down in May 2019, the Nominations Committee engaged Spencer Stuart to assist them with the search and identification of a new Chief Executive Officer. During the search process, Graham Clemett performed the role of Interim CEO, whilst simultaneously continuing to perform the role of Chief Financial Officer.

Establishing role requirements

Spencer Stuart, who were retained in order to fill the role, facilitated discussions between the Chairman and members of the Nominations Committee. Topics explored included the specification for the role of CEO in leading the Company's future direction and the skills, knowledge, experience and attributes required to provide effective leadership. The skills considered to be important were identified as strategic leadership, operational management and strong communication skills.

Identifying candidates

Spencer Stuart identified potential internal candidates as well as conducting an extensive parallel search process to identify potential candidates in the external market.

Spencer Stuart carried out a detailed and rigorous assessment of the available internal and external candidates.

Daniel Kitchen, Stephen Hubbard and Spencer Stuart then reviewed an initial list of candidates against the agreed parameters of the CEO role.

Process

Following meetings between Daniel Kitchen, Stephen Hubbard and Spencer Stuart, a shortlist of candidates was compiled looking at the level of experience, and broad skill sets required.

Two preferred candidates then met with all members of the Nominations Committee in September 2019, for a series of interviews. In follow up discussions held by the Committee, they reflected upon the experience of the candidates and their specific skill sets.

Recruitment

After careful deliberation, the Committee unanimously recommended the appointment of Graham Clemett as Chief Executive Officer given his depth of knowledge of the business from his time as CFO, and the demonstration of outstanding leadership and clear vision for the Company's future in his role as Interim CEO.

The Board agreed with the recommendation of the Nominations Committee and as a result Graham Clemett was appointed as CEO on 24 September 2019.

The Chair of the Remuneration Committee discusses the leadership changes.
Page 134

Appointment of Chief Financial Officer

On Graham Clemett's appointment as CEO in September 2019, a full and formal search for a permanent successor as CFO commenced in October 2019.

Establishing role requirements

Odgers Berndtson was retained as independent consultants to draw up a detailed job specification setting out the skills, knowledge, experience and attributes required for the CFO. This was reviewed with the CEO and members of the Nominations Committee. A final job specification was then approved.

Potential areas to inform the search process were agreed to include: a qualified accountant with experience gained in a series of dynamic businesses; good understanding of technology and its commercial applications; the ability to develop effective working relationships both externally and across the business along with the particular skills, knowledge, experience and attributes required for the CFO.

Identifying candidates

Odgers Berndtson evaluated senior internal finance staff against the agreed brief, as well as undertaking a comprehensive external search. The initial long list of potential candidates and an evaluation of the profiles against the brief was then discussed with the CEO.

Process

Following these discussions, the CEO met with all the candidates on the long list.

The CEO provided regular updates on the search process to members of the Nominations Committee. The CEO then attended the Nominations Committee in January where he provided an overview of progress.

Following these interviews, the CEO and Odgers Berndtson compiled a shortlist based on level of experience, commercial focus, property experience and broad financial skill sets. The shortlisted candidates then met with three members of the Nominations Committee including Chris Girling, Senior Independent Director and Chairman of the Audit Committee, Daniel Kitchen, Company Chairman and Ishbel Macpherson, Non-Executive Director.

Follow up discussions were held by the Committee reflecting upon the experience and skill sets of the candidates, the ability to work closely with the CEO and Board in developing the Group strategy and monitoring alignment with the Group culture.

Read David Benson's full biography
Page 88

Recruitment

After careful deliberation the Committee unanimously recommended the appointment of David Benson as Chief Financial Officer.

The Board agreed with the recommendation of the CEO and Nominations Committee. As a result David Benson was appointed as CFO on 1 April 2020.

David Benson photographed at Canterbury Court, Kennington.

Induction of David Benson

Following appointment, all Directors engage in formal and personalised induction process which has been designed to suit their individual needs. The meetings and activities are selected to enable any new Director to be adequately informed and equipped to participate in Board discussions, with a sound understanding of long-term strategy, business operations, the sectoral context and Company culture. Engagements involve meetings with key personnel, technical briefings and site visits, which allow for conversations to take place with a representative cross-section of Workspace's employees.

This covers, for example: the operation and activities of the Group (including site visits and meeting members of the senior management team); the Group's principal strategic risks; the role of the Board; the decision-making matters reserved to the Board; the responsibilities of the Board Committees; and the Board's strategic objectives.

David's induction began shortly after the announcement of his appointment on 10 February 2020 and is detailed right.

Area	Briefing provided by	Matters covered
Strategy	Chief Executive Officer including attendance at a business update given to staff by Graham Clemett on 27 February 2020.	Strategic priorities, financial performance and key stakeholder topics. Recent shareholder and analyst feedback; the work of the Investor Relations team and shareholder perspectives; health and safety and ongoing initiatives.
Finance	Head of Finance.	Finance and the control environment including capital structure and funding. The relationship with Workspace's External Auditor.
Technology	Head of Technology.	IT systems and processes; cyber and network security and Digital infrastructure strategy. Customer technology platforms and technical commercial partnerships and suppliers.
Marketing	Operations Director.	Operational marketing (website, social media, communications) and Brand Marketing.
Operations and property portfolio	Asset Management Director.	Tour of several properties within the portfolio, meeting centre staff and insight into culture. Overview of property portfolio and customer base; key asset management initiatives, the sales process, product offer and key suppliers.
Risk and compliance	Head of Finance, Company Secretary.	External risk; internal control framework, overview of operational and strategic risks and reporting to the Group Board and Audit Committee.
Governance	Company Secretary.	Workspace's governance framework. Board-related policies and logistics and an overview of the evolving governance landscape including recent developments relevant to Workspace Group PLC.
Development	Development Director and Head of Sustainability.	– Environmental and social impact programmes to achieve net carbon target by 2050. – Current Redevelopment and Refurbishment projects. – Implications of future planned projects.
Investment	Investment Director.	Acquisition and disposal strategy, recent acquisitions and disposals, corporate investment activity and valuation.
People	Head of People.	People related programmes used to attract, retain and develop our people.
External view of Workspace	Auditors, brokers and lawyers.	– Control environment and liaison with Audit Committee and the management team (Auditors). – An up-to-date view of investor, shareholder and market sentiment. (Brokers). – Regulatory and legislative matters relevant to the Company. (Lawyers).

Strengthening the leadership team in 2019/20
continued

Search for an additional Non-Executive Director

Establishing role requirements

Discussions took place between Spencer Stuart and the Chair surrounding the specification for the role. Potential areas to inform the search process were agreed to include a strong business focus, clear knowledge of customers and an enhanced focus on diversity. Spencer Stuart were asked to draw up a detailed job specification setting out the skills, knowledge, experience and attributes required for the Non-Executive Director. This was reviewed with the Company Chairman and members of the Nominations Committee. A final job specification was then approved.

Identifying candidates

The Chairman considered a range of candidates following which a first shortlist was drawn up for review and discussion by the Committee.

Process

The Chairman then met and interviewed several candidates and reviewed their respective skills and experience against the Board's candidate profile.

Members of the Nominations Committee then met with a shortlist of candidates.

The Chief Executive Officer and members of the Executive Committee also met with Suzi Williams prior to her being appointed as a Director of the Company.

Recruitment

The resulting recommendation to the Board was that Suzi Williams be appointed to the role and it was announced that Suzi would join as a Non-Executive Director from 21 January 2020.

This followed confirmation of the time commitment required and a review of existing arrangements for any actual or potential conflicts of interest.

Read Suzi Williams full biography
Page 89

"I joined Workspace in January 2020 and received a tailored induction programme. This included meetings with the Chairman, Chief Executive Officer, other Board members, the Company Secretary and members of the Executive Committee. These meetings provided an opportunity to discuss Board strategy, priorities and future plans. Accompanied by members of the asset management team, I also visited a number of properties within the portfolio and met with centre staff and members of the senior management team in addition to meeting a wide range of advisers. Over 25 years, I've worked with a variety of blue chip B2B and B2C brands to drive customer-centric growth, deliver high performance marketing and build value for stakeholders. I believe my experience and skills in these areas will be a complement to the strength and skills of the current Board."

Suzi Williams, photographed at Metal Box, Bankside.

Induction of Suzi Williams

All new Non-Executive and Executive Directors joining the Board undertake a formal and personalised induction programme which is designed to provide an understanding of the Company's business, governance and stakeholders. This covers, for example, the operation and activities of the Company including site visits and meeting members of the senior management team, the Company's principal strategic risks, the role of the Board, the decision-making matters reserved to the Board, the responsibilities of the Board Committees, and the Board's strategic objectives.

Suzi's induction began shortly after the announcement of her appointment on 21 January 2020.

Area	Briefing provided by	Matters covered
Strategy	Chief Executive Officer.	Strategic priorities, financial performance and key stakeholder concerns.
Finance	Chief Executive Officer.	Finance and the control environment including capital structure and funding.
Marketing	Operations Director.	Operational marketing (website, social media, communications) and Brand Marketing.
Operations and property portfolio	Asset Management Director.	Accompanied by the Asset Management Director, received a tour of several properties within the portfolio and met with centre staff. Suzi also received an overview of the customer base; key asset management initiatives, the sales process and the product offer.
Governance and Risk	Company Secretary.	Governance framework. Board-related policies and logistics and an overview of the evolving governance landscape including recent developments. Risk management and internal control framework.
Other external advisers	Brokers and lawyers.	– An up-to-date view of investor, shareholder and market sentiment. – Regulatory and legal developments relevant to the Company.

Stephen Hubbard photographed at Metal Box, Bankside.

Appointment as Chairman

Daniel Kitchen was first appointed to the Board in June 2011 and became Chairman in July 2011. In last year's annual report, we stated that considering Jamie Hopkins decision to step down as CEO, it was anticipated that Daniel would remain in post beyond June 2020, in order to lead the Board through a period of change and facilitate orderly succession planning even though this would result in him remaining on the Board for a period longer than the nine years recommended by the Code. However, with the appointment of Graham Clemett as CEO, and after consultation with principal shareholders, Daniel proposed to step down in line with the recommendations of the 2018 UK Corporate Governance Code, given Graham's in-depth knowledge of the business from his time as CFO.

Independent search agency, Russell Reynolds Associates were appointed in December 2019. Discussions took place between Russell Reynolds, and Chris Girling, the Senior Independent Director, to determine the requirements for the role. Potential areas to inform the search process were agreed and included previous experience of chairing a listed company, senior management experience in the property sector, a strong focus on customers and, respect for the Company culture. An initial long list of candidates was shared with members of the Committee and the Chief Executive Officer in early January 2020.

The Committee considered the long list, reflecting upon the ability of the newly appointed Chairman to contribute and challenge the future strategic development of the Company. The resulting recommendation to the Board was that Stephen Hubbard be appointed to the role due to his extensive experience of the property sector, which includes his previous role as Chairman of CBRE.

The Board accepted the Committee's recommendation and Stephen will assume his role, as Chairman, at the conclusion of the AGM on 9 July 2020. The Directors believe that it is in the interests of Workspace shareholders and other stakeholders for the Company to continue to benefit from his insights and contributions.

"I look forward to taking over the role of Chairman at what is a challenging time for all companies. Workspace is a great company and well-positioned for the eventual market recovery."

Stephen Hubbard

Reviewing Board and Committee composition

As part of the Board's annual effectiveness review, described on page 120, the Committee considers the composition of the Board and its Committees in terms of its balance of skills, experience, length of service and wider diversity considerations.

As at 31 March 2020, the Board comprised the Chairman, one Executive Director and six Non-Executive Directors. Further details on the independence of Directors and their re-election can be found on page 104 and on page 4 of the 2020 Notice of Annual General Meeting.

In accordance with the Code, all the Directors will retire and offer themselves for election or re-election by shareholders at the 2020 Annual General Meeting. The biographies of all members of the Board outlining the experience they bring to their roles are set out on pages 86 to 90.

Non-Executive Directors

Each of Chris Girling, Damon Russell, Maria Moloney and Stephen Hubbard have or will have been on the Board for more than six years, so the Committee has undertaken a review of their contribution to the Board. The Committee concluded that each of Chris, Damon, Maria and Stephen are independent and continue to bring a range of relevant skills gained in diverse business environments. This enables the Directors to bring the benefit of varying perspectives to Board debate.

The Committee recommended to the Board the re-election and election of all Directors with the exception of Daniel Kitchen who, as agreed, will be stepping down as Chairman at the 2020 AGM, having reached his maximum tenure.

The skills and experience of the Directors are summarised on page 85.

Non-Executive Director for Employee Engagement

Daniel Kitchen was appointed as the Non-Executive Director for Employee Engagement in 2018. The Committee considered the appointment of an existing Non-Executive Director to assume this role after Daniel has stepped down as Chairman in July 2020. The Committee recommended to the Board that Stephen Hubbard should assume this position from July 2020, which was accepted by the Board.

Inclusion and diversity

Diversity is an integral part of our corporate culture and our purpose, to give businesses the freedom to grow. We invest in our employees through training and support them to grow and develop the ability to think differently and act on their own initiative to deliver the best for our customers. A diverse workforce that brings an appropriate balance of skills, experience and knowledge, as well as fresh perspectives, enriches our business and contributes to our long-term success.

We believe in fairness and equality of opportunity where talented people can thrive, without regard to gender, race, ethnicity, age, religious beliefs, disability, education or social background. The Company operates an Equal Opportunities Policy which provides that recruitment and selection, training and development, and performance reviews and promotion must all be based solely on individual merit and free from bias. We actively follow recommendations for improving diversity; however, our policy is that selection should be based on the best person for the role. Active consideration is always given to using recruitment processes, including advertisements and use of recruitment agencies, which allow a diverse group of potential candidates to be identified both at Board and employee level.

To support the development of an inclusive and diverse talent pipeline, our Human Resources team has been tasked with delivering a number of supporting initiatives to increase diversity and build a pipeline of talented employees at all staffing levels. The HR team is working closely with employees to identify and progress specific initiatives on diversity including:
- organising unconscious bias training for staff involved in recruitment and performance appraisals.
- advertising new job vacancies internally and encouraging internal applications.
- requiring candidate shortlists for executive level positions to include an equal number of men and women.
- requesting that CVs from recruiters are anonymised with a view to ensuring we fairly shortlist candidates without considering their gender or ethnicity.
- promoting progressive career development through job rotation to broaden experiences and skills and by sponsoring external learning.

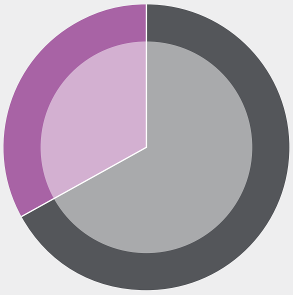
The Board
Diversity principles in recruitment and composition for Board members mirror those of the Company and are regularly reviewed by the Nominations Committee so that they remain appropriate to the Company and our stakeholders. The Nominations Committee and the Board are committed to making sure that, together, the Directors possess the correct diversity of skills, experience, knowledge and perspectives to support the long-term success of the Company as well as reflecting our culture and purpose. Board appointments are made on an objective and shared understanding of merit, in line with the required competencies. Members of the Board and the Executive Committee can be found on page 91.

The Board will keep its diversity policy under review.

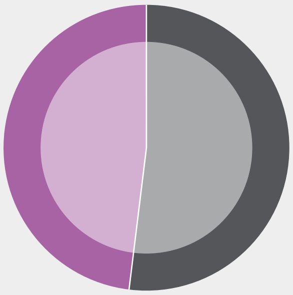
The benefits of diversity, including gender and ethnic diversity, have been and will continue to be an active consideration whenever changes to the Board's composition or senior management team are contemplated.

The gender diversity of the Board, the Executive Committee and Company

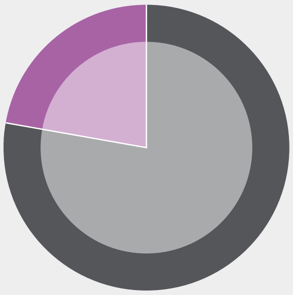
The Board*
- Male **67%**
- Female **33%**



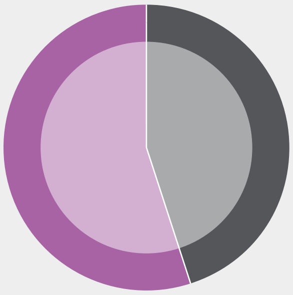
Executive Committee and direct reports*
- Male **52%**
- Female **48%**



Executive Committee*
- Male **78%**
- Female **22%**



All employees*
- Male **45%**
- Female **55%**



* As at 1 April 2020.

Corporate governance code 2018: Principle L
Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

Performance of the Nominations Committee

The performance of the Committee was considered through the annual Board evaluation process, in which members were asked to provide specific feedback using a tailored questionnaire.

From the responses provided, it was confirmed that the Committee continued to operate effectively, and that progress had been made in the year, particularly with regard to succession planning and Board composition.

A number of actions for further improvement were also agreed, and included:
- maintaining focus on Board composition.
- unconscious bias training to support ongoing work on inclusion and diversity.
- maintaining a focus on attracting external, and developing internal talent from a wide range of backgrounds for senior roles as the business continues to develop and grow.

Board evaluation

The annual Board and Committee effectiveness reviews, whether internal or external, continue to provide a valuable opportunity for the Board to reflect on how it operates, enabling it to improve its effectiveness and that of its Committees. The evaluation covered the Board, its Committees and the Directors (other than Daniel Kitchen, as he will be stepping down from the Board following the conclusion of the 2020 AGM). The members of the Committee thank Daniel for his leadership and commitment during the last nine years and for his role over the last 12 months in building a strong Board to take the Company forward.

Non-Executive appointments and time commitments

Following a review process, the Nominations Committee concluded that each of the Directors continued to make an effective contribution to the Board and to fulfil their duty to promote the success of the Company. It also considered the time commitments of the Non-Executive Directors and concluded that each Director is able to dedicate sufficient time to the Company.

Furthermore, the respective skills of the Directors were found to complement one another, enhancing the overall operation of the Board.

The process

A Board effectiveness review is completed each year. Every three years the review is carried out externally. The next external review will be conducted in 2021.

2019/20 internal review

For the year under review, the performance evaluation was an internal process which was led by the Chairman and supported by the Company Secretary. The evaluation covered the Board, its Committees and the Directors.

Board evaluation process

1

The Chairman and Company Secretary agreed the scope of the evaluation.

2

The Company Secretary prepared a questionnaire which was sent to the Directors for completion.

Topics discussed by Directors included:
- Succession planning and the leadership changes made at both the Board and Executive Committee.
- Composition of the Committees going forward.
- Knowledge, skills and experience of the Committees.
- The Company's strategy will continue to feature on the Board agenda.

The responses were analysed, and separate reports of the findings were prepared by the Company Secretary, for the Chairman and the Chairs of each Committee.

3

The reports of the findings were presented to the Board and each of its Committees at the March Board and Committee meetings.

Outcomes

The feedback from this year's Board effectiveness review was positive and concluded that the Board and its Committees continued to work well and that the Directors contribute effectively and demonstrate commitment to their roles.

Whilst no specific development themes were identified from the 2020 evaluation, the Board will continue to look for opportunities to improve its effectiveness.

2018/19

In 2018/19, the performance and effectiveness of the Board was reviewed through an internally facilitated evaluation process. The items discussed focused on succession planning, the continued evolution of the Board and its composition, broader stakeholder engagement and continued focus on strategy. These areas have been progressed within the period.

Progress against the 2018/19 internal evaluation

Item discussed by the Board	Outcome	More information
Item discussed by the Board: Succession planning for both Executive and Non-Executive Directors and for senior roles across the business.	**Outcome:** We are pleased with our progress this year. We appointed Graham Clemett as Chief Executive Officer in September 2019. This was followed by the appointment of our new CFO, David Benson, who joined the Board in April 2020. Suzi Williams also joined as a Non-Executive Director in January 2020.	**More information on the recruitment and induction of David Benson** Pages 114 and 115 **More information on the recruitment and induction of Suzi Williams** Pages 116 and 117
Item discussed by the Board: Strategy should continue to feature on the Board's agenda.	**Outcome:** Strategy has remained a key feature on Board agendas in the year, with a separate strategy day held in September 2019.	**More information on our strategy away day** Page 95
Item discussed by the Board: Shareholder communications and broader stakeholder engagement activity.	**Outcome:** The Board recognises the importance of clear communications and proactive engagement with all our stakeholders. During the year, Daniel Kitchen, the Non-Executive Director responsible for employee engagement, held two meetings with employee representativeness where a broad range of matters were discussed. The Board also received an update from the Chief Executive Officer on the results of an employee survey conducted in November 2019. Furthermore, the Remuneration Committee also consulted with nine of our largest shareholders, representing around 70% of our issued share capital, on the proposed changes to our Remuneration Policy.	**More information on our stakeholder engagement activity** Pages 97 to 99 **More information on our employee engagement activity** Pages 98, 100 and 101 **More information on the changes to our Remuneration Policy** Pages 142 to 148

Audit, risk and internal control

Principle M **The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.**	Read about the audit function on page 124
Principle N **The board should present a fair, balanced and understandable assessment of the company's position and prospects.**	Read our fair, balanced and understandable assessment on page 128
Principle O **The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.**	Read about our risk and internal control framework on page 129

Committee membership and attendance

The Audit Committee is responsible for overseeing internal risk management and effective internal controls, financial reporting and appropriate external audit arrangements.

	Member since	Meetings attended
Chris Girling (Chairman)[2,4]	2013	3/3
Maria Moloney[4]	2012	3/3
Damon Russell[4]	2013	3/3
Stephen Hubbard[4]	2014	3/3
Ishbel Macpherson[4]	2019	3/3
Suzi Williams[3,4]	2020	1/3

1. The Company Secretary acts as the Secretary to the Committee and attends all meetings.
2. In accordance with the UK Corporate Governance Code, the Board considers that Chris Girling has significant, recent and relevant financial experience. Chris, a Chartered Accountant, is currently a Non-Executive Director and Chairman of the Audit Committee of Johnson Service Group PLC and Non-Executive Director and Chairman of the Audit Committee of South East Water Limited. Please go to page 88 for Chris's previous appointments.
3. Suzi Williams was appointed in January 2020 and attended one meeting during the year.
4. Biographies of Committee members, including a summary of their experience, can be found on pages 87 to 90.

The Committee Terms of Reference are reviewed annually by the Committee and they will be updated, as required, to reflect any changes in the Corporate Governance Code or best practice. The Committee's Terms of Reference are available on www.workspace.co.uk/investors/about-us/governance/committee-terms-of-reference

3

The Audit Committee met three times during the financial year ended 31 March 2020

"Monitoring financial reporting, internal control and risk management."

Chris Girling
Chairman of the Audit Committee

Audit Committee Report

Chris Girling
Chairman of the Audit Committee

Dear Shareholder
As Chair of the Audit Committee (the 'Committee'), I am pleased to present the Committee's report for the financial year ended 31 March 2020. The report is intended to provide shareholders with an insight into how key topics are considered during the year, together with how the Committee discharged its responsibilities.

The Report of the Audit Committee details the key activities of the Committee during the year under review, alongside its principal responsibilities. These can be found on page 124. During the year, we welcomed Suzi Williams to the Audit Committee following her appointment to the Board in January 2020 and David Benson who joined the Company as CFO and was appointed to the Board on 1 April 2020.

Going concern and long-term viability following Covid-19
The Committee monitors the broader market in which we operate and uses a risk management framework to identify and categorise any prevailing or emerging risks. The potential impact of these identified risks on the Group is assessed, quantified and mitigating actions taken. During the year, the Committee considered potential risks arising from the uncertainty surrounding the impact of the Covid-19 pandemic on going concern and long-term viability. Due to the ongoing uncertainty surrounding the impact of the pandemic, we considered going concern as a significant matter in this year's report. Further details are provided on page 128. Full details of our going concern review are contained on page 76, following which we concluded that Workspace continues to be a viable business and remains a going concern.

Review of material issues
The Audit Committee has a key role in checking that the Group's narrative reporting gives a fair, balanced and understandable assessment of the Company's position and prospects, and establishing that the financial statements provide a true and fair view of the Group's financial affairs. As part of this process, we considered the significant financial judgements made during the year, along with other key financial reporting issues. In this context, we considered the twice annual valuation of the investment portfolio as a significant matter, for which further details are provided on page 128.

During the year, we also considered, as we do on a regular basis, the potential for fraud in revenue recognition, scope for management override of controls and compliance with regulations. We found no concerns arising from this review.

A description of the main activities and information on the other significant issues that the Committee considered during the year can be found on pages 124 and 125.

Audit Committee effectiveness
During the year, the annual review of the effectiveness of the Committee was carried out internally. Members of the Committee were invited to provide responses and comment via a questionnaire. The questions covered, amongst other matters, meeting arrangements, the focus of discussion at meetings, identification of emerging risks, the quality of information the Committee receives and potential areas for improvement in the Committee's performance.

I am pleased that responses indicated that the Committee continues to perform well with no significant concerns. In addition, the quality of the papers and presentations by management, the level of challenge from KPMG and CBRE and the quality of discussions held, gives the Committee further comfort and assurance that it is performing its role effectively.

The future of audit
Finally, I wanted to take the opportunity to reflect, briefly, on the future of audit. During the year, the Committee has followed the developments on audit reform in the UK. We received an update by KPMG in May 2019 on the future of the audit profession and the reviews being conducted by the Kingman Review, BEIS Select Committee, CMA and Brydon Review. The Committee considered the potential impact these changes may have on the way the Committee operates and we will continue to monitor developments in this area.

The external audit was re-tendered in 2017, following which KPMG were appointed as External Auditor. Grant Thornton have been the Group's tax advisers since 2014.

I hope that you find this report informative and can take assurance from the work undertaken by the Committee during the year to deliver its key responsibilities.

Chris Girling
Chairman of the Audit Committee
4 June 2020

Role of the Audit Committee
The Audit Committee reviews and monitors the integrity of the Company's financial reporting in advance of its consideration by the Board. It reviews the adequacy of the Group's internal controls and risk management systems and the effectiveness of its external auditors.

How the Committee operates
Meetings of the Audit Committee coincide with key dates in the financial reporting and audit cycle. During the year, the Committee met on three occasions, in May and November 2019 and in March 2020. In addition, the Committee met in May 2020 to review the 31 March 2020 Annual Report along with the property valuation and the findings of the external auditor.

A forward plan of agenda items informs the business to be considered at each meeting and is regularly reviewed and developed. This assists and facilitates the work of the Committee, enabling it to give thorough consideration to matters of particular importance to the Company. For example, the March 2020 meeting coincided with the Covid-19 pandemic and the Government's restrictions on movement which severely affected the normal operation of both our customers' businesses and our centres overall. The Committee dedicated a significant portion of the March meeting to reviewing its operational processes, risk and assurance frameworks to confirm that proper procedures were in place to manage the situation and to protect the long-term viability of the Group in these extraordinary circumstances.

The Committee receives information in advance of its meetings including information from management and detailed reports from the External Auditor including the audit report. The Committee meets regularly with the External Auditor, independently from the Executive Directors, to discuss any issues. The Committee Chair also meets separately with the Chief Financial Officer, Chief Executive Officer and members of the Audit team at KPMG. These meetings inform the work of the Committee by identifying key areas of focus and emerging issues.

All Audit Committee meetings are attended by the External Auditor and members of the Group's senior management team. Those people and advisers listed in the table below attended meetings during the year at the request of the Committee Chairman.

Attendee	Position
Daniel Kitchen	Chairman
Graham Clemett	Chief Executive Officer[1]
David Benson	Chief Financial Officer[1]
Vivienne Frankham	Head of Finance
Angus Boag	Development Director
Chris Pieroni	Operations Director
KPMG LLP	External Auditor
CBRE	Valuers

1. Graham Clemett was appointed CEO on 24 September 2019. Prior to this, he was Interim CEO and CFO. David Benson joined the Company, as CFO on 1 April 2020 and was appointed to the Board.

Meetings of the Committee are held in advance of the Board meetings to allow the Committee Chairman to provide a report of the key matters discussed, to the Board, and for the Board to consider any recommendations made.

All of this, along with ongoing challenge, debate and engagement, allows the Committee to discharge its responsibilities effectively.

Audit Committee responsibilities
The Committee's key responsibilities are:

Financial reporting
- Review the full and interim financial statements and monitor the reporting process. Information on significant matters in relation to the financial statements that were considered by the Committee can be found on pages 128.
- Advise the Board on the Group's viability and going concern status. More information on the Committee's assessment of the Group's viability and going concern status can be found on pages 76 and 129.
- Review the content of the Annual Report and Accounts and advise the Board on whether taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess performance, the business model and strategy. The Group's strategy and business model are explained on pages 20 to 23 and 30 to 33 respectively.
- Review the appropriateness of accounting policies and practices.

External audit
- Assess the work of the External Auditor and any significant financial judgements made by management. More information is available on pages 126 to 128.
- Review and monitor the objectivity and independence of the External Auditor, including its policy governing the provision of non-audit services.
- Review and monitor the effectiveness of the external audit process and the ongoing relationship with the External Auditor. More information on our process of safeguarding auditor independence is available on page 126.
- Review the reports on viability and going concern including the assumptions included in plans, key risks considered, and the sensitivities tested.

Risk management and internal control
- Review the adequacy of the Group's internal financial controls and the internal control and risk management framework, monitoring that risks are carefully identified and assessed, and that the systems in place are effective.
- Review whistleblowing arrangements whereby employees may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, to receive assurance that there are proportionate and independent procedures in place.
- Review the operational effectiveness of the Company's policies and procedures for detecting fraud or illegal acts. More information on the Group's internal controls and risk management process is available on page 129 and the work of the Risk Committee is available on page 60.

Governance, best practice and development
- Keeping up-to-date on the control environment (with advice from the Auditors).
- Keeping up-to-date on investor, shareholders and market sentiment (with advice from the Company's brokers).
- Keeping up-to-date with regulatory and legislative matters relevant to the Company (with advice from the Company's legal advisers).

Key matters considered by the Committee during the year

	May 2019	November 2019	March 2020
Financial reporting	– Reviewed the 2018/19 Preliminary Results statement. – Considered the content of the Annual Report and Accounts and advised the Board on whether, taken as a whole, the Accounts are fair, balanced and understandable. – Discussed the 2018/19 viability statement and going concern assumption with our external auditors. – Reviewed letters of representation issued to the External Auditor for the full year results prior to their being agreed by the Board. – Received a tax report and confirmation of compliance with REIT tax regime. – Presentation of the 31 March 2019 portfolio valuation by the independent valuers. – Considered the proposal for a final dividend.	– Considered the interim financial results and half year statements. – Reviewed letters of representation issued to the External Auditor for the half year results prior to their being agreed by the Board. – Received a report on the audit plan and strategy for the year ended 31 March 2020.	– Reviewed the effectiveness of KPMG and the external audit process. – Considered a draft 2019/20 Viability Statement including details of suggested sensitivity testing.
External audit	– Considered the External Auditor's report on the 2018/19 audit. – Reviewed the independence of the External Auditor. – Held a private meeting with the External Auditor.	– Considered a proposal on audit fees for the External Auditor for the year ended 31 March 2020. – Reviewed the materiality threshold for the 2019/20 audit.	– Received an update on health and safety and considered the Health and Safety Policy Statement.
Risk management and internal control	– Considered and discussed the strategic and operational risks identified for the Group. – Fraud risks.	– Considered a report on the key risks and controls. – Received an update on cyber security. – Reviewed the 2019/20 annual objectives of the Risk Committee.	– Discussed the impact of Covid-19 on the business.
Governance	– Agreed the narrative of the 2018/19 Audit Committee Report. – Internal Audit. – Reviewed the requirement for an internal audit function.	– Approved the Committee timetable and planner which detailed the areas of focus for 2019/20.	

Corporate governance code 2018: Principle M
The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

External Audit
KPMG was appointed as the External Auditor in January 2017 following a formal tender process. At the 2019 AGM, shareholders re-appointed KPMG as the External Auditor of the Group for the year ended 31 March 2020 and authorised the Committee to fix the External Auditors's remuneration. The current lead audit engagement partner, Richard Kelly, is in the third year of his term.

Audit fees
Fees payable to the External Auditor for audit and non-audit services are set out in note 2 on page 184. The only non-audit service performed by KPMG in the year was the review of the Group's half year results.

Audit effectiveness
On behalf of the Board, the Committee continued to review the effectiveness of the External Auditor on an ongoing basis in order to monitor the quality, rigour and challenge of the external audit process.

As part of the effectiveness review, a questionnaire was issued to Committee members, as well as regular attendees and those involved in the external audit process. Views were also sought from key members of the finance team and senior management. Questions were posed around the:
– Effectiveness of the external audit including the quality and scope of the audit plan, reporting and the level of fees for the audit.
– Delivery and execution of the agreed external audit process for the 2018/19 financial year.
– Efficiency and performance of the audit team as well as their technical competence.
– Communication and engagement between the senior management team, the finance team, KPMG and the Committee.

The Committee discussed a summary of the key findings and results at its meeting in March 2020.

The Committee's relationship with the External Auditor is one of openness and professionalism, and the results of the review were discussed with KPMG to monitor the continuing quality of audit services.

No significant concerns were identified, and the Committee remains satisfied with the effectiveness of the external audit and the interaction between the auditors. The Committee is also satisfied as to the External Auditor's qualifications, expertise and resources.

Audit independence and objectivity
Furthermore, as part of its deliberations, the Committee reviews a report on the audit firm's own internal quality control procedures together with the policies and processes for maintaining independence and monitoring compliance with relevant requirements.

KPMG LLP has confirmed to the Committee that:
– The audit of the consolidated financial statements is undertaken in accordance with the UK firm's internal policies and procedures to ensure the objectivity of its audit report.
– It has internal procedures in place to identify any aspects of non-audit work which could compromise its role as auditor and to ensure the objectivity of its audit report.
– It believes that, in their professional judgement, the safeguards they have in place sufficiently guard against the threats to independence.
– The total fees paid by the Group during the year do not represent a material part of its firm's fee income.
– It considers that it has maintained audit independence throughout the year.

The Committee is satisfied that the External Auditor is independent.

The Audit Committee will continue to review the effectiveness and independence of the External Auditor each year.

The Group complies with the Competition and Markets Authority Order 2014 relating to audit tendering and the provision of non-audit services, and it is the Group's intention to put the audit out to tender at least every ten years. The external audit was last tendered in 2017 following which the External Auditor changed from PricewaterhouseCoopers LLP (PwC) to KPMG and there are no current plans to re-tender the services of the External Auditor.

There are no contractual obligations which restrict the Committee's choice of external auditor or which put in place a minimum period for their tenure.

Safeguarding auditor independence

Non-audit services
As required by the Code, the Audit Committee has a formal policy governing the engagement of our External Auditor, KPMG, to supply non-audit services. However, during the year, KPMG have discontinued the provision of all non-audit services (other than those closely related to the audit) to all FTSE 350 companies. This means that non-audit services will be confined to a more limited scope of work than that defined by the Audit Committee Terms of Reference.

If in the future, the situation changes, for example, due to the appointment of a different external auditor or KPMG starting to offer non-audit services, the Audit Committee will apply its policy on the provision of non-audit services and assess the threats of self-review, self-interest, advocacy, familiarity and management.

Self review

A self-review threat
This is where, in providing a service, the external audit team could potentially evaluate the results of a previous service provided by the external audit firm.

Self-interest

A self-interest threat
Where a financial or other interest (of an individual or the external audit firm) could inappropriately influence an individual's judgement or behaviour.

The Audit Committee will specifically perform the following:
- If the External Auditor is to be considered for the provision of non-audit services, the scope of work and fees must be approved in advance by the Chief Financial Officer, the Committee Secretary and the Chairman of the Audit Committee. For larger assignments, in excess of £100,000, this would involve a competitive tender process, unless there are compelling commercial or timescale reasons to use the External Auditor or another specific accountancy firm.
- It will not accept significant contingent fee arrangements with the External Auditor.

Advocacy

An advocacy threat
This is where the external audit firm or its personnel promote an audit client's position to the extent where the external auditor's objectivity is compromised.

- The Group will not use the external auditor in an advocacy role.

Familiarity

A familiarity threat
This is where, due to a long or too close a relationship, the External Auditor's independence is affected.

- The Audit Committee will prohibit the hiring of former employees of the External Auditor associated with the Group's audit into management roles with significant influence within the Group within two years following their association with the audit, unless the Chairman of the Audit Committee gives prior consent. Annually, the Audit Committee will be advised of any new hires that fall under this policy. There have been no instances of this occurring to date.
- The Audit Committee will monitor on an ongoing basis the relationship with the External Auditors, to check its continuing independence, objectivity and effectiveness by reviewing its tenure, quality and fees.

Management

Management threat
This occurs when the audit firm performs non-audit services and management make judgements based on that work.

- The Group will not use the external auditor for any services which would be considered management responsibility.

Corporate governance code 2018: Principle N
The board should present a fair, balanced and understandable assessment of the company's position and prospects.

2020 Annual Report and Accounts – Fair, Balanced and Understandable
The Directors are responsible for preparing the Annual Report. The Committee reported that based on its review of the relevant evidence, it was satisfied that the Annual Report taken as a whole, is fair, balanced and understandable; and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Board's statement on the Annual Report and Accounts is set out in the statement of Directors' responsibilities on page 167.

Significant matters considered by the Committee

The Audit Committee considers all financial information published in the full and interim financial statements and considers accounting policies adopted by the Group, presentation and disclosure of the financial information and, in particular, the key judgements made by management in preparing the financial statements.

The Audit Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results, or the level of complexity, judgement or estimation involved in their application on the consolidated financial statements. The main areas of focus during the year are set out below:

Matter considered:	Action taken by the Committee
Valuation of the investment property portfolio	The valuation of the investment property portfolio is inherently subjective, requiring significant judgement. The outcome is significant for the Group in terms of its investment decisions, results and remuneration, and is a major component of Total Property Return, one of our KPIs. The valuation is conducted externally by independent valuers, CBRE, one of the world's largest commercial real estate services firms. In response to Covid-19, CBRE have included a material uncertainty disclosure in their valuation as at 31 March 2020. This is in line with RICS guidance to its members and reflects the fact that there is a lack of market evidence to support valuations at this unprecedented time. CBRE presented the year-end valuation to the Audit Committee who reviewed the methodology and outcomes of the valuation, challenging the key assumptions and judgements and gave particular focus to any alternative procedures undertaken in light of Covid-19. They also considered the objectivity and independence of the valuers. KPMG met with the valuers and presented their views on the valuation to the Committee, as well as an explanation for how the valuation is audited. The Committee considered that although there is disclosure of material uncertainty, it was satisfied that the methodology, assumptions and judgements used by the valuers were appropriate, and that the valuations were suitable for inclusion in the financial statements.
Going Concern	Due to the impact of the Covid-19 pandemic and the ongoing uncertainty regarding the UK economy, the Audit Committee has increased its focus on the assessment of the Group as a going concern. Details of the assessment of going concern are detailed on page 76. The assessment includes modelling a severe but realistically possible scenario covering a period of 12 months from the date of this report. Key assumptions are a lockdown period of six months with an economic slowdown resulting in an assumed reduction in occupancy and pricing more severe than that experienced during the global financial crisis. Throughout the period, the model indicated that the Group has sufficient headroom in its cash and available facilities and would not breach its covenants.

In addition, the Audit Committee reviewed a number of other key matters which have been considered by management and discussed with KPMG, including potential risks following the UK's exit from the EU and the uncertainty surrounding any future trade deals. Further information can be found in the section on Principal Risks and Uncertainties on pages 58 to 67.

Portfolio valuation
Our property portfolio is independently valued twice annually by our external valuers, CBRE Limited.

Our properties are critical to our business and the valuation demonstrates the value that we are delivering to our shareholders. It is a measure of how well we are managing our buildings and driving rental income. Furthermore, the valuation is a significant part of both our net asset value and Total Property Return, which are both key performance indicators.

Given its significance, both Management and the Committee monitor the objectivity and independence of the valuers, and review the methodology and outcomes of the valuation, challenging the key assumptions and judgements.

A number of meetings are held between key management and CBRE ahead of the valuation at which the inputs and methodology of the valuation are discussed. Key discussions include:
- London Commercial Property Market: current trends and circumstances expected to affect the market are discussed, including this year the impact of the Covid-19 pandemic.
- Comparable market evidence: recent transactions are considered and compared to assumptions made in valuing our portfolio.
- Development projects: we provide CBRE with any updates to ongoing or future schemes and discuss the assumptions CBRE have made, particularly for more complex schemes where more significant levels of judgement are required.
- Estimated Rental Values: the estimated rental values proposed by CBRE are discussed and reviewed, with Management ensuring that these are in line with our recent rental activity.
- Property information: we provide CBRE with information on any changes to properties that may affect the valuation.
- Other inputs used by the valuers are reviewed and discussed.

The valuation is presented to the Audit Committee, who review the outcomes and challenge the methodology and assumptions.

Corporate governance code 2018: Principle O
The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

Developing a robust Viability Statement

As part of the continued development of the Group's Viability Statement, existing processes were strengthened so that risks were identified, understood and reassessed over the period. The following factors were considered:
– The Group's current financial and operational position and the current economic outlook.
– The Group's cash flows, financing headroom and financial ratios.
– Reassessment of key risks and their potential impact on the business model.

The process we undertook was as follows:

Stage 1: Risk identification

Responsibility:
– Executive Committee.
– Risk Committee.
– Senior management[1].

The strategic and operational risks were reviewed to identify the principal risks to viability over the period under consideration. The risks that would impact solvency and liquidity, either individually or in combination with other risks, were considered.

Stage 2: Risk assessment

Responsibility:
– Executive Committee.
– Risk Committee.
– Senior management[1].

For each risk, the following were considered:
– Our risk appetite (the level of risk the Board is willing to take);
– The controls in place to mitigate the risk; and
– The quantum of risk.

Stage 3: Scenario sensitivity analysis

Responsibility:
– Executive Committee.
– Senior management[1].

For those risks identified as being severe enough to impact the viability of the Group, sensitivity analysis was performed to understand the potential impact on liquidity and financial ratios.

Stage 4: Conclusions

Responsibility:
– The Board.
– Audit Committee.
– Executive Committee.
– Senior management[1].
– External Auditor.

The Audit Committee considered the findings from this analysis and presented it to the Board who was given the opportunity to question the process and findings.

1. Heads of Department.

Our Viability Statement
Page 76

Risk management and internal control
The Audit Committee has a key role in developing appropriate governance and challenge around risk management. It also sets the tone and culture within the Group regarding risk management and internal control.

Key elements of the Group's system of internal control include:
– A comprehensive system of financial reporting.
– An organisational and management Board structure with clearly defined levels of authority and division of responsibilities.
– An agreed and defined framework of risk, assurance and key performance indications measuring performance.
– A Risk Committee, which is chaired by the Chief Executive Officer and attended by representatives from senior management and operational staff. The Risk Committee formally reports to the Audit Committee at least twice a year on strategic and key operational risks, emerging issues and any internal control review work undertaken.

The Group aims to strengthen its risk management processes through the involvement of the Audit Committee to enable these processes to be embedded throughout the organisation. The Audit Committee has reviewed the Group's system of controls including financial, operational, compliance and risk management during the year with no significant failings or weaknesses identified. However, any such system can only provide reasonable and not absolute assurance against any material misstatement or loss.

During the last quarter of our financial year, the Audit Committee focused on the extraordinary effects of Covid-19 which posed many new challenges, from managing the safety of customers, employees and other stakeholders to ensuring that key workers in our centres could continue to operate and supply vital services to the Government and National Health Service.

Internal audit
Due to its size, the Group does not have an internal audit function, a matter which is kept under review by the Audit Committee. However, the Committee mandates a programme of operational, facilities management and health and safety internal audits at its properties carried out by qualified senior Head Office personnel on a rotational basis. All findings are reported to the Risk Committee with any significant findings reported to the Audit Committee.

The Committee may also request further audits or reviews of specific areas where there is perceived to be increased risk. This year, a full review of cyber security has been carried out.

The Group has engaged PwC to conduct a review of the Group's internal audit and risk requirements during 2020. The first area of focus will be a review of the Group's existing risk management framework with a view to identifying any areas where best practice may have developed since the framework was last reviewed. The results will then be used to inform the Committee's next review of whether an internal audit function should be introduced.

Further information on this and the work of the Risk Committee are detailed on pages 58 to 67.

More information on our whistleblowing policy
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Chris Girling	6/6
Stephen Hubbard	6/6
Damon Russell	6/6
Ishbel Macpherson	6/6
Suzi Williams[1]	1/6

1. Suzi Williams was appointed as a Non-Executive Director on 21 January 2020.

"Our enduring goal is to align remuneration closely to the Company's purpose, culture and values as well as fulfilling our duties to our shareholders, customers, employees, communities and all other stakeholders."

Dr Maria V Moloney
Chairman of the Remuneration Committee
4 June 2020

Remuneration policy core principles

In devising our policy the Remuneration Committee ('Remco') seeks to ascertain that it:
- Is tightly aligned to strategy and to achieving the stretching targets which demonstrate delivery of Workspace's strategy.
- Is based on pay for performance and links to Group performance through variable pay instruments.
- Is competitive, benchmarked both internally, with reference to Workspace's senior management to foster a shared drive and commitment to the success of the Company and externally against companies of comparable size and complexity.
- Has long-term alignment to shareholder value by encouraging shareholdings in the Company by Executive Directors and other members of the Executive Committee.
- Is corporate governance compliant, taking full consideration of evolving shareholder and public attitudes towards executive pay and associated best practice.
- Is risk assessed so that shareholder interests are guarded and that excessive or inappropriate risk is avoided.

The key priorities of the Workspace Remco

Our priorities are that:
- The remuneration arrangements attract and retain a high calibre team of Executive Directors and senior management and offer them every encouragement to successfully deliver our strategy and create shareholder value in a sustainable and responsible manner.
- The remuneration received by Executive Directors is proportionate to the levels of performance achieved and the return received by you as shareholders.

Covid-19

Remco is conscious of its heightened role as we, as a global community, face the uncertainties and unprecedented challenges caused by the systemic risk of Covid-19. Our role is:
- To maintain the appropriate balance that will lead to the best results for the Company and all stakeholders.
- To provide appropriate incentive levels to motivate our people in the current environment.

In this respect, I am very proud of the work ethic of our employees, at all levels, in displaying efforts which truly live up to the Company's values and purpose and to drive the long-term viability of the Company.

Workspace's Remuneration Report was the winner of PwC's 2019 Building Public Trust Award for remuneration reporting in the FTSE 350.

Shown here (left to right) Mary Nightingale, Carmelina Carfora (Workspace Company Secretary), Dr Maria Moloney (Workspace Chairman of the Remuneration Committee), Dame Julia Cleverdon, DCVO, CBE.

"As Remcos increasingly have to deal with the oversight of all our people, of fairness, culture and non-financial performance, and not just for Executive Board Directors, we were delighted that our remuneration report was recognised publicly when we were judged by an independent panel as the winner of PwC's 2019 Building Public Trust Award for remuneration reporting in the FTSE 350, which built on the previous year when we were also judged in the top three reports."

Dear Shareholders,

Clear communication, trust, transparency and simplicity at a time of significant uncertainty.

As we have noted over recent years, four elements – clear communication, trust, transparency and simplicity – are critical to the Remco's commitment to supporting Workspace's ability to deliver strong and consistent long-term value for all shareholders. This year, we are communicating with you at a time when, as a global community, we are having to find a way through an existential crisis – the uncharted territory which has resulted from the spread of Covid-19 around the world.

In times of crisis, these four elements are of heightened importance and the Committee's role continues to reinforce the expected performance, culture, values and standards of our workforce and, in turn, to reward performance fairly and competitively. Remco is keeping in close contact as the situation develops to allow us to make careful fact-driven decisions for the business, in a manner which is consistent with our purpose and values and appropriately reflect the experience of all our stakeholders.

Key decisions in context – a long-term focus

- We are fortunate to be able to provide security of pay for our workforce. We have not entered into furlough arrangements for any employee, nor have we made any redundancies.
- We have announced the payment of our final 2019/20 dividend of 24.49p.
- We have decided that based on the uncertainty faced by the economy at this time, no salary increases will be applied to the workforce in 2020, including for Executive Board Directors and Non-Executive Directors.

- In the context of the above, Remco carefully considered the payment of the 2019/20 bonus, and in light of a very successful year, it was felt appropriate to make a bonus payment to all participants across the workforce based on performance against the targets set, in recognition of the hard work and commitment demonstrated over that period.
- In setting financial targets under our 2020/21 annual bonus, Remco will look to incentivise our people throughout this difficult period whilst also recognising the uncertainty we face and as always we will provide full and transparent details of how pay outcomes were decided for 2020/21 in next year's report. We will use the performance conditions and weightings discussed with shareholders, maintaining the current maximum bonus potential and building in sufficient flexibility to maintain fairness in bonus outcomes (further details are included on page 157).

- The Committee considers it appropriate to allow the 2017 LTIP award to vest without adjustment in 2020. The 2017 LTIP measures performance over three years and this has been only marginally affected by Covid-19. The value of the shares vesting will reflect the share price experience of our shareholders.
- For our 2020 LTIP award, due to be granted in June, the Committee has determined to make the grant on the normal timetable, to retain the same performance conditions and targets and to use the share price immediately prior to the date of grant to determine the number of shares awarded. In this respect the Committee will particularly focus on guarding against any windfall gains as a result of share price movements. It will be based on relative performance conditions and, as with previous awards, a performance underpin applies to this award which allows the committee to reduce vesting if performance is inconsistent with the overall performance of the business, individual performance or wider considerations.

We stress that Remco has carefully considered all remuneration decisions in the context of the Covid-19 crisis and will continue to monitor the business conditions and exercise judgement as appropriate.

Our remuneration policy at the 2017 AGM received 99.7% votes in favour. We had 99.3% votes in favour for the Annual Report on Remuneration in 2018 and 99.8% in 2019. This reassures us that our shareholders support our drive to make our policy and pay outcomes fair, responsibly delivered, and genuinely reflective of individual performance, as the basis of a sustainable investment for investors, and we aim to maintain this confidence and support into the future.

We will be seeking shareholder approval at the AGM in July 2020 for a new Remuneration Policy, as the three-year approval of our 2017 remuneration policy expires this year.

Context of business performance 2019/20

£81.0m	+0.75%	78.9%	£10.89	24.49p	15.6% p.a.
Trading profit after interest (2018/19: £72.4m)	Total Property Return outperformance of IPD benchmark (2018/19: 2.2%)	Customer satisfaction (2018/19: 76.1%)	Net Asset Value per share (2018/19: £10.86)	Dividend per share (2018/19: 22.26p)	Absolute TSR over the three financial years to 31 March 2020 (which is the performance period of the 2017 LTIP)

In accordance with a more demanding revised target set by the Remco during the year, the customer satisfaction score is based on the percentage of customers providing 'agree' or 'strongly agree' responses to customer service and customer advocacy questions. The threshold target under this metric was also increased compared to the previous financial year.

As the Covid-19 pandemic was unfolding, Workspace was coming to the end of a very successful year. As outlined in detail on pages 68 to 73, the Company had enjoyed another year of disciplined execution and strong performance with notable successes, despite the political uncertainty that came with the UK leaving the EU and the General Election. This strong performance has positioned the business well to deal with the outcome of the current global health crisis as the Company is financially stable with a strong balance sheet.

We believe that a healthy, well run business will create value for our shareholders over the long term, and be able to overcome short-term challenges.

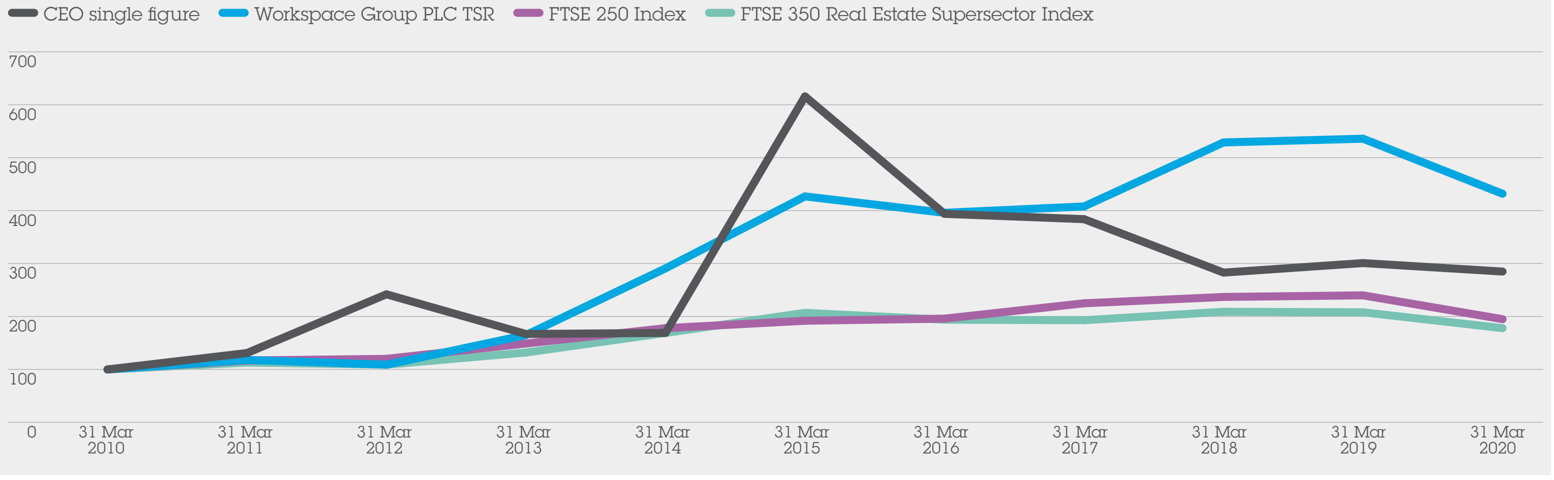
Over the last 10 years, Workspace's Total Shareholder Return has increased by more than four times. See chart below, which is well above most FTSE 250 and FTSE 350 property company averages and is a clear indication of directional alignment between executives and shareholders. Our ingrained positive culture inspires our leadership team and highly motivated employees to consistently generate strong shareholder returns.

We have continued to enhance our portfolio in terms of scale and quality. We have a clear strategy. We own our buildings and deal directly with customers, which allows us to quickly respond to their needs.

We have a distinctive business model, managing all of our marketing and operational activity in house. This organisational expertise and customer knowledge, with all employees placing customer needs at the heart of our business, drives sustained demand for our space.

Our decision to offer a 50% rent discount to all customers during the lockdown period put in place by the Government demonstrates the Company's commitment to our values and our purpose of supporting our customers. This was extremely well received.

Single figure against our long-term performance



Linking Executive Directors' remuneration with Workspace's purpose and strategy

Remco is constantly aware that remuneration should clearly reflect performance in relation to objectively set targets, and that stakeholders should be assured that failure to achieve such targets would be appropriately addressed.

In order to deliver our strategy successfully, as well as providing motivation to perform, remuneration plays an important retention role and needs to be appropriately competitive without being excessive.

This is achieved by a constant commitment to aligning the measures and targets used in our incentive schemes with the KPIs and strategic priorities used across the business.

The financial and non-financial KPIs against which annual performance is assessed are outlined on page 140 and 141. They include shareholder return metrics alongside earnings growth and strategic targets that are reviewed periodically to enable them to continue to support our strategy and, in particular, to allow the range of targets set to remain appropriate for current commercial circumstances.

The Executive incentive structure has played a significant role in Workspace's very strong performance, as well as in retaining and attracting key talent, delivering the financial results which have provided superior returns to shareholders and the capital to reinvest in our long-term future.

The annual bonus plan rewards Executive Directors for delivering our short-term financial and operational goals with part of any bonus earned deferred in Workspace shares, for a period of three years.

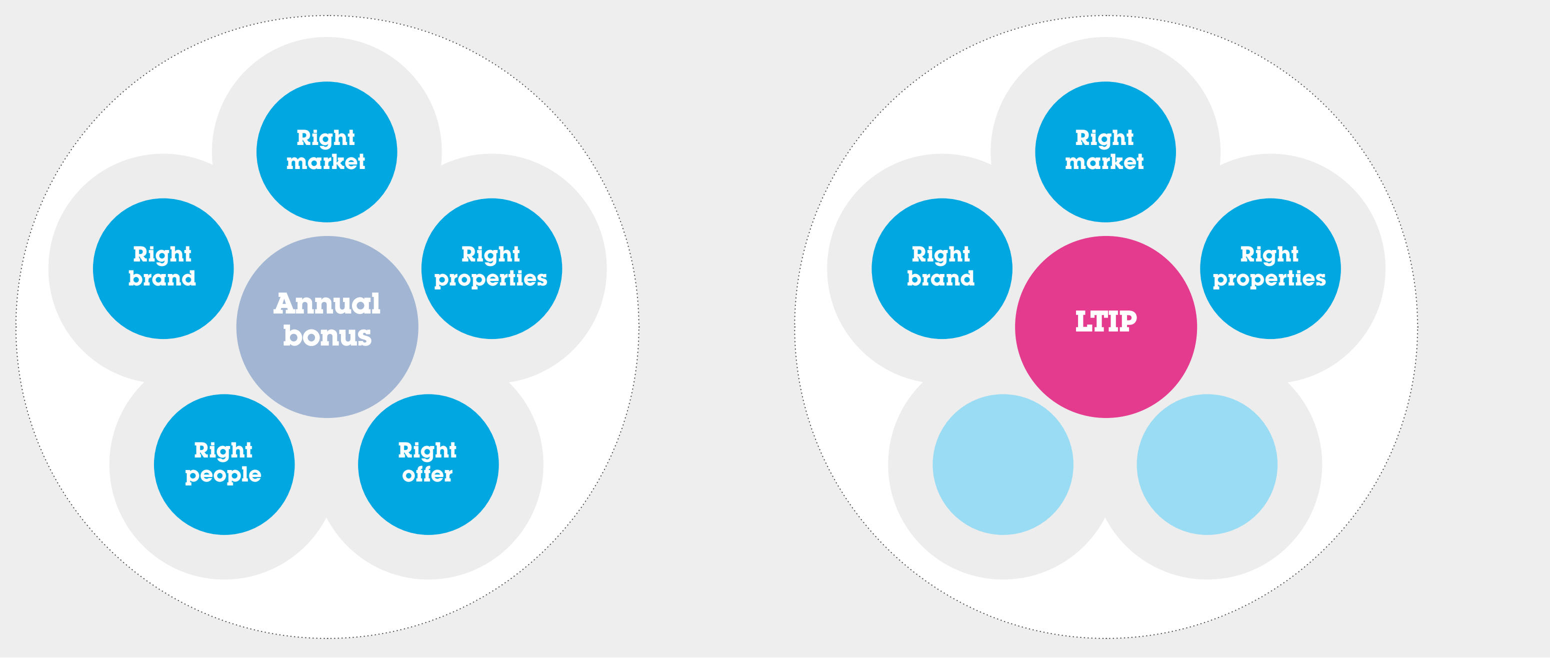
The long-term focus of our strategy is supported through our LTIP, under which performance is tested over three years. A significant proportion of our Executive Directors' variable pay opportunity is represented by the LTIP. We emphasise this because Workspace is a long-term business. We want to make sure that investment decisions are made, and operating efficiency is achieved, against this background.

As a minimum, the net number of the vested shares must be held for a further period of two years. We require Executive Board Directors to demonstrate commitment by building and maintaining very high shareholdings in Workspace, a minimum shareholding equal to 200% of salary. This holding period, together with the bonus deferral period and the shareholding ownership guidelines which we operate mean that our Executive Board Directors gain if the share price increases and they share in the consequence of share price falls.

These requirements foster a long-term view for decision making, and encourage close alignment with our private and institutional shareholders.

As we have noted over recent years, as a Committee, we consider whether to apply discretion when assessing remuneration outcomes for Executive Directors. Before making any pay decisions, we reflect on both the underlying financial and wider business performance of the Company as well as the performance of Executive Board Directors' individual objectives and the demonstration of leadership qualities and adherence to our values.

Our variable pay is linked to strategy



Further details on our performance measures.
Pages 140 and 141

Leadership changes

Throughout the year we have seen a number of leadership changes. On the 31 May 2019, the CEO, Jamie Hopkins, left the Company having served in the role for seven years. Graham Clemett, the Company's CFO at the time, assumed the role of Interim CEO on 1 June 2019 until a permanent successor was appointed. On the 24 September 2019, we were pleased to announce that Graham was appointed as our CEO.

We were also pleased that David Benson joined Workspace as CFO on 1 April 2020, see page 114. We are looking forward to working with David and his wealth of experience is already helping to support our ambitions as we continue to build on our market-leading position. David's package is fully in line with our Remuneration Policy. His salary on joining is £340,000, representing a 9.8% increase on Graham's final salary as CFO. This is reflective of David's experience coming into the role and is fully in line with market levels.

As Jamie Hopkins was a Director of Workspace for the first two months of our 2019/20 financial year, we present his relevant pay outcomes for the year. For the forward-looking parts of this report, we have included David in our calculations.

Decisions made in the year

The key decisions taken by Remco in the past year in relation to pay outcomes are highlighted on pages 130 to 159, together with an explanation of how each element supports the business strategy.

As noted above, Remco carefully considered each decision in the context of the impact of the Covid-19 crisis on shareholders and stakeholders alike.

0%

Salary and fee increase

No salary increase will be applied to the workforce in 2020, including Executive and Non-Executive Board Directors.

93.55% of salary

Annual bonus

Under the annual bonus scheme, strong achievements against corporate operational and personal objectives led to an outcome of 77.96% of maximum.

As a Committee, we carefully reviewed performance against each of the annual bonus performance measures, which remained unchanged from the previous year and which continued to be fully aligned to our strategy, as well as looking at the overall performance of the business. As a result, we consider this payout to be a fair reflection of strong progress made and delivery against the plan for 2019/20.

2019/20 bonuses will be paid to employees across the business.

87.24%

LTIP

The 2017 LTIP vested at 87.24% of maximum, reflecting the shareholder return and asset value growth over the three-year performance period.

"Remco has undertaken a review of the remuneration arrangements for Executive Board Directors as part of its ongoing commitment to achieving the highest standards of corporate governance and integrity."

The new Remuneration Policy review – the business context

The last Remuneration Policy was approved by shareholders in July 2017. For the Committee, the last year was spent building on the foundations of our well-received Remuneration Policy and seeking to strengthen our strong and well-respected approach to governance to allow us to reflect the changes in the new Code. The development and refinement of the new Remuneration Policy, as well as the implementation of the current policy, occurred across three meetings during the year.

In that time, as part of our constant drive to incentivise our highly engaged employees to deliver sustainable performance and industry-leading growth, we continued to review performance measures and targets, particularly for the long-term incentive plans for Executive Directors and their direct reports. We shall carefully monitor their development in line with strategy and performance, as well as the latest best practice, and that they continue to focus on our performance measured against our sector.

We continued our efforts to determine that the wider strategy will play an even stronger role in supporting the Group's initiatives and strategy and the strengthening of our purpose, values, culture and behaviours. As mentioned above, the Company business strategy remains unchanged, with a clear focus on providing flexible office space to our customers in London and actively managing the buildings in which our customers work. A remuneration policy that offers a fair reward for the leadership, expertise and strategic decision making required in a challenging marketplace is crucial to Workspace's future success.

Our Policy has promoted sustainable performance over the longer term and, having undertaken a full review, we firmly believe that it has served us well to date.

Based on a solid financial outcome over many years, we are proposing some minimal changes which will continue to focus on market best practice, strong corporate governance and on the core elements most appropriate for the business to achieve our aims.

The proposed renewal of the Policy on broadly the same basis as before is based on the belief that the current arrangements are successfully embedded in the business, delivering results and well understood internally and externally.

Proposed changes

The key elements on which we consulted with major shareholders and prominent proxy agencies are outlined below.

Maximum pension contributions
We carefully considered the pension rates of our Executive Directors in the context of what is provided to our wider workforce. At Workspace, all employees are eligible for an employer contribution of 6% of salary or, after one year of service, 10% of salary. We propose to amend our policy to reflect full alignment across our workforce.

Executive Board Directors will receive a pension contribution (or cash equivalent in lieu of a pension contribution) of 6% of salary if they have less than a year of service with Workspace, rising to 10% of salary after one year of service.

Graham Clemett was appointed CEO of Workspace in September 2019, having served as Interim CEO since June 2019. Graham has been with Workspace for over 12 years, having joined the Board as CFO in 2007. He now receives a reduced pension contribution of 10% of salary, on the basis that he has had more than one year of service. In his previous role as Workspace CFO, his pension contribution was 16.5% of salary. Our new CFO will receive a pension contribution (or cash equivalent in lieu of pension contribution) of 6% of salary, rising to 10% after one year of service.

Employment shareholding requirements
Our current shareholding requirement for Executive Board Directors is 200% of salary. In view of our continued commitment to governance, as well as taking into account shareholder expectations and guidance, we have determined that a post-cessation shareholding requirement of 200% of salary for two years post-departure will apply to all departing Executive Board Directors going forward.

This is enforced by making reference to it as a requirement in Executive Board of Directors' service contracts and by the holding of the required number of shares in the Employee Benefit Trust, as nominee for the Executive, for the two years post-cessation of employment, as well as being written into the terms of grant of future share awards.

Termination policy
We propose to make a change to our termination policy so that this remains in line with market best practice. Under our current policy and the rules of the deferred bonus plan, deferred bonus share awards lapse only in the case of gross misconduct. We propose to amend this such that deferred bonus share awards granted in the future will lapse in all 'bad leaver' scenarios. Our termination policy is set out on page 147.

Discretion and malus and clawback
In 2017, we extended the time period over which malus and clawback provisions can be applied, to the end of the deferral period for the annual bonus and to the end of the holding period, for the LTIP.

In line with recent corporate governance guidelines, we are proposing to add two triggers (i.e. circumstances under which malus or clawback may be applied) to the standard ones we have in place currently.

The additional triggers will be based on 'serious reputational damage' and 'corporate failure'. As far as discretion is concerned and as stated in our current policy, the measurement of performance against targets is at the Committee's discretion and this will not change. This may include appropriate adjustments to financial or non-financial elements and/or, consideration of overall performance. The Committee stresses that performance refers to individual and corporate performance.

We do not propose to make any changes to any other part of our policy, including the quantum or measures under the incentive plans. While the Committee is of the view that the renewed policy, inclusive of the changes above, is fit for purpose, it will be kept continuously under review in light of any developments in the business model and strategy over time.

Alignment with wider workforce considerations and our approach to fairness

Our people are our single most important asset and we are proud of the way we approach the 'all employee' pay structure at Workspace. Delivery of our strategy is dependent upon the shared talent, skills and values of people throughout the organisation and the Remuneration Policy must reflect that. It must also support Workspace's desire to be a company for which people want to work, in which people want to invest, from which people want to hire space and with which people want to partner.

Both pay alignment across the Company and cultural context are integral parts of Remco's remit. Throughout the year, the Committee reviewed wider workforce pay policies and debated and discussed the key people policy areas, such as performance management, diversity and inclusion, as well as gender pay reporting and budget. As part of our goal of fostering a shared culture and consistently focusing on achieving Workspace's purpose, delivering our strategy and adhering to company values, Remco undertakes to create an inclusive working environment and to reward employees throughout the organisation in a fair manner. As noted above, it must motivate and reward our teams who are working extremely hard to bring the Company safely and strongly through this current crisis.

In making decisions on Executive pay, Remco considers wider workforce remuneration and conditions as a standing item. Our remuneration for employees is market competitive and operates the same structure as for Directors. It includes employee share and variable pay plans with pension provision for all Directors and employees (see pages 138 and 139). Each year, prior to reviewing the remuneration items, the Remco considers a report provided by the CEO on base pay and share scheme practice across the Company.

We underline the critical importance of all our teams in fostering the success of the Company and as such this is included as one of the key aspects of our report. We employ an individual objective setting approach consistent with the managerial workforce in line with the wider business performance and results. We consider how pay outcomes impact on the remuneration of our wider workforce when deciding variable pay outcomes for the senior executives.

This is particularly important in the current circumstances when Remco and the Board remain fully aware of any impact on our workforce as a result of the Covid-19 crisis.

The use of reference points, such as the ratio of the CEO pay to other levels of pay in Workspace and wider workforce pay considerations, are as important to us as the use of external benchmark data when setting executive pay levels.

As part of our commitment to fairness we have also included sections in the report which set out more information on the pay conditions of the wider workforce:
- incentives throughout the business. See page 139.
- the CEO – employee pay ratio. See page 151.
- our diversity policy. See page 119.

"The Board firmly believes in providing equal pay for work of equal value, not only because it is a legal requirement, but because it is the right thing to do."

Diversity

As we have outlined over recent years, the Board fully endorses the value of the gender pay gap reporting requirements that came into effect in April 2017 although Workspace is not of the size required to formally report on its gender pay gap data. The Board and leadership team value inclusion and diversity as core to developing diversity of thought, experience and skills within the Company. As such, the Board and the Committee are fully committed to effectively promoting diversity throughout the business as an integral part of our corporate culture and purpose. A diverse workforce that brings an appropriate balance of skills, experience and knowledge, as well as fresh perspectives, enriches our business and contributes to our long-term success.

We are pleased by the significant number of initiatives that we have put in place to help us to offer the best working environment and career path to our employees. See page 119.

We embraced the new requirement to strengthen employee representation by engaging with the wider employee population. The designated NED, Daniel Kitchen, met with employee representatives to consult on areas such as employee engagement initiatives, training for staff and ESG. More information can be found on page 79. Also, see page 27 for details on our staff survey.

Environmental, Social and Governance ('ESG')

We strongly believe that integrating ESG principles into our day-to-day activities drives enhanced performance for the long-term viability of our business. On the environmental side, building and construction activities together account for 36% of global final energy use and 39% of energy-related carbon dioxide emissions when upstream power generation is included. Reducing emissions is therefore a challenge facing all property companies.

In order to embed ESG into our strategic framework and in recognition of the increased focus of customers, regulators and governments on sustainability and climate change, we are again including ESG targets in Executive Board Director objectives. The strategic risk of Covid-19 will call for collaborative actions across all businesses, organisations and governments for the long-term benefit of both the economy and investors and to minimise the negative impact it will have on the societies in which we all live and work. Despite the current crisis, the focus on the relationship between ESG factors, non-financial reporting and remuneration structures will not be forgotten. Issues of sustainability and societal purpose will remain core to our thinking.

Ongoing shareholder communication

As noted above, in line with our commitment to maintaining a credible and transparent remuneration framework, we contacted our largest shareholders, representing over 68% of our issued share capital, as well as the Investment Association, ISS and Glass Lewis, to inform them of proposed changes to the remuneration policy.

We have been pleased that the proposed new Policy, being tabled to shareholders at the AGM on 9 July 2020, has been well received by all those contacted. Remco is confident that this constitutes strong progress against its priorities of delivering value for all our stakeholders. We believe that we have, as always, embraced the changing business and regulatory environment and taken a broader view of performance. Our purpose and values remain core to how we operate and to the stretching goals we have set ourselves.

As a high performing company we remain committed to delivering a leading and transparent remuneration framework supported by strong governance processes, designed to drive the right behaviours across the whole organisation and deliver long-term success, while also meeting the needs of our customers, shareholders and the communities we serve.

Communication and messaging, both internal and external, will be at the forefront of our thoughts, conscious of the wider social context and our duties to all our stakeholders.

For companies to come through the current global crisis, effective leadership must come to the fore and it is important to note that, to date, management has responded well to the crisis. Remco is conscious of our constant need to set the tone, to balance the overall experience of shareholders and customers and to be fair to employees from the top to the bottom of the organisation, as drivers of long-term returns.

I reiterate that Remco will proceed with great care as we assess performance and interpret all results with the broader focus of stakeholder experiences. The 2020 policy, as drafted, provides us with the maximum flexibility in applying any discretion which we may be called upon to exercise in the current times.

I hope that we have provided sufficient insight to receive shareholder support for our implementation report and for our new remuneration policy at the 2020 AGM in July.

Dr Maria V Moloney
Chairman of the Remuneration Committee
4 June 2020

The work of the Remco

We met as a Committee six times during the year. We believe it is important that the Committee keeps up-to-date on an ongoing basis during the year to enable timely discussions where business decisions may affect remuneration.

Remuneration agenda items

Committee governance:

– Update on current executive pay environment.
– Incentive operating guidelines for Executive Board Directors.
– Results of internal performance evaluation of the Remuneration Committee.
– Updates to Committee Terms of Reference.
– First draft of Directors' Remuneration Report for 2019/20.
– Operation of policy 2018/19.
– Corporate governance update and matters requiring further action.

Remuneration Policy

– In advance of the expiration of the three-year directors' remuneration policy (the 'Policy'), the Committee undertook a review of the remuneration arrangements for the Executive Board Directors.
– Approved the letter, sent to shareholders and proxy agencies, in January 2020, summarising the changes to the Policy.

Regulation and best practice:

– Corporate governance reforms update.
– Investment Association and other investor body guidelines for 2020.

Remuneration framework for employees:

– TSR performance update for 2016, 2017 and 2018 LTIP awards.
– All staff remuneration review.

Executive and senior management remuneration framework:

– Shareholding guidelines for Executive Board Directors and members of the Executive Committee.
– Executive Directors' remuneration review.
– Annual bonus outcomes for 2018/19.
– Bonus targets and objectives for the Executive Directors for 2019/20.
– Vesting criteria for 2016 LTIP
– Review of fees for Company Chairman.
– Proposed awards under the 2019 Long Term Incentive Plan.

Support for the Committee

During the year, we sought internal support from the CEO and CFO, whose attendance at Committee meetings was by invitation from the Chairman, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the senior management team. The Company Secretary attended each meeting as Secretary to the Committee. No Director was present for any discussions that related directly to their own remuneration.

Details on our advisers.
Page 160

Remuneration Report at a glance

"We focus our incentives on supporting the right culture with all staff working in the best interests of the Company and all stakeholders."

Dr Maria V Moloney
Chairman of the Remuneration Committee
4 June 2020

The fixed and variable components of Workspace Executive remuneration

Fixed pay

Base salary

Reflecting market value of the role and an individual's experience, performance and contribution.

Pension

Market competitive pensions.

Benefits

Market competitive benefits.

Variable pay

Annual Bonus

Reinforcing and rewarding delivery of annual strategic business priorities, based on performance measures relating to both Company and individual performance.

Long Term Incentive Plan (LTIP)

Rewarding and aligning to the delivery of sustained long-term sector outperformance and aligning the interests of participants with those of shareholders.

Rewards at all levels

Workspace's key objectives are reflected in remuneration arrangements operating at all levels within the Company.

All staff in the Group are eligible to participate in:
- The Company bonus scheme.
- All-employee share schemes.
- The Pension scheme.
- Life assurance arrangements.
- Medical insurance benefits.

All members of the Executive Committee and some senior staff are eligible to participate in the Company's LTIP. Executive Committee members are also required to adhere to the required shareholding guidelines, see page 144.

The following diagram below demonstrates how Workspace's key objectives are reflected in plans operating at all levels within the Company.

Number of people this applies to as at 31 March 2020

Executive Committee

4

Relevant elements of pay:
- Fixed
- SAYE and SIP
- Annual bonus
- LTIP
- Shareholding guideline

Supports alignment of Executives' interests with shareholders.

Executive Committee and senior management

45

Relevant elements of pay:
- Fixed
- SAYE and SIP
- Annual bonus
- LTIP

Reinforces delivery of long-term sector outperformance.

All employees

232

Relevant elements of pay:

Annual bonus
All employees participate in annual bonuses. Opportunities and performance conditions are tailored to reflect an individual's role and responsibilities.

SAYE and SIP
Encourages employee engagement and reinforces our strong performance culture. Enables all employees to share in the long-term success of the Group and aligns participants with shareholder interests.

Fixed
Salaries are set to reflect market value of the role and aid recruitment and retention.

All employees are eligible for a 2:1 match on employee pension contributions of 3% or 5% of salary and receive a combination of benefits relevant for their role.

How the variable components of executive remuneration align to our strategy

Annual bonus

Link to strategy

The component measures below provide a good balance of rewarding operational excellence, customer relationships and building deep market knowledge, which are the foundations of Workspace's future growth.

60%

Right brand · Right market

Trading profit after interest

24%

Right properties · Right brand

Total Property Return (TPR) versus IPD Benchmark

24%

Right people

Personal performance

12%

Right offer · Right brand

Customer satisfaction

LTIP

Link to strategy

The balance of the two measures below is well aligned to our strategy of driving income growth and enhancing shareholder value over the longer term.

50%

Right market · Right properties

Total Shareholder Return (TSR), relative to FTSE 350 property companies

50%

Right properties · Right brand

Total Property Return (TPR), versus IPD Benchmark

Graham Clemett, Chief Executive Officer earnings during the year

Fixed components of executive pay

Base salary:	Pension:	Benefits:
£452,395	£51,661	£25,182
		More information on page 142.

Variable components of executive pay

Outcomes under the 2019/20 annual bonus.

	Threshold (0% payable)		Maximum (100% payable)		Outcome (% of salary)		CEO actual £000
Trading profit after interest	£76.8m	Target £78.2m	£82.1m	Actual: £81.0m	50.2%	60%	£227.1
Total Property Return	Benchmark		Benchmark +2%	Actual: Benchmark +0.75%	9%	24%	£40.7
Customer satisfaction	72%		80%	Actual: 78.9%	10.35%	12%	£46.8
Personal performance	0%		Max: 100%	Actual: 100%	24%	24%	£108.6
Total					**93.55%/120%**		**£423.2**

Outcomes under the 2017 LTIP performance measures, over the period 1 April 2017 to 31 March 2020.

	Threshold (20% payable)	Maximum (100% payable)		Outcome (% of maximum)		CEO % actual (£000)
Total Shareholder Return (TSR) relative to FTSE 350 property companies	Median	Upper quartile	Actual: 67th percentile	37.24%	50%	£627.4 Of which share price: £115.9
Total Property Return (TPR) versus IPD	Median	Upper quartile	Actual: 87th percentile	50%	50%	Dividend equivalent of £49.2
Total				**87.24%/100%**		**£676.7**

The share price used is the three-month average to 31 March 2020 of £10.92.

Single figure for 2019/20 (£000) Graham Clemett, CEO

£1,633.3

Our proposed new Directors' Remuneration Policy

This section sets out the proposed Directors' Remuneration Policy. A binding shareholder resolution to approve this section will be put forward at the 2020 Annual General Meeting ('AGM') of the Company on 9 July 2020. The Policy will be effective from the 2020 AGM subject to shareholder approval and will be available to view at www.workspace.co.uk/investors in the corporate governance section.

Remuneration policy table

The table below describes the Policy in relation the components of remuneration for Executive Board Directors.

Fixed elements of executive pay	Timeframe	Operation
Base salary **To reflect market value of the role and an individual's experience, performance and contribution.**	2019/20, 2020/21, 2021/22, 2022/23, 2023/24	Salaries are normally reviewed annually. Salary levels take account of: – Role, performance and experience. – Business performance and the external economic environment. – Salary levels for similar roles at relevant comparators. – Salary increases across the Group.
Pension **To provide market competitive pensions.**	2019/20, 2020/21, 2021/22, 2022/23, 2023/24	Directors participate in a defined contribution pension scheme or may receive a cash allowance in lieu of pension contribution.
Benefits **To provide market competitive benefits.**	2019/20, 2020/21, 2021/22, 2022/23, 2023/24	Benefits typically include car allowance, private health insurance, and death in service cover. Where appropriate, other benefits may be offered including, but not limited to, allowances for relocation. Directors are also eligible to participate in all-employee share plans, currently the SAYE and Share Incentive Plan.

Variable elements of executive pay	Timeframe	Operation
Annual bonus **To reinforce and reward delivery of annual strategic business priorities, based on performance measures relating to both Group and individual performance.**	2019/20, 2020/21, 2021/22, 2022/23, 2023/24	A portion of the annual bonus is deferred into shares for a period of three years. The deferral is 33% of bonus earned. Dividend equivalents may be accrued on deferred shares. The Committee may apply malus and clawback in circumstances of gross misconduct, material misstatement of the Group's results, an error in calculation, serious reputational damage, and corporate failure up to the end of the deferral period.
Bonus deferral provides alignment with shareholder interests.	2019/20, 2020/21, 2021/22, 2022/23, 2023/24	

Consideration of shareholder views
The Committee values ongoing dialogue with shareholders and welcomes feedback on Directors' remuneration. As part of the Policy review, the Committee directly consulted with major shareholders and, in addition, liaised with investor bodies, including ISS, Glass Lewis and the Investment Association, who in turn consulted their members. All those consulted were supportive of our proposals.

To promote the long-term success of the Company Remco aims to:
– Support an effective pay for performance culture which allows us to retain, motivate and attract highly skilled Directors, who have a clear purpose and are of the necessary calibre to execute the Company's strategy.
– Promote the long-term ownership culture by encouraging the acquisition and retention of shares amongst the Executive Directors.
– Achieve a strong alignment between Executive and stakeholder interests.
– Monitor that we remain up-to-date with the constantly changing regulatory and governance environment.

Maximum opportunity	Performance metrics	Changes from previous policy
Increases are applied in line with the outcome of the review. There is no prescribed maximum. Increases for Executive Board Directors will typically be in line with those of the wider workforce.	Both Company and individual performance are considered when setting Executive Director base salaries.	None.
Up to 10% of salary. For individuals with less than a year's service with Workspace, this will be 6% of salary.	None.	We propose to change our Policy to reflect full alignment across our workforce. Executive Board Directors will receive a pension contribution (or cash allowance in lieu of pension contribution) of 6% of salary if they have less than a year of service with Workspace, rising to 10% of salary after one year of service.
Benefits may vary by role and individual circumstance, and are reviewed periodically. There is no overall maximum. This includes car allowance, private health insurance and other benefits.	None.	None.
The maximum bonus potential for Executive Board Directors is 120% of salary p.a.	Performance is measured relative to financial, operational, strategic and individual objectives in the year aligned with the Company's strategic plan. Performance measures and weightings are reviewed each year to ensure they remain appropriate and reinforce the business strategy. At least 60% of the total bonus will be based on financial measures. Bonus awards are at the Committee's discretion and the Committee will consider the Company's performance in the round. The Committee may override the formulaic bonus outcome within the limits of the plan where it believes the outcome is not reflective of performance, to ensure fairness to both shareholders and participants. The bonus pays out on a straight-line basis from threshold to 100% at maximum performance.	Malus and clawback triggers now include serious reputational damage and corporate failure.

Variable elements of executive pay
continued

	Timeframe	Operation
Long Term Incentive Plan (LTIP) **To reward and align to the delivery of sustained long-term sector outperformance and to align the interests of participants with those of shareholders.**	2019/20 2020/21 2021/22 2022/23 2023/24	The Committee may grant annual awards of Performance Shares which vest after three years, subject to performance conditions. Vested shares are subject to a further two-year holding period. The Committee has discretion to apply malus and clawback to awards (circumstances as listed in the annual bonus row above) up to the end of the holding period. Dividend equivalents may be accrued on shares in respect of the performance and holding period.
Shareholding requirement	2019/20 2020/21 2021/22 2022/23 2023/24	Shareholding guideline for Executive Board Directors of 200% of salary. Post-cessation shareholding requirement of 200% of salary for two years post-departure. In the event that a leaver has not met the relevant shareholding requirement at the point of cessation of employment, they would be required to retain their full pre-cessation shareholding for the two-year period.

Non-Executive Directors' remuneration

	Timeframe	Operation
Fees **To reflect the time commitment in performing the duties and responsibilities of the role.**	2019/20 2020/21 2021/22 2022/23 2023/24	The Chairman receives an annual fee. Non-Executive Directors receive an annual base fee. Additional fees are paid to Non-Executive Directors for additional responsibilities such as chairing a Board Committee. Fees are reviewed from time to time, taking into account time commitment, responsibilities and fees paid by companies of a similar size and complexity.

Maximum opportunity	Performance metrics	Changes from previous policy
Normal maximum award of up to 200% of salary per annum. An award of 300% of salary per annum may be made in exceptional circumstances.	Performance share plan awards will be based on a combination of financial, share price and strategic measures aligned with the Company's strategic plan. For 2020 awards the performance measures will be: – 50% Total Shareholder Return (TSR) relative to FTSE 350 property companies. – 50% Total Property Return (TPR) versus IPD Benchmark. A performance underpin will apply which allows the Committee to reduce vesting if performance is inconsistent with the overall performance of the business. For threshold performance, vesting is typically 20% of maximum. The Committee may, in the context of the underlying business strategy, use different measures and/or vary the weightings of the measures. The Committee would consult with major shareholders prior to making any significant changes.	Malus and clawback triggers now include serious reputational damage and corporate failure.
		In view of our continued commitment to governance, as well as taking into account current shareholder expectations and guidance, we have determined that a post-cessation shareholding requirement of 200% of salary for two years post-departure will apply to all departing Executive Directors going forward.

		Performance metrics
Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, including any tax due on the expenses. Non-Executive Directors do not normally receive any benefits, however these may be provided in the future if in the view of the Board this was considered appropriate. Total fees paid to Non-Executive Directors will remain within the limit stated in the Articles of Association.		None.

Notes to the Remuneration Policy table

Share awards will be operated in accordance with the rules of the relevant plan. In accordance with those rules, the Committee has discretion in the following areas:

- In the event of a variation of share capital or a demerger, delisting, special dividend, rights issue or other similar event which may, in the Committee's opinion, affect the current or future value of shares, the number of shares subject to an award and/or any performance condition attached to awards, may be adjusted.
- The Committee may determine that awards may be settled in cash.
- The Committee may determine the basis on which dividends will be calculated which may include notional reinvestment. The Committee may increase the time horizons for deferral or holding periods.

Performance measures and targets

As part of the review of the Policy, the Committee gave careful consideration to performance measures and targets for incentives to align them to our strategy and to performance for our shareholders. To that end, no changes to the measures are proposed at this stage.

The annual bonus measures are intended to provide a good balance of rewarding operational excellence, customer relationships and building deep market knowledge which are the foundations of our future growth.

For the LTIP, the performance measures for the 2020 award are based on Total Shareholder Return performance against other FTSE 350 property companies, and Total Property Return versus IPD. The Committee believes that the balance of these two measures is well aligned to the Company's strategy of driving income growth, enhancing shareholder value over the longer term, and continued out-performance for our shareholders. The Committee considered it important to include an underpin based on the underlying performance of the business.

The Committee may, in the context of the underlying business strategy, use different performance measures and/or vary the weightings of the measures. Major shareholders would be consulted prior to any significant changes.

The Committee sets Group financial targets for the annual bonus with reference to the prior year and forward-looking business forecasts, to maintain appropriately challenging levels of performance. The LTIP targets for the 2020 award will be based on threshold vesting for median performance and maximum vesting for upper quartile performance.

The measurement of performance against performance targets is at the Committee's discretion, which may include appropriate adjustments to financial or non-financial elements and/or consideration of overall performance in the round.

Performance conditions and targets may be varied if an event occurs or circumstances arise which cause the Committee to determine that they have ceased to be appropriate. If they are varied, they must, in the opinion of the Committee, be fair, reasonable and materially no less difficult than the original condition when set.

Recruitment and promotion policy

The Committee will appoint new Executive Board Directors with a package that is in line with the Remuneration Policy in place and agreed by shareholders at the time.

Component	Approach
Base salary	The base salaries of new appointees will be determined by reference to the individual's role and responsibilities, experience and skills, relevant market data, internal relativities and their current basic salary. Base salary may be higher or lower than the previous incumbent. Salaries may be set at an initially lower level with the intention of increasing salary at a higher than usual rate as the Executive gains experience in the role.
Pension	New appointees will be eligible to participate in the Group's defined contribution pension plan or receive a cash alternative, in line with the Policy.
Benefits	New appointees will be eligible to receive benefits in line with the Policy, including relocation benefits if appropriate (relocation benefits are subject to a maximum time limit of two years).
Annual bonus	The structure described in the Policy table will normally apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year served. The Committee retains the flexibility to determine that for the first year of appointment any annual incentive award will be subject to such terms as it may determine.
LTIP	New appointees will be eligible for awards under the LTIP which will normally be on the same terms as other executives, as described in the Policy table.

The maximum aggregate value of incentives (excluding buyouts) on appointment will be in line with the aggregate maximums in the Policy table.

To facilitate recruitment the Committee may need to 'buy out' remuneration forfeited on joining the Company. This will be considered on a case-by-case basis and may comprise cash or shares. In general:
- If such remuneration was in the form of shares, compensation would be in the Company's shares.
- If remuneration was subject to achievement of performance conditions, compensation would normally be subject to performance.
- The timing of any compensation will, where practicable, match the vesting schedule of the remuneration forfeited.

The overriding principle is that the value of any replacement buy out awards should be no more than the commercial value of awards which have been forfeited. For any buyout award, the leaver provisions may be determined at the time of the award.

The approach in cases of appointing a new Executive Board Director by way of internal promotion will be consistent with the policy for external appointees detailed above. Where such an individual has contractual commitments made prior to their promotion to Executive Board Director level, the Company will continue to honour these arrangements. Similarly, if an Executive Board Director is appointed following a merger or an acquisition of a company by Workspace, legacy terms and conditions may be honoured.

For interim positions, a cash supplement may be paid rather than salary (for example a Non-Executive Director taking on an executive function on a short-term basis).

Termination policy

Payments in lieu of notice are limited to the Executive Board Director's basic salary for the unexpired portion of the notice period. A payment may be made in lieu of unused holiday entitlement. The Company may make phased payments which are paid in monthly instalments and subject to mitigation.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith, in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payment may include but is not limited to paying reasonable relocation costs, any reasonable level of fees for outplacement assistance and/or the Director's legal or professional advice fees in connection with his cessation of office or employment.

In the event that a participant ceases to be an employee of Workspace, treatment of outstanding awards under the Company's incentive plans will be determined based on the relevant plan rules.

Component	Approach
Annual bonus	There is no automatic entitlement to an annual bonus. The Committee retains discretion to award bonuses for leavers taking account of the circumstances of departure. Leavers during the plan year normally lose any entitlement to bonus unless the individual is considered a 'good leaver'[1]. Good leavers are eligible for an award to the extent that performance conditions have been satisfied and pro-rated for the proportion of the financial year served, with Committee discretion to treat otherwise.
Deferred bonus shares	Deferred bonus shares normally lapse unless the individual is considered a 'good leaver'[1], in which case awards normally continue and are released at the usual time, although the Committee has the discretion to allow earlier release. On death, awards typically vest immediately.
LTIP	Under the LTIP, unvested shares normally lapse unless the individual is considered a 'good leaver.'[1] For 'good leavers', awards are normally tested for performance over the full performance period and pro-rated for time based on the proportion of the vesting period served, with Committee discretion to treat otherwise. On death, awards will typically vest immediately, subject to the satisfaction of performance conditions as determined by the Committee. LTIP awards which are subject to an additional holding period will typically be retained and released at either (a) the end of the holding period; or (b) two years from cessation – whichever is soonest, although the Committee has the discretion to allow earlier release.
All-employee plans	For all-employee HMRC registered plans such as SAYE and SIP, leavers will be treated in accordance with the approved rules of these plans.

1. A good leaver is defined as an employee who ceases to hold employment during the plan year by reason of: injury, ill health or disability proved to the satisfaction of the Committee; retirement with the agreement of the Group Company by which he is employed; the participant's employing company ceasing to be a Group company; the business or part of the business to which the participant's employment relates being transferred to a person who is not a Group company; or any other reason which the Committee in its absolute discretion so permits.

Treatment of corporate events

In the event of a change of control or winding up of the Company, the LTIP awards will vest based on the extent to which the Committee determines that the performance conditions have been or would have been met. Pro-rating for service in the vesting period will apply unless the Committee decides otherwise. Outstanding deferred bonus awards will vest in full as soon as practicable in such circumstances. In the event of a variation of share capital, demerger, special dividend or any other transaction which will materially impact the value of shares the Committee may, at its discretion, allow deferred bonus and LTIP awards to vest on the same basis as for a change of control described above. Alternatively, an adjustment may be made to the number of shares, if considered appropriate.

Consideration of employment conditions elsewhere in the Company

When setting remuneration for Executive Directors the Committee takes into account contextual information about pay and conditions within the Group, including salary increases and bonus awards for all employees.

The Committee members receive regular updates from the Executive Directors in relation to employee feedback, and on pay and employment conditions elsewhere in the Company.

We are committed to sharing business success across the organisation with all employees participating in a short-term incentive plan. At more senior levels, remuneration is more long term and larger proportions are dependent on both Group and individual performance and paid in the form of shares. We operate both an SAYE and a SIP open to all employees. The illustration on page 139 provides an overview of remuneration throughout Workspace and the way in which our share incentive plans cascade through the organisation.

Legacy commitments

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed: (i) before 16 July 2014 (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Minor amendments

The Committee may make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval.

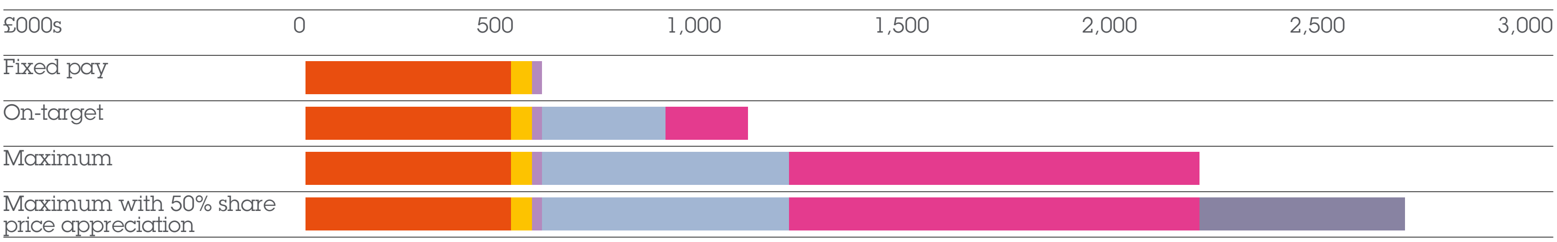
Possible payouts under our Policy

Based on our proposed Remuneration Policy, we set out below scenarios for the potential remuneration to be earned by our Executive Directors under the Policy for various performance assumptions. In line with the new Companies (Miscellaneous Reporting) Regulations 2018, we have included the impact of a potential scenario of a 50% share price appreciation on the LTIP.

A high proportion of the Executive Board Directors packages are made up of shares, supporting the alignment of Executive pay with the interests of our shareholders. The increased value in remuneration from share price appreciation is beneficial for both Executive Directors and shareholders.

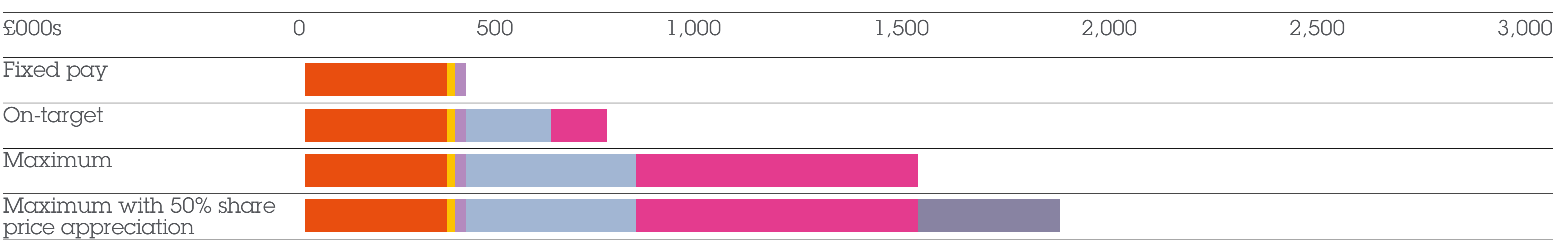
Single figure scenario: Graham Clemett, CEO

Base salary	Salary as at 1 April 2020.
Pension	Current contribution rate of 10% of salary.
Benefits	As provided in the single figure table on page 152.
Annual bonus	Minimum – no bonus payable; on-target – 50% of maximum potential bonus; maximum – maximum potential bonus.
LTIP	Minimum – no LTIP vesting; on-target – 20% of maximum (threshold vesting); maximum – maximum LTIP vesting.
Share price growth	Impact of 50% share price appreciation over three years (on the LTIP).



Single figure scenario: David Benson, CFO

Base salary	Salary as at 1 April 2020.
Pension	Current contribution rate of 6% of salary.
Benefits	As shown for the CEO.
Annual bonus	Minimum – no bonus payable; on-target – 50% of maximum potential bonus; maximum – maximum potential bonus.
LTIP	Minimum – no LTIP vesting; on-target – 20% of maximum (threshold vesting); maximum – maximum LTIP vesting.
Share price growth	Impact of 50% share price appreciation over three years (on the LTIP).



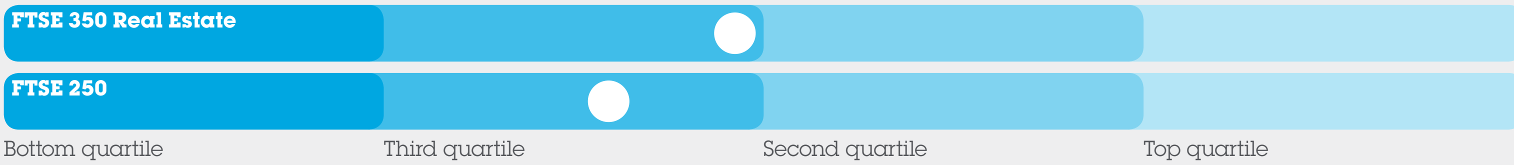
David Benson was appointed as CFO on 1 April 2020.

What we paid our Directors in 2019/20

Total target compensation compared to our peers

Chart A
Chart A, below shows the relative position of target total compensation for our CEO package compared to our peers.

Graham Clemett – Chief Executive Officer



Positioning of total remuneration of the Company relative to market benchmarks.

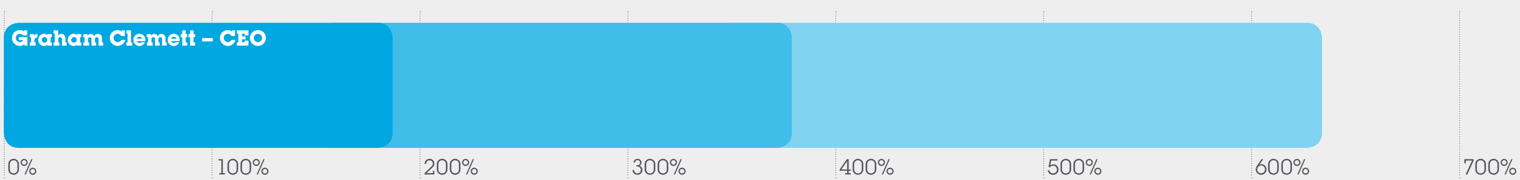
When we set the target total compensation for the Executive Directors, one of the factors the Committee considers is the competitive market for our Executive Directors, which we believe is the FTSE 250 and FTSE 350 Real Estate Sector, and the size of the Company compared to these peers.

The Committee has been pleased to report above target performance against market benchmark has been achieved over recent years.

Our shareholding requirements

Our Executive Directors are encouraged to hold a high number of shares in order to align their interests to those of the shareholders, and to encourage a long-term view of the sustainable performance of the Company. As such, our Directors are impacted by the share price over the year in the same way as our shareholders.

Chart B
Our shareholding requirement has been met
Chart B below shows that, in the year, our CEO met his minimum shareholding requirements of 200% of salary, and therefore, demonstrating strong alignment with our shareholders.



Owned outright or vested. Unvested and not subject to performance. Subject to performance.

Calculated using annual average share price to 31 March 2020 of £9.94. Shareholding is as at 31 March 2020.

Table A below sets out the single figure for 2019/2020, the number of shares held by the Director at the beginning and end of the financial year, and the impact on the value of these shares taking the opening price and closing price for the year.

Table A

	Graham Clemett
2019/20 single figure (£000)	1,633.3
Shares held at start of year	122,432
Shares held at end of year	92,785
Value of shares at start of year (£000s)[1]	£1,195
Value of shares at end of year (£000s)[2]	£705
Difference (£000)	- £490

1. Based on a closing share price on 31 March 2019 of £9.76.
2. Based on a closing share price on 31 March 2020 of £7.60.

Our approach to fairness and wider workforce considerations

When making remuneration decisions for the Executive Board Directors, the Committee considers pay, policies and practices elsewhere in the Group.

We receive regular updates from the Executive Board Directors and we monitor bonus payout and share award data.

In this section, we provide context to our Executive Board Director remuneration by explaining our employee policies and our approach to fairness, as well as the ratio of CEO pay to that of the wider workforce.

Communication and engagement with employees
The Board are committed to an open dialogue with our employees over various decisions. This year, our Chairman Daniel Kitchen was designated the Non-Executive Director responsible for overseeing employee engagement. Mr Kitchen, along with other Board members, attended various formal and informal staff events, and met directly with staff for briefings at key points during the year. Employees are kept informed about activities and performance not only through these briefings but also by the circulation of corporate announcements and other relevant information to all staff, supplemented by updates on the intranet.

Share schemes
Share schemes are a long-established and successful part of our total reward package, encouraging and supporting employee share ownership. In particular, all employees are invited to participate in the Company's Savings Related Share Option Scheme and the Share Incentive Plan.

Equal opportunities
Workspace is committed to an active Equal Opportunities Policy from recruitment and selection, through training and development and in performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. We consider the needs of all employees, customers and the community.

We use everyone's talents and abilities, and we value diversity. The Company aims to make our promotion and recruitment practices fair and objective. We encourage continuous development and training, as well as the provision of equal opportunities and career development for employees. Further details of this are shown on pages 119 and 163.

Retirement benefits
The Company provides pension benefits for the majority of its employees. The Company's commitment to pension contributions, consistent with the last year, ranges from 6% to 10% of an employee's salary.

The Pension Scheme is open to every employee in accordance with the new Government auto-enrolment rules.

The year-on-year change in our CEO remuneration

The Committee monitors the changes year-on-year between our CEO pay and average employee pay, shown in the table to the right. As per our Policy, salary increases applied to Executive Directors will typically be in line with those of the wider workforce.

Table B below shows the percentage change in CEO remuneration, comprising salary, taxable benefits and annual bonus, and comparable data for the average of employees within the Company. The comparator group is based on all employees (excluding the CEO), normalised for joiners and leavers during the year. The average number of people employed by the Company during the year was 232 (2019: 221). All employees are eligible for consideration for an annual bonus.

Table B

	CEO			All other employees
	2020 £000	2019 £000	% change	% change
Salary	**452.4**	494.1	-8.4%	+2.9%
Taxable benefits	**25.1**	19.0	32.1%	+12.5%
Annual variable	**423.2**	568.2	-25.5%	-14%
Total	**900.7**	1,081.3	-16.7%	-1.7%

The 2019 single figure reflects the number for Jamie Hopkins who was the CEO until May 2019. In 2020, this shows the single figure for Graham Clemett.

Pay comparisons

Chart C, shown at the top of the next page, shows the single figure of remuneration for our CEO over time, and the pay of our average employee, each rebased to 2010. We have also included our TSR performance over this period.

In advance of the incoming regulatory requirement to disclose the ratio of CEO pay to workforce pay, and despite the fact that Workspace would not be required to disclose it (given we do not meet the requirement regarding employee numbers), the Committee have chosen once again to disclose this ratio on a variety of bases, as shown at the bottom of table C shown to the right. For the 2020 figures, this is based on the Companies (Miscellaneous Reporting) Regulations 2018. For the historic figures, this is based on our own methodology. In all cases, the entire UK workforce is included.

Pay comparisons
Chart C

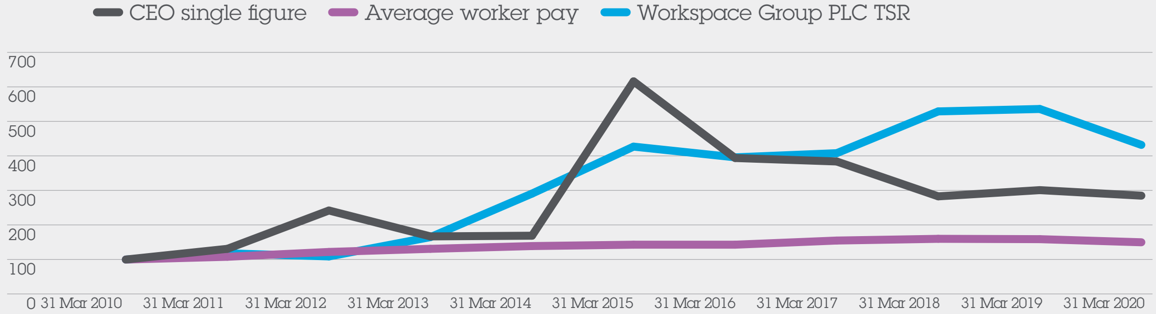


Table C

CEO single figure of total remuneration £000		31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015	31 Mar 2016	31 Mar 2017	31 Mar 2018	31 Mar 2019	31 Mar 2020
Graham Clemett[1]		–	–	–	–	–	–	–	–	–	1,633.3
Jamie Hopkins[2]		–	27.4	960.3	966.9	3,533.1	2,262.7	2,205.6	1,674.2	1,728.2	787.0
Harry Platt[3]		748.7	1,359.6	–	–	–	–	–	–	–	–
Annual bonus payout											
Graham Clemett (% of maximum opportunity)		–	–	–	–	–	–	–	–	–	77.96%
Jamie Hopkins (% of maximum opportunity)		–	–	100%	97.8%	97.2%	95.3%	100%	100%	95.8%	–
Harry Platt (% of maximum opportunity)		85.5%	75%	–	–	–	–	–	–	–	–
LTIP vesting											
Graham Clemett (% of maximum opportunity)		–	–	–	–	–	–	–	–	–	87.24%
Jamie Hopkins (% of maximum opportunity)		–	–	–	–	100%	100%	88.7%	62.7%	50.7%	87.24%
Harry Platt (% of maximum opportunity)		0%	66.5%	–	–	–	–	–	–		–
Ratio of single total remuneration figure shown to employees as a whole	to employee lower quartile[4]	–	–	–	–	–	–	–	–	53x	47x
	to employee median	–	–	–	34x	128x	79x	72x	48x	33x	43x
	to employee upper quartile[4]	–	–	–	–	–	–	–	–	23x	23x

1. Mr Clemett's single figure in this table reflects only the period of the financial year when he was undertaking the roles of Interim CEO and CEO.
2. Mr Hopkins was appointed as an Executive Director on 12 March 2012.
3. Mr Platt retired as an Executive Director of the Company on 31 March 2012.
4. See below for details on calculation.

What does the Chart C show?
The Chart demonstrates that there continues to be a strong correlation between our CEO pay and the Total Shareholder Return of the Company. This results from the CEO receiving a high proportion of his remuneration in shares and because the variable pay within his package is based on measures which directly support the implementation of our strategy. The chart also shows that our average employee pay has trended upwards over this period.

What does the Table C show?
We have set out the ratio of CEO pay (based on the single figure) to that of the workforce, for the last seven years, at the bottom of the table. There is significant volatility in this ratio, caused by the following:

– Our CEO pay was made up of a higher proportion of incentive pay than that of our employees, in line with shareholder expectations. This introduces a higher degree of variability in his pay each year versus that of our employees.
– Long-term incentives, which made up a significant proportion of our CEO's pay, are provided in shares, and their value on vesting, included in his single figure, reflects the movement in share price over the three years prior to vesting. This outcome can add significant volatility to the CEO's pay and this is reflected in the ratio.

The ratio is driven by the different structure of the pay of our CEO versus that of our employees, as well as the make-up of our workforce. This ratio varies between businesses even in the same sector.

What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and wider workforce.

The 2019 and 2020 figures above were calculated based on the Companies (Miscellaneous Reporting) Regulations 2018. These regulations, which set out how to calculate the pay ratio, describe three methodologies that can be used to identify the employees whose pay sits at the lower quartile, upper quartile and median of the Company – these are named in the regulations as 'Options A, B or C'. Workspace has used Option B, the gender pay data, to determine these individuals, and the ratio of their pay to the CEO is set out in table C above. Given the broad consistency of employee pay structures across the business, the Committee was satisfied that use of the gender pay data in this exercise is a true and fair representation of workforce pay.

Single figure of Executive Directors (audited)

The illustrations below set out a single figure for the total remuneration received by each Executive Board Director for the year ended 31 March 2020 and the prior year. We show these alongside the maximum pay scenario, as described on page 151.

Single figure – Graham Clemett, CEO

	2019/20 £000	2018/19 £000
Base salary	**452.4**	302.0
Pension[1]	**51.7**	49.8
Benefits[2]	**25.1**	21.3
Annual bonus[3]	**423.2**	347.3
LTIP[4]	**676.7**	335.4
Other – SAYE, SIP	**4.2**	2.2
Total	**1,633.3**	1,058.0
Of which share price growth	**115.9**	21.2

Single figure – Jamie Hopkins, former CEO[5]

	2019/20 £000	2018/19 £000
Base salary	**82.4**	494.1
Pension[1]	**13.2**	81.5
Benefits[2]	**3.8**	19.0
Annual bonus[3]	**Nil**	568.2
LTIP[4]	**687.6**	537.4
Other – SAYE, SIP	**–**	–
Total	**787.0**	1,700.2
Of which share price growth	**117.7**	34.0

1. Pension: During 2019/20 each of Messrs Hopkins and Clemett received a cash allowance in lieu of pension contribution.
2. Benefits: Taxable value of benefits received in the year by Executive Directors includes a car allowance, private health insurance and death in service cover.
3. Annual bonus: This is the total bonus earned in respect of performance during the relevant year. For 2018/19 and 2019/20, the Committee set a minimum deferral requirement of 33% of the bonus earned. For 2019/20, this deferral was equivalent to £139,660 for Mr Clemett.
4. LTIP: The 2019/20 figure includes the estimated value of 87.24% of the 2017 LTIP shares that vested based on performance to 31 March 2020. The share price used is the three-month average to 31 March 2020 of £10.92. This will be updated in next year's report to reflect the share price on the date of vesting. The 2018/19 figures have been updated to reflect the share price on the date of vesting of £8.887102. As allowable under the relevant plan rules and approved Policy, the Committee determined that dividend equivalents are payable under the 2017 LTIP award – this figure includes accrued dividends on vested shares.
5. Mr Hopkins stepped down from the Board on 31 May 2019.

Annual bonus payout in respect of 2019/20

For 2019/20 the maximum bonus opportunity for the Executive Directors was 120% of salary. Payouts are subject to the assessment of performance against stretching financial, strategic and personal performance targets, and are calculated on a straight-line basis from 0% at threshold to 100% at maximum performance. Graham Clemett is required to defer 33% of his bonus into Company shares for three years. The targets are set based on our budgeting process, which takes account of market expectation, planned acquisitions and disposals of assets, and aspirations around Company growth.

The performance measures, targets and outcomes for each measure are shown below.

Jamie Hopkins did not receive a bonus for 2019/20.

Corporate

Weighting as a % of salary	Measure	Achieved: Threshold	Achieved: Maximum	Achieved	Opportunity and outcome as a % of salary: Graham Clemett (opportunity)	Graham Clemett (outcome)
60%	Trading profit after interest	£76.8m	£82.1m	£81.0m	60%	50.2%
24%	Total property return from portfolio versus a defined comparator Benchmark compiled by IPD	Benchmark	Benchmark + 2%	Benchmark +0.75%	24%	9%
12%	Customer satisfaction	72%	80%	78.9%	12%	10.35%

Individual performance

Weighting as a % of salary	Measure		Graham Clemett (opportunity)	Graham Clemett (outcome)
24%	Personal performance	See overleaf for full details	24%	24%

Annual bonus		
	Opportunity	120%
	Outcome (% of salary)	93.55%
	Outcome (£000)	£423.2

As a result the following cash bonus and deferred bonus shares will be awarded:

000s	Cash bonus	Deferred bonus shares
CEO	£283.5	£139.7

Personal objectives 2019/20

The Executive Directors' personal objectives focus on the delivery of the strategic priorities for the business and the successful management of risk. Based on a review of achievement against the personal objectives set out below, the Committee has awarded Graham Clemett 24% of salary under this element.

Target

24%
Personal performance

Outcome

24%
Personal performance

Objective	Target
Drive operational performance	– Deliver 'best in class' experience to both prospective and existing customers.
	– Utilise our IT systems to improve functionality and customer journey.
	– Identify and grow incremental revenue opportunities.
Active property portfolio management	– Identify scale opportunities to grow the Workspace business and proceed with acquisitions where return criteria can be met, alongside the timely disposal of under-performing properties.
	– Continue to identify and progress opportunities for refurbishment and redevelopment across the portfolio.
	– Incorporate environmental, social and governance (ESG) factors in all investments, development projects and property management decisions.
Maintain a low risk business profile	– Review and test business continuity and crisis management processes and procedures.
	– Complete cyber security action plan and maintain regular staff awareness training.
Investor engagement programme	– Comprehensive timetable of visits, site tours and attendance at conferences for both existing and prospective investors.
	– Deliver high quality, added value reports and presentations.
	– Continue to participate in sustainability benchmarking indices including GRESB, EPRA SBPR, CDP, FTSE4Good and Investors in People.
Stakeholder engagement – Doing The Right Thing	– Calendar of events to promote staff well-being and engage staff in the support of charitable causes and local youth mentoring.
	– Utilise stakeholder feedback to develop an communicate a clear and compelling Purpose statement for the Company.
	– Review and implement as appropriate feedback from staff value workshops on how behaviours across the Company should change to better reflect our values.
Financial	– Ensure appropriate funding available to support the Company's growth plans.

Achievements in year

- Dedicated sales team established.
- Investment in enhanced front of house service experience including the recruitment of additional seven receptionists across the portfolio.
- New customer service training initiative underway.
- Customer satisfaction rating of 78.9%.
- Mystery shopping programme continued throughout the year.

- Online automation of lease process including signature, KYC (Know Your Customer) procedures and DD (Direct Debit) set-up.
- Single billing capability delivered.
- AI tool utilising our CRM database to prioritise enquiries in test phase.
- Creation of mobile app for meeting room bookings.

- A fully furnished lease product has been developed.
- Expansion of the meeting room offering across the portfolio.
- Viability assessment of an events and conferencing platform conducted.
- Club Workspace as a feeder for growing companies. Four Club Workspace customers expanded into the main portfolio adding £115k to the rent roll.

- Due diligence undertaken on a number of opportunities, although none met our financial and strategic criteria.
- Four property disposals exchanged and completed during the year.

- Planning consent for refurbishments achieved at three properties.
- Refurbishment and redevelopment plans at a further three properties currently under discussion with local planning authorities.
- Pipeline of 312,000 sq. ft. from projects underway in the year.

- s.172 assessment prepared for all major Board decisions and reviewed as part of its approval process.
- Strategy to achieve net carbon target by 2050 has been presented to the Board.
- Science-based targets have been prepared for scopes 1, 2 and 3 (as defined in the Annual Report), subject to SBTi approval.
- Scope 1 & 2 Greenhouse gas emissions have reduced by 28% compared to our 2012 base year.
- Launched Optergy portal for customers to view and monitor their energy consumption.
- Became a member of the British Property Federation ('BPF') Sustainability Committee.
- We met our Considerate Constructors Score (CCS) target of achieving at least 37/50 for all developments and major refurbishments in 2019/20.
- We reached a 73% recycling rate in February 2020 which is the highest rate achieved to date, and averaged 70% in the financial year.

- Business continuity procedures reviewed and crisis management testing completed with independent review in progress.
- Proof of remote working capabilities delivered ahead of Covid-19 lockdown.

- Independent cyber risk review undertaken and monthly Board reporting established.
- Ongoing staff awareness and testing programme.

- Full investor roadshow schedules completed after both the full and half results in the UK, Europe and North America.
- 89 investor meetings conducted during the year.
- Attendance at eight investor events in UK and US.
- Maintained an active programme of regional private client investor events across the UK.
- Regular timetable of investor site visits with seven hosted this year.

- Positive feedback received from investors and analysts after full year and half year result presentations and roadshows.
- Winner of the 2019 Public Trust Award for remuneration reporting in the FTSE 350.

- Active involvement in a broad range of relevant ESG groups, benchmarks and indices.
- Prizes/Awards GRESB 85 versus peer group average of 77; Gold EPRA Award; FTSE4Good Index for excellence in ESG; Investors in People, Gold rating.
- Signed up to BPP Climate Change Commitment targeting net zero emissions by 2050.

- Raised £48,500 for Great Ormond Street from a range of sponsored events through the year.
- Employees raised a further £10,000 for charity from individual events.
- Staff engaged in a variety of volunteering events including Thames clean-up, 42k winter walk in support of Great Ormond Street and gardening days at a local school.
- Rolling out a programme of mental health training for all employees across the Company.
- Staff organised three CV and career workshops and interview practice for teenage pupils at local schools.
- Hosted 18 work experience students at our business centres and head office.
- Total of 970 hours of employee volunteering.

- Full programme of stakeholder consultation and feedback undertaken.
- Development of Purpose statement completed.

- Company values now incorporated into the objectives setting and performance appraisals for all employees.
- Positive feedback on the relevance of the Company values in employee survey.

- Regular communication and meetings with the Company's existing lenders.
- BBB investment credit rating maintained.
- Sources of additional financing regularly reviewed with the Company's advisers.

LTIP award vesting in respect of 2019/20

The 2017 LTIP awards measured performance over the period 1 April 2017 to 31 March 2020. Details of the performance targets and achievement against them are set out in Table D below:

Table D

Weighting	Measure	Threshold	Maximum	Payout as % maximum
50% of award	Relative TSR vs. sector group	Median	Upper quartile	
		Actual: 67th percentile		37.24%
50% of award	Total Property Return versus London IPD index	Median	Upper quartile	
		Actual: 87th percentile		50%
LTIP (% maximum) vesting				87.24%

	Graham Clemett	Jamie Hopkins[1]
Number of shares vesting (audited)	57,458	58,379
Value of shares vesting*	£627,441	£637,498
Date vesting	20 July 2020	

* Given the vesting date share price of £10.92, which is the three-month average price to 31 March 2020.
1. Mr Hopkins stepped down from the Board on 31 May 2019.

The Committee considered performance set out in the table above together with the underlying business performance of Workspace and concluded that 87.24% of the 2017 LTIP award should vest.

The Committee determined that no discretion needed to be exercised as a result of share price appreciation or depreciation.

These awards are subject to a two-year holding period and malus and clawback provisions. The 2018 LTIP awards are based on the same targets and weightings as the 2019 LTIP award shown below, in Table E measured over the period 1 April 2018 to 31 March 2021.

LTIP awards made during the 2019/20 financial year

Under the current Policy conditional share awards under the LTIP are granted to a maximum of 200% of salary. Awards under the 2019 LTIP are subject to the performance conditions detailed in Table E below measured over the period 1 April 2019 to 31 March 2022.

Table E

	Relative TSR vs. sector group[1] (50% of the award)	Total Property Return versus London IPD index (50% of the award)
Threshold[3] (20% vesting)	Median	Median
Maximum[3] (100% vesting)	Upper Quartile	Upper Quartile

1. The comparator group for the 2019 LTIP cycle is the constituents of the FTSE 350 Real Estate Index excluding agencies.
2. For any shares to vest on absolute TSR, the Company's TSR outcome must exceed the median TSR of the comparator group over the performance period.
3. There is straight-line vesting between the 'Threshold' and 'Maximum' performance levels.

The following awards were granted during the year under the 2019 LTIP:

			Performance Share award		
				Face value	
	Date of grant	Market price at date of award[1]	Number of shares	£	% of salary
Graham Clemett	18 June 2019	£8.62083	71,814	619,096	200%

1. The share price for calculating the levels of awards was £8.62083 the average mid-market closing price over the three dealing days 13, 14 and 17 June 2019, in accordance with the LTIP plan rules.

Deferred shares were granted (as conditional share awards) under the 2018/19 bonus of 20,987 shares to Mr Hopkins and 12,828 shares to Mr Clemett on 25 June 2019 based on a share price of £8.863275.

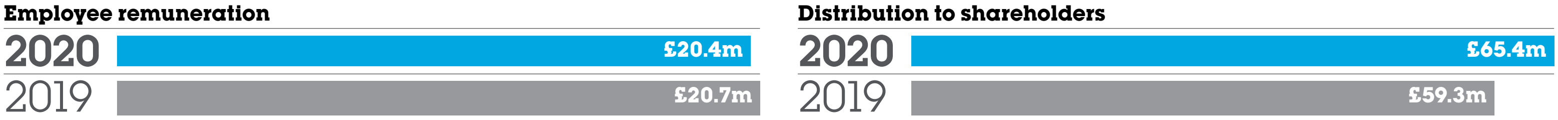
External appointments

It is the Board's policy to allow Executive Directors to take up one Non-Executive position on the Board of another company, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. Mr Clemett was appointed a Non-Executive Director and Chairman of the Audit Committee of The Restaurant Group plc, effective 1 June 2016. Mr Clemett is paid an annual fee of £62,450.

Relative importance of spend on pay

Chart D below shows the Company's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 March 2019 and 31 March 2020.

Chart D



-1.4%

+10.3%

* The estimated total dividend as reported in the financial statements for the year to 31 March 2019 was £44.3m.

How we will apply the Policy in 2020/21

As explained in the Remuneration Committee Chairman's letter, we are seeking shareholder approval for a new Directors' Remuneration Policy at the AGM on 9 July 2020. On the basis that it is approved by shareholders, it will be implemented as set out below.

Base salary

As previously disclosed, no salary increases will be applied to the workforce in 2020, including Executive Board Directors. Salaries will be as follows:
CEO – £494,090
CFO – £340,000

Benefits and pension

In line with the Policy set out in this report, the CEO and CFO will receive a contribution to a defined contribution plan or a cash allowance in lieu of contribution of 10% and 6% of salary respectively.

Annual bonus

The structure described in the Policy table will normally apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year served.

The Committee retains the flexibility to determine that for the first year of appointment any annual incentive award will be subject to such terms as it may determine.

60% of salary	24% of salary	24% of salary	12% of salary
Linked to: Trading profit after interest	**Linked to: Total Property Return (TPR)**	**Linked to: Personal performance**	**Linked to: Customer satisfaction**
Link to strategy: Right brand, Right market	Link to strategy: Right brand, Right properties	Link to strategy: Right people	Link to strategy: Right brand, Right offer

33% of the total bonus paid will be deferred into shares for three years. Dividend equivalents may be accrued on deferred shares.

Whilst we believe that disclosing the exact performance conditions and targets for the personal performance would not be in the best interests of shareholders, we remain committed to best practice disclosure. We therefore set out overleaf some of the categories that the Committee will consider in respect of evaluating personal performance, and examples of the nature of some of the goals under these (excluding exact targets). Full disclosure on the targets, performance achieved and resulting bonus payouts for 2020/21 will be provided in next year's report.

Personal objectives 2020/21

Objective	Target
Appropriate response to the Covid-19 pandemic	– Maintain contact with customers and respond sympathetically to their issues and concerns. – Maintain engagement and motivation of employees working remotely. – Ensure appropriate measures in place for the safe return to work of both customers and staff.
Develop our brand proposition	– Deliver a compelling broad proposition that sets us apart from the market and resonates with customers and our people. – Deepen customer insight to improve communications and hone our operational activities. – Develop new customer propositions that enhance brand experience.
Expand our property portfolio	– Deliver on, and look to extend, our refurbishment and redevelopment pipeline. – Monitor the market for appropriate acquisition opportunities. – Complete on acquisitions and disposals that meet or exceed our return requirements.
Progress our ESG agenda	– Determine and publish our net zero carbon pathway. – Increase the number of our business centre environment groups. – Progress our diversity and inclusion plans for recruitment and appraisals. – Programme of local community and charity initiatives.
Ensure we have appropriate financing to support our plans	– Extend debt maturity profile. – Investigate and secure as required new sources of funding. – Maintain conservative gearing levels and covenant headroom.
Improve employee engagement	– Extend breadth of training and development including delivery of new customer service programme. – Continued roll-out of wellness initiatives. – Launch employee of the month award.
Develop new business opportunities	– Expand meeting room footprint. – Assess opportunities for further roll-out of furnished office and single billing offering. – Extend and bring to scale our events programme.
Technology, support and security	– Review resilience service levels and investment plans with our technology partners. – Maintain high level of cyber security awareness and testing. – Ensure high quality and reliable remote working capabilities in place.

Long-Term Incentive Plan (LTIP)
Maximum award 200% of salary. The performance measures are such that 50% will be based on Total Property Return against a London focused IPD index and 50% will be based on relative TSR against FTSE 350 Real Estate companies. The targets for the two elements are as follows:

	Total Shareholder Return relative to FTSE 350 Real Estate Supersector index excluding agencies	Total Property Return versus London focused IPD index
Threshold vesting		
(20% of maximum)	Median	Median
Maximum vesting		
(100% of maximum)	Upper quartile	Upper quartile

A holding period of two years will apply to any vested shares under the LTIP.

To allow any payouts to be fully reflective of underlying performance, the LTIP underpin allows the Committee to reduce vesting should the Committee believe that the relative TSR and/or relative TPR performance is inconsistent with the overall performance of the business.

Non-Executive Director fees
The fees for Non-Executive Directors are reviewed and agreed annually. The fees, which are effective from 1 April 2020, are set out in the table below.

	2020 fee	2019 fee	% change
Chairman	**£188,541**	£188,541	0%
NED base fee	**£51,000**	£51,000	0%
Chair of Audit Committee fee	**£10,800**	£10,800	0%
Chair of Remuneration Committee fee	**£10,800**	£10,800	0%

Mr Hopkins' termination arrangements
Full details of Mr Hopkins' termination arrangements were set out in the 2019 Directors' Remuneration Report.

Single figure for Non-Executive Directors (audited)

Table F below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2020 and the prior year:

Table F

	Daniel Kitchen		Maria Moloney		Chris Girling		Damon Russell		Stephen Hubbard		Ishbel Macpherson		Suzi Williams	
Non-Executive Director	**2019/20 £000**	2018/19 £000	**2019/20 £000**	2018/19 £000	**2019/20 £000**	2018/19 £000	**2019/20 £000**	2018/19 £000	**2019/20 £000**	2018/19 £000	**2019/20 £000**	2018/19 £000	**2019/20 £000**	2018/19 £000
Base fee	**188.5**	183.5	**51.0**	49.6	**51.0**	49.6	**51.0**	49.6	**51.0**	49.6	**51.0**	9.6	**10.2**	–
Additional fees	**–**	–	**10.8**	10.5	**10.8**	10.5	**–**	–	**–**	–	**–**	–	**–**	–
Total	**188.5**	183.5	**61.8**	60.1	**61.8**	60.1	**51.0**	49.6	**51.0**	49.6	**51.0**	9.6	**10.2**	–

1. Additional fees were paid to Maria Moloney as Chairman of the Remuneration Committee and to Chris Girling as Chairman of the Audit Committee.
2. Expenses incurred by Non-Executive Directors represent the cost to the Group, being gross of taxation. In 2019/20, Daniel Kitchen, Maria Moloney, Chris Girling and Ishbel Macpherson, were reimbursed for out of pocket expenses, incurred in attending meetings in connection with the discharge of their duties, of £11,234, £20,539, £5,225 and £1,012 respectively.
3. Suzi Williams joined the Board as a Non-Executive Director of the Company, with effect from 21 January 2020.
4. On his appointment, as Chairman, in July 2020, the fee payable to Mr Hubbard will be £188,451.

Share ownership and share interests (audited)

The shareholding guideline for Executive Directors is 200% of salary. Table G below shows the interests of the Directors and connected persons in shares (owned outright or vested). There have been no changes in the interests in the period between 31 March 2020 and 4 June 2020. Graham Clemett exceeds the shareholding guidelines.

Table G

	31 March 2020	31 March 2019
Chairman		
Daniel Kitchen	**40,805**	44,700
Executive Directors		
Jamie Hopkins[1]	**See note below**	118,308
Graham Clemett	**92,785**	122,432
Non-Executive Directors		
Maria Moloney	**2,027**	2,027
Chris Girling	**Nil**	Nil
Damon Russell	**Nil**	Nil
Stephen Hubbard	**15,290**	15,290
Ishbel Macpherson	**3,150**	3,150
Suzi Williams	**Nil**	–

1. Jamie Hopkins stepped down from the Board on 31 May 2019. The number of shares held by Mr Hopkins at the date of leaving was 118,308.

Table H below shows the Executive Directors' interests in shares.

Table H

Executive Director	Type	Owned outright or vested[2]	Unvested and not subject to performance[3]	Subject to performance[4]	Total
Graham Clemett	Shares	92,785	93,230	126,706	312,721
	Market value options[1]	Nil	2,328	Nil	2,328
Jamie Hopkins[5]	Shares	118,308	116,908	28,132	263,348
	Market value options[1]	Nil	Nil	Nil	Nil

1. Market value options include SAYE options outstanding not yet matured as at 31 March 2020. The exercise price of these was set at 80% (in accordance with HMRC and the plan rules) of the market value of a share at the invitation date. See page 161 for further details.
2. Total shares owned outright or vested shares. For Jamie Hopkins the balance of shares owned, outright, was 118,308 at the date of leaving on 31 May 2019.
3. The interests in shares comprise those LTIP awards granted in 2017 which are no longer subject to performance but are due to vest on 20 July 2020, of 57,458 shares for Mr Clemett and 58,379 shares for Mr Hopkins. The interest in shares for Mr Hopkins reflect the pro-rating of these awards following his departure on 31 May 2019. In addition, the gross number of deferred bonus shares awarded in 2017 of 20,119, in 2018 of 17,423 and in 2019 of 20,987 for Mr Hopkins and 12,295, 10,649 and 12,828 for Mr Clemett are also included in this figure.
4. The interest in shares of 126,706 for Mr Clemett and the interest in shares of 28,132 for Mr Hopkins consist of the total LTIP awards made in 2018, and in 2019, LTIP awards made to Mr Clemett only, details of which can be found on page 161 of this Report. The interest in shares for Mr Hopkins reflect the pro-rating of these awards following his departure on 31 May 2019.
5. Jamie Hopkins stepped down from the Board on 31 May 2019.

Additional information

Payments for loss of office (audited)
Full details of Mr Hopkins termination arrangements were set out in the 2019 Remuneration Report.

Payments to past Directors (audited)
None.

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

			Notice period	
Executive Director	Position	Effective date of contract	From Company	From Director
Jamie Hopkins[1]	Chief Executive Officer	3 February 2012	12 months	12 months
Graham Clemett[2]	Chief Executive Officer	24 September 2019	12 months	12 months
David Benson	Chief Financial Officer	1 April 2020	12 months	12 months

1. Jamie Hopkins' employment with the Company ended on 31 May 2019.
2. Graham Clemett joined the Company as CFO in July 2007 and was appointed as CEO on 24 September 2019. Graham served as Interim CEO and CFO from 31 May 2019 until September 2019.

The Chairman and Non-Executive Directors have letters of appointment. Dates of the Directors' letters of appointment are set out below:

Name	Date of original appointment (date of reappointment)	Date of appointment/ last reappointment at AGM	Notice period
Daniel Kitchen	6 June 2011 (28 May 2020)	2019	6 months
Maria Moloney	22 May 2012 (22 May 2018)	2019	3 months
Chris Girling	7 February 2013 (7 February 2019)	2019	3 months
Damon Russell	29 May 2013 (29 May 2019)	2019	3 months
Stephen Hubbard	16 July 2014 (23 January 2020)	2019	6 months
Ishbel Macpherson	23 January 2019 (N/A)	2019	3 months
Suzi Williams[1]	21 January 2020 (N/A)	N/A	3 months

1. Suzi Williams joined the Board as a Non-Executive Director of the Company, with effect from 21 January 2020. Suzi Williams is being proposed for election by shareholders at the forthcoming AGM on 9 July 2020.

The Directors are subject to annual re-election at the AGM. Non-Executive Directors' letters of appointment and Executive Directors' contracts are available to view at the Company's registered office.

Committee advisers
During the year, PwC LLP acted as independent adviser to the Committee. PwC LLP was appointed in 2018 following a selection process. PwC LLP is a founding member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to Executive remuneration consulting in the UK. The Committee is satisfied that the PwC LLP engagement partner and team, which provide remuneration advice to the Committee, do not have connections with the Group that may impair their objectivity and independence. The fees charged by PwC LLP for the provision of independent advice to the Committee during the year were £87,100.

With regards to other services provided by PwC during the financial year, PwC conducted a review of the Group's internal audit and risk requirements and provided support to Workspaces IT team on cyber security.

Voting at the Company's AGMs
The table below sets out the results of the most recent shareholder votes on the Policy Report and the advisory vote on the 2018/19 Annual Report on Remuneration at the 2019 AGM on 11 July 2019. The Committee views this level of shareholder support as a strong endorsement of the Company's Policy and its implementation.

	Percentage of votes cast		Number of votes cast		
	For and Discretion	Against	For and Discretion	Against	Withheld[1]
Policy Report (2017 AGM)	99.72	0.28	108,262,655	308,916	1,728
Annual Report on Remuneration (2019 AGM)	99.76	0.24	145,127,323	348,911	66,235

1. A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

Share-based awards and dilution

The Company's share schemes are funded through a combination of shares purchased in the market and new-issue shares, as appropriate. The Company monitors the number of shares issued under these schemes and their impact on dilution limits. The Company's usage of shares compared to the relevant dilution limits set by the Investment Association in respect of all shares plans (10% in any rolling 10-year period) and Executive share plans (5% in any rolling 10-year period) as at 31 March 2020 is detailed on the next page.

As of 31 March 2020, around 3.6% and 3.2% shares have been, or may be, issued to settle awards made in the previous 10 years in connection with all share schemes and executive share schemes respectively. Awards that are made but then lapse or are forfeited are excluded from the calculations.

All share plans

Limit 10%

Actual 3.6%

Executive share plans

Limit 5.0%

Actual 3.2%

Supplementary information on Directors' remuneration

Outstanding LTIP awards

Details of current awards outstanding to Jamie Hopkins and Graham Clemett are detailed below.

	At 1 April 2019			Lapsed during the year		Vested during the year			At 31 March 2020		
Name	Performance[2]	Invested[3]	Matching[4]	Performance	Matching	Performance	Invested	Matching	Performance	Invested	Matching
Jamie Hopkins											
23/06/2016	56,510	14,975	56,510	(28,462)	(28,462)	28,048	14,975	28,048	–	–	–
20/07/2017[1,5]	107,757	–	–	(49,378)	–	–	–	–	58,379	–	–
22/06/2018[1,5]	89,809	–	–	(61,677)	–	–	–	–	28,132	–	–
Graham Clemett											
23/06/2016	34,534	9,151	34,534	(17,026)	(17,026)	17,508	9,151	17,508	–	–	–
20/07/2017[1,5]	65,863	–	–	(8,405)	–	–	–	–	57,458	–	–
22/06/2018[1,5]	54,892	–	–	–	–	–	–	–	54,892	–	–
18/06/2019	–	–	–	–	–	–	–	–	71,814	–	–

1. Awards will vest subject to the satisfaction of performance conditions detailed on page 158 over the three-year performance period.
2. LTIP Awards made to the Executive Directors: In June 2016 awards were in respect of 100% of salary based on a share price at date of award of £8.28166, in July 2017 awards were in respect of 200% of salary based on a share price at date of award of £8.9033, in June 2018 and 2019, awards were in respect of 200% of salary based on a share price at date of award of £11.003333 and £8.62083 respectively. 50.7% of the 2016 Awards vested on 23 June 2019 and 87.24% of the 2017 Awards vested on 20 July 2020.
3. Participants are entitled to dividends payable on the Invested Shares. The Invested Shares, which are beneficially owned by participants, are included in the table detailing ordinary shares held by Directors on page 159 of this Report.
4. In 2016, matching shares were granted up to 100% of salary for each of Messrs Clemett and Hopkins.
5. The LTIP awards granted in July 2017, June 2018 and June 2019 were made under the LTIP approved by shareholders at the AGM in July 2017.

Share options

The following table shows, for the Directors who served during the year, the interests in outstanding awards under the HMRC-approved Savings Related Share Option Plan and SIP Awards.

							Normal exercise date	
	At 01/04/2019	Granted during the year	Lapsed during the year	Vested in year	At 31/03/2020	Exercise price	From	To
Jamie Hopkins	3,474[1]	–	3,474	–	–	–	–	–
	107	–	–	107	–	–	-	–
	228[2]	–	228	–	–	-	–	–
Graham Clemett	1,737	–	–	1,737	–	£5.18	01.09.2019	01.03.2020
	1,046				1,046	£8.60	01.09.2021	01.03.2022
	–	1,282	–	–	1,282	£7.02	01.09.2022	01.03.2023
	107	–	–	–	107	–	18.09.2018	
	228	–	–	–	228	–	30.08.2020	
	–	233	–	–	233	–	05.09.2022	

1. Each of Messrs Hopkins and Clemett were granted awards under the Share Incentive Plan in September 2015 and August 2017. Mr Clemett was also granted an award in September 2019.
2. In accordance with the rules of the SAYE scheme, the awards granted to Mr Hopkins lapsed on 14 May 2019.

There have been no changes in Directors' interests over options in the period between the balance sheet date and 4 June 2020. The Directors' Remuneration Report has been approved by the Board of Workspace Group PLC.

By order of the Board

Dr Maria V Moloney
Chairman of the Remuneration Committee
4 June 2020

Report of the Directors

The Directors present their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2020.

Workspace Group PLC is incorporated in the UK and registered as a public limited company in England and Wales. Its headquarters are in London and it is listed on the main market of the London Stock Exchange.

This section of the Annual Report sets out the information required to be disclosed in the Directors' Report. Certain matters that would otherwise be disclosed in the Directors' Report have been reported elsewhere in the Annual Report and consequently, this Directors' Report should be read in conjunction with our Strategy Report on pages 20 to 23, and a description of the Group's business model on pages 30 to 33. It also includes our report on our 'Doing The Right Thing' programme, principal risks and uncertainties and the Statements on Going Concern, Viability and Section 172 matters which can be found on pages 76 and 77.

The Corporate Governance Report and Chairman's Governance Report for the year ended 31 March 2020 on pages 78 to 161, are incorporated by reference into this Directors' Report.

Post balance sheet events
Details of post balance sheet events can be found on page 208.

Principal activities and business review
The Group is engaged in property investment and letting business space to businesses in London. As at 31 March 2020, the Company had seven active subsidiaries, four of which are property investment companies owning properties in Greater London. The other three companies are: Workspace Management Limited; LI Property Services Limited; and Workspace 17 (Jersey) Limited. A full list of the Company's subsidiaries and other related undertakings appears on page 207.

Significant events which occurred during the year are detailed in the Chairman's statement on pages 6 and 7, the Chief Executive Officer's Statement on pages 10 to 12 and the Business Review on pages 68 to 74.

A description of the principal risks and uncertainties facing the Group can be found on pages 58 to 67. Details of the Group's health and safety policies can be found on page 164 and information on its environmental and community engagement activities can be found on pages 34 to 52.

Profit and dividends
The Group's profit after tax for the year attributable to shareholders amounted to £72.1m (2019: £137.3m).

The interim dividend of 11.67 pence (2019: 10.61 pence) was paid in February 2020 and the Board is proposing to recommend the payment of a final dividend of 24.49 pence (2019: 22.26 pence) per share to be paid on 7 August 2020 to shareholders whose names are on the Register of Members at the close of business on 3 July 2020. This makes a total dividend of 36.16 pence (2019: 32.87 pence) for the year.

Going concern and viability
The Going Concern and Viability Statements can be found on page 76.

The Group's activities, strategy and performance are explained in the Strategic Report on pages 6 to 77.

Further detail on the financial performance and financial position of the Group are provided in the financial statements on pages 176 to 208.

Financial risk management
The financial risk management objectives and policies of the Group are set out in note 17 to the financial statements and in the Principal risks and uncertainties section of this report on pages 58 to 67.

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

Disclosure required under the Listing Rules
For the purpose of LR9.8.4C R, the information required to be disclosed by LR9.8.4R can be found in the Annual Report in the following locations and is hereby incorporated by reference into this Directors' Report:

Section	Topic	Location in the Annual Report
1	Interest capitalised	Financial statements, page 191 note 10
4	Details of long-term incentive schemes	Remuneration Report, pages 141, 144 and 156

Share capital and control
As at 31 March 2020, the Company's issued share capital comprised a single class of 180,747,868 ordinary shares of £1.00 each. Details of the Company's issued share capital are set out on page 202.

Full details of share options and awards under the terms of the Company's share incentive plans can be found on pages 203 to 205.

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

Restrictions on transfer of shares
There are no restrictions on the transfer of ordinary shares in the Company other than in relation to certain restrictions that are imposed from time to time by laws and regulations (for example insider trading laws). In addition, pursuant to the Listing Rules of the Financial Conduct Authority, Directors and certain officers and employees of the Group require the approval of the Company to deal in ordinary shares of the Company.

Purchase of own shares
Under the Company's Articles of Association, the Company may purchase any of its own shares. The Company was granted authority at the 2019 Annual General Meeting to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2020 Annual General Meeting and a resolution will be proposed to renew this authority. No ordinary shares were purchased under this authority during the year.

Substantial shareholdings in the Company

As at 31 March 2020, the following interests in voting rights over the issued share capital of the Company had been notified.

Shareholder	Number of shares	Percentage held
The London & Amsterdam Trust Company Limited	52,850,184	29.24
TA Associates	21,016,666	11.63
BlackRock, Inc.	14,553,368	8.05
Standard Life Aberdeen	11,544,075	6.39
M&G	10,016,050	5.54

As at 22 May 2020 the following interests in voting rights over the issued share capital of the Company had been notified.

Shareholder	Number of shares	Percentage held
The London & Amsterdam Trust Company Limited	53,093,580	29.37%
TA Associates	21,265,418	11.77%
BlackRock, Inc.	14,658,105	8.11%
Standard Life Aberdeen	10,335,764	5.72%
M&G	10,016,050	5.54%

Board of Directors

The names and biographical details of the Directors and details of the Board Committees of which they are members are set out on pages 86 to 90 and incorporated into this Report by reference. Changes to the Directors during the year and up to the date of this Report are set out on page 104. At the date of this Report there are currently nine Directors on the Board of Workspace Group PLC.

The Company's current Articles of Association require any new Directors to stand for election at the next AGM following their appointment. The Articles of Association also require each Director to stand for re-election every three years following their election. However, in accordance with the Code and the Company's current practice, all continuing Directors will offer themselves for election or re-election (as applicable), at the AGM on 9 July 2020.

Details of the Directors' interests in the shares of the Company and any awards granted to the Executive Directors under any of the Company's all-employee or Long-Term Incentive Plans are given in the Directors' Remuneration Report on pages 159 to 161. The Service Agreements of the Executive Directors and the Letters of Appointment of Non-Executive Directors are also summarised in the Directors' Remuneration Report and are available for inspection at the Company's registered office.

The appointment and replacement of Directors is governed by the Company's Articles of Association, the Code, the Companies Act 2006 and any related legislation. Unless otherwise determined by ordinary resolution of the Company, the Directors shall not be less than two or more than 10 in number. The Board may appoint any person to be a Director so long as the total number of Directors does not exceed the limit prescribed in the Articles of Association. In addition to any power of removal conferred by the Companies Act 2006, the Company may by ordinary resolution remove any Director before the expiry of their period of office.

Directors' indemnity

Under the Company's Articles of Association, to the extent permitted by the Companies Act 2006, the Company indemnifies any Director, Secretary or other Officer of the Company against any liability and may purchase and maintain insurance against such liability. The Board understands that the provision of such indemnification is in keeping with current market practice and believes that it is in the best interest of the Group to provide such indemnities in order to attract and retain high-calibre Directors and Officers. The Company purchased and maintained Directors' and Officers' liability insurance during the year and at the date of approval of the Directors' Report.

Change of control

There are a number of agreements (including the Group's borrowing facilities and other financial instruments, details of which can be found in note 16 to the Financial Statements) that could allow counterparties to terminate or alter those arrangements in the event of a change of control of the Company.

Section 172 Statement

The Company's Section 172 Statement can be found on page 77.

Employees

The Group values highly the commitment of its employees and has maintained its practice of communicating business developments to them in a variety of formats. The Group's employees are kept informed of its activities and performance through a series of Director-led staff briefings at key points during the year and the circulation of corporate announcements and other relevant information to staff which is supplemented by updates on the intranet. These briefings also serve as an informal forum for employees to ask questions about the Group.

Share schemes are a long-established and successful part of our total reward package, encouraging and supporting employee share ownership. In particular, all employees are invited to participate in the Group's Savings Related Share Option Scheme.

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

The Group remains supportive of the employment and advancement of disabled persons and monitors its promotion and recruitment practices such that they are fair and objective.

The Group encourages the continuous development and training of its Group employees and the provision of equal opportunities for the training and career development of all employees.

The Group provides retirement benefits for the majority of its employees. Details of the Group pension arrangements are set out in note 26 on page 208.

Further information on Group employees can be found on pages 24 to 29.

Health and safety

We take the health and safety of our employees, customers, visitors and others who may be affected by our activities with the greatest seriousness and we fully comply with all health and safety legislation applicable to our business.

During 2019 we monitored and reviewed our health and safety systems to promote continued compliance with HSE standards and best practice, carried out portfolio-wide fire, asbestos and water hygiene safety training with employees and customers and reduced our accident rate across the portfolio, with zero reportable incidents.

In 2020 we intend to continue to promote a healthy environment and culture across our organisation, provide the necessary training for head office and site staff to remain competent to meet their health and safety responsibilities, implement a revised audit system to ensure maintenance of standard practices across the portfolio and instigate improvements to our safety processes and procedures identified by an external gap analysis of our existing health and safety management systems carried out during 2019.

Covid-19	During the complex challenges presented by the pandemic outbreak of Covid-19 we are taking robust action to ensure that the wellbeing of our employees, customers and visitors is our first priority. With the situation rapidly evolving, we are being forced to plan for, and react to, Government advice and direction at short notice and therefore are proactively monitoring guidance from Government agencies (including Public Health England, the NHS and other subject matter experts). We endeavour to provide the most up-to-date guidance, support and advice to our employees and customers and we are confident that we have the right policies and procedures in place to continue to serve our customers.
Training	We train our employees so that they are competent and confident to carry out their jobs in a safe and professional manner. Our people lead by example, working on the principle that if they display high standards in the way they go about their business, then our customers will follow suit. In addition to external training, every new starter is given in-house induction training with ongoing awareness promoted through toolbox talks and safety committee meetings throughout the year.
Compliance management	We use a compliance monitoring tool, E-Logbooks, which is a proven software system that enables us to monitor statutory compliance and routine maintenance across the entire portfolio. It is used by all our site staff and facilities managers as well as key head office personnel.
External health and safety gap analysis	As part of our commitment to continuous improvement and internal audit, we undergo an external health and safety gap analysis every three years. Evaluation of the results from these external audits are used to facilitate system improvements, and to demonstrate to interested parties that the organisation makes use of independent, external reviews of its internal systems.
Redevelopment and refurbishment projects and contractor safety	Redevelopment and refurbishment projects regularly take place across our portfolio, on both customer-occupied and vacant sites. We closely manage our contractors' activities and the associated risks to the health and safety of customers and visitors, particularly where building works are being carried out in close proximity to common parts and customer-occupied areas. For the fifth consecutive year, there have been no contractor related accidents or incidents that have affected our customers.

Business conduct and compliance

Code of Conduct	The Group has a Code of Conduct which explains how employees are expected to fulfil their responsibilities by acting in the best interests of the Group. This includes compliance with laws and regulations; acting fairly in dealing with customers, suppliers and other stakeholders; treating people with respect and operating within a control framework.
Anti-Bribery & Corruption	It is our policy to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to implementing and enforcing effective systems to counter bribery. We have an Anti-Bribery Policy which all staff are made aware of, and we regularly remind our staff about their responsibilities for the prevention, detection and reporting of bribery and other forms of corruption. We make suppliers aware of our zero-tolerance approach to bribery and undertake due diligence on suppliers to confirm that they are themselves committed to the prevention of bribery and corruption.
Gifts and Hospitality	Our Anti-Bribery Policy provides that the giving and receiving of gifts and hospitality must be reasonable and proportionate in the normal course of business, both in type and value. We require all staff to obtain line manager approval and keep a record of hospitality and gifts (whether they are accepted or refused).
Political and Charitable Donations	The Group did not make any political donations during the year (2019: Nil). We only make charitable donations that are legal and ethical, and made with the prior approval of the Company Secretary.
Data Privacy	The Group continues to take its obligations under the General Data Protection Regulation (GDPR) and other applicable data privacy legislation very seriously. We continue to monitor guidance and practice in this area and to embed data privacy into the heart of the business. Our programme of work this year has included review and updates to our existing policies and procedures to reflect emerging guidance, including our policies relating to data processors, data privacy impact assessments, data breaches and subject rights requests. We are also reviewing our privacy notices, which can be found here www.workspace.co.uk/privacy-policy. Staff are regularly reminded of the importance of data privacy. Mandatory data protection training is provided to all staff on an annual basis, and we also provide more tailored, role-specific training to staff where appropriate. An Information Governance Group, whose membership includes all key function heads across the organisation, meets regularly, and regular reports are provided to the Executive Committee and the Board. We will continue to monitor compliance with our policies and procedures and to review and update them where appropriate to reflect developing guidance and practice.
Modern Slavery	We are committed to upholding all human rights, including the prevention of modern slavery and human trafficking in our business and in our supply chains. We consider the risk of modern slavery and human trafficking to be very low in our business, but we regularly monitor and review our risk profile and emerging regulatory guidance and will take any actions we consider necessary to improve and strengthen our practices. We publish our modern slavery statement on our website annually, which summarises our policies and the actions we have taken in our business and our supply chains and can be found at www.workspace.co.uk/global-content-repository/files/modern-slavery-act-statement.
Directors' Conflicts of Interests	During the year, no Director had any beneficial interest in any contract significant to the Group's business, other than a contract of employment. We have procedures in place for managing conflicts of interest and keeps a register of conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board in writing or verbally at the next Board meeting.
Whistleblowing	The Group has a whistleblowing procedure through which employees may report, in confidence and anonymously if preferred, concerns about suspected impropriety or wrongdoing in any matters affecting the business. During the year, no reports were made using that facility and no concerns were raised that have been treated as whistleblowing.

Greenhouse gas emissions

See pages 41 to 43 for details of our absolute emissions and emissions as an intensity ratio, which are incorporated by reference into this Directors' Report and fulfil the requirements of the Greenhouse Gas Emissions (Directors' Reports) Regulations 2013.

2019 Annual General Meeting

See page 96 for details of our 2019 Annual General Meeting.

2020 Annual General Meeting

The 34th Annual General Meeting of the Company will be held at Canterbury Court, Kennington Park, 1-3 Brixton Road, London SW9 6DE, on Thursday 9 July 2020 at 10.00am. The Notice of Meeting, together with an explanation of the business to be dealt with at the Meeting, is included as a separate document sent to shareholders who have elected to receive hard copies of shareholder information and is also available on the Company's website. Due to social distancing measures and restrictions on gatherings which are currently in place due to the Covid-19 pandemic, the arrangements for the AGM will be significantly different this year. Further information on this can be found on page 96 of this Annual Report and in the Notice of Meeting.

Following nine years in the role as Non-Executive Chairman of Workspace, Daniel Kitchen informed the Board in December 2019 of his intention to step down with effect from the conclusion of the 2020 Annual General Meeting. Consequently, Mr Kitchen will not be seeking re-election at the 2020 AGM.

Following shareholder engagement, last year we sought approval for a resolution authorising political donations up to £20,000 in aggregate, which was a lower amount than the Company had sought in previous years. This year we are again proposing a resolution with an upper limit of £20,000 in aggregate. This resolution is proposed as a precaution to ensure that none of the Company's normal business activities are inadvertently caught by the broad definitions used in the relevant provisions of the Companies Act 2006. It remains the policy of the Company not to make political donations or incur political expenditure within the ordinary meaning of those words and the Board has no intention of using the authority for that purpose.

In addition, and in line with the resolution approved at the 2019 AGM, the Directors are again proposing a single resolution disapplying pre-emption rights for the 2020 Annual General Meeting that would apply only in very limited circumstances. The proposed disapplication resolution is limited to allotments and/or sales: (i) in connection with pre-emptive offers and offers to holders of Equity Securities other than ordinary shares (if required by the rights of those securities or as the Directors otherwise consider necessary); and (ii) in connection with the terms of any employees' share scheme for the time being operated by the Company.

By Order of the Board

Carmelina Carfora
Company Secretary
4 June 2020

Greenhouse gas ('GHG') emissions
Page 42

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable, relevant, reliable and prudent.
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU.
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements.
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board on 4 June 2020 by:

Graham Clemett
Chief Executive Officer

Dave Benson
Chief Financial Officer

KPMG

1. Our opinion is unmodified

We have audited the financial statements of Workspace Group PLC ('the Company') for the year ended 31 March 2020 which comprise the Consolidated and Parent Company's Balance Sheets, the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated and Parent Company's Statement's of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 14 July 2017. The period of total uninterrupted engagement is for the 3 financial years ended 31 March 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. Emphasis of matter – uncertain valuation of investment property

We draw attention to note 10 to the consolidated financial statements which states that the independent external valuations of investment properties at the reporting date are reported on the basis of 'material valuation uncertainty' due to the potential economic effect of the Covid-19 pandemic. Consequently, more subjectivity is associated with the valuation of investment property than would normally be the case. Our opinion is not modified in respect of this matter.

We identified the valuation of investment property as a key audit matter (see section 3 of this report).

Overview

Materiality: group financial statements as a whole	£26.7m (2019:£25.4m) 1% (2019: 1%) of total Group assets
Coverage	100% (2019: 100%) of total Group assets

Key audit matters		vs 2019
Recurring risks	**Group:** Valuation of Investment property	^
	Group: Going concern	^
	Group: The impact of uncertainties due to the UK exiting the European Union on our audit	v
	Parent: Valuation of derivatives	–

3. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of investment property (Group) (Group: £2,586.3 million; 2019: £2,591.4 million) *Refer to page 128 (Audit Committee Report), page 181 (accounting policy) and page 191 (financial disclosures).*	Subjective valuation Investment properties is the largest balance in the financial statements and is held at fair value in the Group's financial statements, representing 95% (2019: 97%) of total assets. The portfolio is externally valued by qualified independent valuers, CBRE. Each property is unique and determining fair value requires significant judgement and estimation, in particular over the key assumptions of the estimated rental value and the yield. The key assumptions will be impacted by a number of factors including location, quality and condition of the building and occupancy. Valuing investment properties either under development or with development potential can be further complicated by the need to assess the likelihood of planning consent, an allowance for developer's profit and forecast of construction costs. Whilst comparable market transactions can provide valuation evidence, the flexible office sector is still maturing and the unique nature of each property means that a key factor in the property valuations are the assumptions made by the valuer. In addition the significant impact of the Covid-19 pandemic has led to additional uncertainty in arriving at reasonable assumptions. Furthermore, each property valuation includes source data provided by directors and relied on as accurate by the external valuer, primarily the database of tenancy contracts. The relatively short average lease length in the Workspace portfolio and reduced market comparable information for such flexible office space means the valuer is more reliant on tenancy data to support their market rent assumptions than may be the case in other property sectors. Therefore the valuation is more sensitive to the source data than may be the case for more mature sectors with longer leases. Included in the independent external valuation of the investment properties as at 31 March 2020 is a 'material valuation uncertainty' due to Novel Coronavirus (Covid-19)' as per VPS 3 and VPGA 10 of the RICS Red Book. The effect of these matters is that, as part of our risk assessment, we determined that the investment properties value has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. Disclosure quality The financial statements (note 10) disclose the sensitivity estimated by the Group. The Directors' assessment of the extent of the disclosure is based on an evaluation of the inherent risks to the valuation, including the possible economic effect of the Covid-19 pandemic. The risk for our audit is whether or not those disclosures adequately address the uncertainties within the valuation, and if so, whether those uncertainties are fundamental to the users' understanding of the financial statements. If so, we draw attention to the disclosure in our audit report by the inclusion of an 'emphasis of matter' paragraph.	Our procedures, assisted by our own property valuation specialist (for procedures 1, 2 and 3), included: – **Assessing valuer's credentials:** We assessed CBRE's objectivity, professional qualifications and experience through discussions with them and reading their valuation report. – **Methodology choice:** We critically assessed the methodology used by the valuers by considering whether the valuation report is in accordance with the RICS Valuation Professional Standards 'the Red Book' and accounting standards. – **Benchmarking assumptions:** We held discussions with CBRE to critically assess movements in property values. For a sample of properties selected using various criteria including analysis of the value of a property as well as correlation with movements in market rent, we evaluated and challenged appropriateness of the key assumptions upon which these valuations were based, including those relating to forecast market rents and yields, by making a comparison to our own understanding of the market and to industry benchmarks. Specific assumptions that had been applied in the valuation in relation to the uncertainty as a result of the Covid-19 pandemic we discussed with CBRE and assessed for reasonableness. – **Test of detail:** We compared a sample of key inputs used in the valuations, such as rental income and lease length, to the Group's property management system and lease contracts. – **Test of detail:** For a selection of properties under development, we assessed the progress of the development and evaluated assumptions over constructions costs, agreeing them to construction contracts and directors' project appraisals. – **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the valuation of investment properties to changes in key assumptions adequately reflected the related risks, particularly as regards the material uncertainty reported by the external valuers. Our results – We found the valuation of investment properties and the disclosure of the associated level of uncertainty to be acceptable (2019 result: acceptable). – We have included an emphasis of matter in respect of the material uncertainty in the valuation in section 2 of this report (2019: no emphasis of matter).

	The risk	Our response
Going concern *Refer to page 76 (Going concern and viability statement) and page 180 (accounting policy).*	Disclosure quality The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. Given the significant impact of the Covid-19 pandemic, the risks most likely to adversely affect the Group's and Company's available financial resources over this period were: – tenant default and significant reduction in rent collections impacting cash flow and earnings; – Availability of borrowings and compliance with loan covenants; and – significant reduction in property values The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: – **Benchmarking assumptions:** We considered the Group's financial forecast and assessed the key assumptions such as market movements in real estate prices, rent collections and occupancy for reasonableness. We considered the Group's financial forecast of a plausible downside scenario as a result of the impact of Covid-19 and the impact on compliance with financial covenants and debt refinancing. – **Funding assessment:** We considered the Group's loan facilities, financing terms and loan covenants and compared them to the directors' forecasts and assumptions for ongoing covenant compliance and available headroom. – **Historical comparisons:** We assessed the reasonableness of the cash flow projections by considering the historical accuracy of the previous forecasts; – **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably plausible (but not unrealistic) adverse effects that could arise from these risks individually and collectively such as a further reduction in rent collections, occupancy rates and pricing, a fall in real estate prices and a gradual recovery in relation to these factors following lockdown as a result of Covid-19. – **Assessing transparency:** We considered the completeness and accuracy of the matters covered in the going concern disclosures and assessed whether they reflect the position of the Group's financing and the risks associated with the Group's ability to continue as a going concern. Our results – We found the going concern disclosure without any material uncertainty to be acceptable (2019 result: acceptable).

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 6 (The Chairman's Statement), page 76 (Viability Statement) and page 65 (Principal Risks and Uncertainties).*	Unprecedented levels of uncertainty: All audits assess and challenge the reasonableness of estimates, in particular as described in valuation of investment property and valuation of derivatives (together referred to as 'the key audit matters affected'), and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: – **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. – **Sensitivity analysis:** When addressing valuation of investment property and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. – **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on valuation of investment property we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. Our results – As reported under the key audit matters affected, we found the resulting estimates and related disclosures of valuation of investment property and derivatives and disclosures in relation to going concern to be acceptable (2019: acceptable). However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.
Valuation of derivatives (Parent) (Parent: £18.5 million; 2019: £10.1 million) *Refer to page 197 (financial disclosures).*	Subjective estimate The Parent Company has derivative financial instruments of £18.5 million (2019: £10.1 million). The cash flow hedge is against a $100 million/£64.5 million loan (2018: $100 million/ £64.5 million). The Parent Company has a cross currency swap to ensure the US Dollar liability streams generated from the US Dollar Notes are fully hedged into Sterling for the life of the transaction. Through entering into the cross currency swaps, the Parent Company has created a synthetic Sterling fixed rate liability totalling £64.5 million (2019: £64.5 million). The swaps have been externally valued and are designated as a cash flow hedge with changes in fair value dealt with in other comprehensive income. The valuations of the swaps are based on market movements which can fluctuate in the year. It is not at a high risk of significant misstatement or subject to significant judgement. However, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: – **Test of detail:** We agreed the carrying value of derivatives to valuations obtained directly from the counter-party valuers. – **Benchmarking assumptions:** using our own specialists, we assessed the key assumptions used in the valuations, such as foreign exchange rates, against our own knowledge of the market and industry. Our results – We found the valuation of derivatives to be acceptable (2019: acceptable).

4. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £26.7 million (2019: £25.4 million), determined with reference to a benchmark of total Group assets of £2,734.9 million (2019: £2,682.2 million), of which it represents 0.98% (2019: 0.95%).

In addition, we applied materiality of £4.0 million (2019: £3.3 million) to Group components of adjusted trading profit after interest which comprises net rental income, administrative expenses and net finance costs for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Group.

Materiality for the Parent Company financial statements as a whole was set at £15.5 million (2019: £15.3 million), determined with reference to a benchmark of company total assets, of which it represents 1% (2019: 1%).

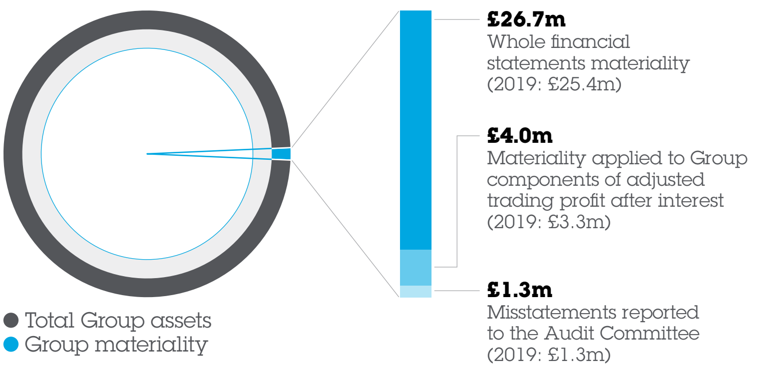
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.3 million (2019: £1.3 million) for the Group and exceeding £0.8 million (2019: £0.8 million) for the Parent Company; or £0.2 million (2019: £0.16 million) for misstatements relating to accounts to which the lower materiality was applied, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The components within the scope of our work accounted for the percentages illustrated opposite.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The Group team performed the parent company audit. The audit was performed using the materiality levels set out above.

Total Group assets
£2,734.9m (2019: £2,682.2m)

Group materiality
£26.7m (2019: £25.4m)



Group revenue
● Full scope for Group audit purposes 2020 **100%**

Group profit before tax
● Full scope for Group audit purposes 2020 **100%**

Group total assets
● Full scope for Group audit purposes 2020 **100%**

5. We have nothing to report on going concern
The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 3 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:
– we have anything material to add or draw attention to in relation to the directors' statement on page 180 on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
– the related statement under the Listing Rules set out on page 76 is materially inconsistent with our audit knowledge.
– We have nothing to report in these respects.

6. We have nothing to report on the other information in the Annual Report
The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report
Based solely on our work on the other information:
– we have not identified material misstatements in the strategic report and the directors' report;
– in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
– in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging risks and longer-term viability
Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:
– the directors' confirmation within Going Concern and Viability Statement page 76 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
– the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
– the directors' explanation in the Going Concern and Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Going Concern and Viability Statement. We have nothing to report in this respect. Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

– we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
– the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

– adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
– the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
– certain disclosures of directors' remuneration specified by law are not made; or
– we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 167, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the group's licence to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, REIT legislation and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Kelly
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
4 June 2020

Consolidated income statement
For the year ended 31 March 2020

	Notes	2020 £m	2019 £m
Revenue	1	**161.4**	149.4
Direct costs	1	**(39.4)**	(38.4)
Net rental income	1	**122.0**	111.0
Administrative expenses	2	**(17.7)**	(17.1)
Trading profit		**104.3**	93.9
Profit on disposal of investment properties	3(a)	**(0.8)**	8.3
Other expenses	3(b)	**(0.2)**	(1.1)
Change in fair value of investment properties	10	**(7.5)**	60.8
Operating profit	2	**95.8**	161.9
Finance costs	4	**(23.3)**	(21.5)
Exceptional finance costs	4	**–**	(3.1)
Profit before tax		**72.5**	137.3
Taxation	6	**(0.4)**	–
Profit for the financial year after tax		**72.1**	137.3
Basic earnings per share	8	**40.0p**	78.9p
Diluted earnings per share	8	**39.7p**	78.3p

Consolidated statement of other comprehensive income
For the year ended 31 March 2020

	2020 £m	2019 £m
Profit for the financial year	**72.1**	137.3
Other comprehensive income:		
Items that may be classified subsequently to profit or loss:		
Change in fair value of other investments	**(1.9)**	4.0
Cash flow hedge – transfer to income statement	**(4.2)**	(5.5)
Cash flow hedge – change in fair value	**8.3**	7.6
Total comprehensive income for the year	**74.3**	143.4

The notes on pages 180 to 208 form part of these financial statements.

Consolidated balance sheet

As at 31 March 2020

	Notes	2020 £m	2019 £m
Non-current assets			
Investment properties	10	**2,586.3**	2,591.4
Intangible assets		**2.0**	1.6
Property, plant and equipment	11	**4.8**	3.4
Other investments	12	**7.9**	9.8
Derivative financial instruments	16(e) & (f)	**18.5**	10.1
Deferred tax	6	**0.6**	–
		2,620.1	2,616.3
Current assets			
Trade and other receivables	13	**25.2**	13.7
Assets held for sale	10	**11.0**	25.5
Cash and cash equivalents	14	**79.2**	26.7
		115.4	65.9
Total assets		**2,735.5**	2,682.2
Current liabilities			
Trade and other payables	15	**(83.1)**	(77.0)
Borrowings	16(a)	**(9.0)**	–
		(92.1)	(77.0)
Non-current liabilities			
Borrowings	16(a)	**(645.4)**	(623.2)
		(645.4)	(623.2)
Total liabilities		**(737.5)**	(700.2)
Net assets		**1,998.0**	1,982.0
Shareholders' equity			
Share capital	19	**180.7**	180.4
Share premium	19	**295.4**	295.1
Investment in own shares	21	**(9.6)**	(9.3)
Other reserves	20	**32.2**	27.4
Retained earnings		**1,499.3**	1,488.4
Total shareholders' equity		**1,998.0**	1,982.0
EPRA net asset value per share	9	**£10.89**	£10.86

The notes on pages 180 to 208 form part of these financial statements.

The financial statements on pages 176 to 208 were approved and authorised for issue by the Board of Directors on 4 June 2020 and signed on its behalf by:

Graham Clemett
Director

Dave Benson
Director

Consolidated statement of changes in equity

For the year ended 31 March 2020

	Notes	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
		Attributable to owners of the Parent					
Balance at 31 March 2018		163.8	135.3	(9.3)	19.4	1,403.7	1,712.9
Profit for the financial year		–	–	–	–	137.3	137.3
Other comprehensive income for the year	20	–	–	–	6.1	–	6.1
Total comprehensive income		–	–	–	6.1	137.3	143.4
Transactions with owners:							
Share issues	19	16.6	159.8	–	–	–	176.4
Dividends paid	7	–	–	–	–	(52.6)	(52.6)
Share based payments	22	–	–	–	1.9	–	1.9
Balance at 31 March 2019		180.4	295.1	(9.3)	27.4	1,488.4	1,982.0
Profit for the financial year		**–**	**–**	**–**	**–**	**72.1**	**72.1**
Other comprehensive income for the year	20	**–**	**–**	**–**	**2.2**	**–**	**2.2**
Total comprehensive income		**–**	**–**	**–**	**2.2**	**72.1**	**74.3**
Transactions with owners:							
Share issues	19	**0.3**	**0.3**	**(0.3)**	**–**	**–**	**0.3**
Dividends paid	7	**–**	**–**	**–**	**–**	**(61.2)**	**(61.2)**
Share based payments	22	**–**	**–**	**–**	**2.6**	**–**	**2.6**
Balance at 31 March 2020		**180.7**	**295.4**	**(9.6)**	**32.2**	**1,499.3**	**1,998.0**

The notes on pages 180 to 208 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2020

	Notes	**2020 £m**	2019 £m
Cash flows from operating activities			
Cash generated from operations	18	**108.7**	99.8
Interest paid		**(24.1)**	(23.7)
Tax paid		**0.1**	–
Net cash inflow from operating activities		**84.7**	76.1
Cash flows from investing activities			
Purchase of investment properties		**–**	(220.8)
Capital expenditure on investment properties		**(59.7)**	(86.7)
Proceeds from disposal of investment properties (net of sale costs)		**75.0**	50.8
Purchase of intangible assets		**(0.9)**	(0.6)
Purchase of property, plant and equipment		**(2.3)**	(1.5)
Other income (overage receipts)		**2.0**	5.8
Purchase of investments		**0.5**	(1.5)
Income distributions from joint ventures		**–**	0.1
Net cash inflow/(outflow) from investing activities		**14.6**	(254.4)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	19	**0.6**	176.4
Finance costs for new/amended borrowing facilities		**–**	(0.7)
Exceptional finance costs		**–**	(2.9)
Settlement and re-couponing of derivative financial instruments		**–**	(0.2)
Repayment of bank borrowings and Retail Bond	16(b)	**(90.1)**	(343.5)
Draw down of bank borrowings and Private Placement Notes	16(b)	**104.0**	410.0
Own shares purchase (net)		**(0.3)**	–
Dividends paid	7	**(61.0)**	(52.1)
Net cash (outflow)/inflow from financing activities		**(46.8)**	187.0
Net increase in cash and cash equivalents		**52.5**	8.7
Cash and cash equivalents at start of year	18	**26.7**	18.0
Cash and cash equivalents at end of year	18	**79.2**	26.7

The notes on pages 180 to 208 form part of these financial statements.

Workspace Group PLC (the 'Company') and its subsidiaries (together 'the Group') are engaged in property investment in the form of letting of high-quality business accommodation to businesses across London.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK.

The registered number of the Company is 2041612.

Basis of preparation
These financial statements are presented in Sterling, which is the Company's functional currency and the Group's presentation currency and have been prepared on a going concern basis, in accordance with International Financial Reporting Standards ('IFRS') and IFRS IC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The potential impact of the Covid-19 pandemic on the operations of the Group has been a key consideration when assessing the appropriateness of applying the going concern basis in the preparation of the financial statements. There is still significant uncertainty as to how our customers, and the economy more widely, will respond to the current challenge and how our business will be impacted as a result. We have therefore modelled a number of different scenarios considering a period of 12 months from the date of signing of these financial statements. These scenarios include a severe, but realistically possible, scenario which assumes a lockdown period of six months with an economic slowdown. Key assumptions in this scenario include:
- 90% of customers receive a 50% discount and 80% of the discounted rent is deferred for 12 months after lockdown ends.
- A reduction of 30% in occupancy and 20% in pricing. These reductions are more severe than those experienced during the global financial crisis.
- A gradual recovery in occupancy to 90% over a period of 23 months.
- An expansion in investment yields of 350bps.

The Directors fully considered the Principal risks of the Company and how they may impact the model. Further details of the principal risks and how they are impacted by Covid-19 can be found on pages 58 to 67.

The appropriateness of the going concern basis is reliant on the continued availability of borrowings and compliance with loan covenants. The Group has a fully unsecured loan portfolio of £611.5m requiring compliance with LTV and Interest Cover covenants. As at the tightest test date in our forecasts, the Group could withstand a reduction in net rental income of 61% and a fall in the asset valuation of 61% compared to 31 March 2020 values before these covenants are breached, assuming no mitigating actions are taken. As at 31 March 2020, the Company had significant headroom on its facilities with £70m of cash and undrawn facilities of £96m. Other than Private Placement notes of £9m, no debt is due to be refinanced until June 2022. For the full period of the scenario tested, the Group maintains sufficient headroom in its cash and loan facilities and loan covenants are met.

Based on these factors, and the outcome of their review, the Directors have a reasonable expectation that the Group and the Company have adequate resources and sufficient loan facility headroom to continue as a going concern.

New accounting standards, amendments and guidance
a) During the year to 31 March 2020 the Group adopted the following accounting standards and guidance:

IFRS 9 (amended)	Prepayment Features with Negative Compensation and modifications of financial liabilities
IFRS 16	Leases
IAS 19 (amended)	Plan Amendment, Curtailment or Settlement
IAS 19 (amended)	Plan Amendment, Curtailment or Settlement
IFRIC 23	Uncertainty over Income Tax Treatments

The Group had to update its accounting policies and disclosures in relation to IFRS 16, but there were no impacts from other accounting standard amendments.

IFRS 16 – Leases
IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the use of a right-of-use asset and a lease liability at the commencement for all leases, except short-term leases and leases of low-value items. The right-of-use asset is assessed for impairment annually and is amortised on a straight-line basis. The lease liability is amortised using the effective interest method. The Group has a number of head leases which are already accounted for as investment properties held under leases in accordance with IAS 40 and have therefore been grossed up on the balance sheet. Lessor accounting is substantially unchanged from current accounting. Hence, this standard does not impact the Group's financial statements.

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

IFRS Standards	Amendments to References to the Conceptual Framework in IFRS Standards
IFRS 3 (amended)	Definition of a Business
IAS 1 and IAS 8 (amended)	Definition of Material
IFRS 9, IAS 39, IFRS 7 (amended)	Interest Rate Benchmark Reform
IAS 1 (amended)	Classification of Liabilities as Current or Non-Current

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

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

Investment property valuation
The Group uses the valuation performed by its independent valuer as the fair value of its investment properties. The valuation is based upon the key assumptions of estimated rental values and market based yields. With regard to redevelopments and refurbishments, future development costs and an appropriate discount rate are also used. In determining fair value the valuers make reference to market evidence and recent transaction prices for similar properties.

The Covid-19 pandemic has caused disrupted activity in real estate markets creating heightened valuation uncertainty for the Group's valuers. Consequently, their valuation report contains a material uncertainty clause. Details of this along with the valuation methodology and key assumptions are given in note 10.

Management consider the significant assumptions to the valuation of investment properties to be estimated rental values and market based yields. Sensitivities on these assumptions are provided in note 10.

Significant accounting policies
The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless stated otherwise.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings up to 31 March 2020. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

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

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

Investment property is measured initially at cost, including related transaction costs. After initial recognition investment property is held at fair value based on a valuation by an independent professional external valuer at each reporting date. The valuation methods and key assumptions applied are explained in note 10. Changes in fair value of investment property at each reporting date are recorded in the consolidated income statement.

Investment properties acquired under leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the net present value of the minimum lease payments. The investment properties acquired under leases are subsequently carried at fair value plus an adjustment for the carrying amount of the lease obligation. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the consolidated income statement.

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

Existing investment properties which undergo redevelopment and refurbishment for continued future use remain in investment property where the purpose of holding the property continues to meet the definition of investment property as defined above. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group, and the cost of each item can be reliably measured. Certain internal staff costs directly attributable to capital/redevelopment projects are capitalised. All other repairs and maintenance costs are charged to the consolidated income statement during the period in which they are incurred.

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

Investment properties are recognised as 'assets held for sale' when it is considered highly probable that sale completion will take place. This is assumed when a sale has exchanged contracts by the balance sheet date and its carrying amount is highly probable to be recovered within one year.

Income from the sale of assets is recognised when the significant risks and returns have been transferred to the buyer. In the case of sales of properties this is generally taken on completion of the contract. In the case of a part disposal agreement, the part of the asset being disposed will be derecognised from investment property when completion is reached or when a finance lease agreement is signed (i.e. when the risks and rewards of this part of the site transfer to the developer). Profit or loss on disposal is taken as the consideration receivable (net of costs) less the latest valuation (net book value) and is taken to other operating income/expense.

Consideration can take the form of cash, new commercial buildings and a right to future overage (generally being a share in the proceeds of any future sale of the residential development to be constructed by the developer). Revenue is recognised when all relevant criteria in IFRS 15 are met, specifically when the inflow of economic benefit is probable and when the amount can be measured reliably.

Consideration (including overage) is measured at the fair value of the consideration received/receivable.

Commercial property to be received is fair valued using the residual method described in note 10 and is included in investment property. Changes in fair value are recognised through the consolidated income statement in accordance with IAS 40.

Overage is only recognised once an agreement has been signed with a residential developer. Overage represents a financial asset and is designated as a financial asset at fair value through profit or loss upon initial recognition. The carrying value of overage is assessed at each period end and changes in fair value are taken to other operating income and expenses.

Acquisitions
Where properties are acquired through corporate acquisitions and there are no significant assets (other than investment property) and liabilities, and without a business being acquired, the acquisition is treated as an asset acquisition. In all other cases, the acquisition is treated as a business combination.

Intangible assets

Intangible assets are stated at historical cost, less accumulated amortisation. Acquired computer software licences and external costs of implementing or developing computer software programs and websites are capitalised. These costs are amortised over their estimated useful lives of five years on a straight-line basis.

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

Property, plant and equipment

Equipment and fixtures

Equipment and fixtures are stated at historical purchase cost less accumulated depreciation and impairment. Historical cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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

Depreciation is provided using the straight-line method to allocate the cost less estimated residual value over the assets' estimated useful lives which range from four to 10 years.

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

Joint ventures

Joint ventures are those entities over which the Group, either directly or indirectly, is in a position to jointly control the financial and operating policies of the entity. Joint ventures are accounted for under the equity method whereby the Group's investment is initially accounted for at cost and adjusted thereafter to recognise the Group's share of the gains or losses in the joint venture. These are adjusted for any gains or losses arising from transactions between the Group and the joint venture.

Other investments

Investments in unlisted shares are accounted for under IFRS 9 at fair value, using a valuation multiple and financial information. Changes in fair value are shown in the consolidated statement of other comprehensive income.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment based on the expected credit loss, which uses a lifetime expected loss allowance for all trade receivables based on the individual occupiers' circumstance. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The provision is recorded in the consolidated income statement.

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

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently held at amortised cost.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, restricted cash in the form of tenants' deposits and deposits held on call with banks. Bank overdrafts are included in current liabilities but within cash and cash equivalents for the purpose of the consolidated cash flow statement.

Borrowings

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

Foreign currency translation

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Derivative financial instruments and hedge accounting

The Group enters into derivative transactions in order to manage its exposure to foreign currency fluctuations and interest rate risks. Financial derivatives are recorded at fair value calculated by valuation techniques based on market prices, estimated future cash flows and forward interest rates.

For financial derivatives (where hedge accounting is not applied) movements in fair value are recognised in the consolidated income statement. In line with IFRS 13, fair values of financial derivatives are measured at the estimated amount that the Group would receive or pay to terminate the agreement at the balance sheet date, taking into account the current interest expectations and current credit value adjustment of the counterparties.

The Group applies hedge accounting for certain derivatives that are designated and effective as hedges of future cash flows (cash flow hedges). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in note 16. Movements on the hedging reserve in other comprehensive income are shown in note 20.

For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in consolidated statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within other gains/(losses). Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, to offset the currency movement on borrowings that are hedged at each period end). The gain or loss relating to the effective portion of swaps hedging the currency of borrowings is recognised in the consolidated income statement.

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

Investment in own shares
The Group operates an Employee Share Ownership Trust ('ESOT') and a trust for the Share Incentive Plan ('SIP'). When the Group funds these trusts in order to purchase Company shares, the loan is deducted from shareholders' equity as investment in own shares.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision maker is the Executive Committee of the Company. The Group considers that it has only one operating segment being a single portfolio of commercial property providing business accommodation for rent in London.

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

All the Group's properties are leased out under operating leases and are included in investment property in the consolidated balance sheet. In accordance with IFRS 16, rental income from leases is recognised in the consolidated income statement on a straight-line basis over the lease term. Rent received in advance is deferred in the consolidated balance sheet and recognised in the period to which it relates to. If the Group provides significant incentives to its customers the incentives are recognised over the lease term on a straight-line basis.

Service charges and other sums receivable from tenants are recognised on an accruals basis by reference to the stage of completion of the relevant service or transactions at the reporting date. These services generally relate to a 12-month period.

Direct costs
Direct costs comprise service charges and other costs directly recoverable from tenants and non-recoverable costs directly attributable to investment properties and other revenue streams.

Exceptional items
Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

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

The fair value of the employee services received in exchange for the grant of share awards and options is recognised as an expense over the vesting period.

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

Pensions
The Group operates a defined contribution pension scheme. Contributions are charged to the consolidated income statement on an accruals basis.

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

Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Compliance with the Real Estate Investment Trust ('REIT') taxation regime
The Group is a REIT and is thereby exempt from tax on both rental profits and chargeable gains from its UK property rental business.

In order to retain REIT status, certain ongoing criteria must be maintained. The main criteria are as follows:
– At the start of each accounting period, the assets of the tax exempt business must be at least 75% of the total value of the Group's assets.
– At least 75% of the Group's total profits must arise from the tax exempt business.
– At least 90% of the tax exempt business earnings must be distributed.

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

1. Analysis of net rental income and segmental information

	2020			2019		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**132.7**	**(2.2)**	**130.5**	123.7	(3.8)	119.9
Service charges	**21.8**	**(25.5)**	**(3.7)**	19.3	(24.6)	(5.3)
Empty rates and other non-recoverables	**–**	**(6.3)**	**(6.3)**	–	(5.3)	(5.3)
Services, fees, commissions and sundry income	**6.9**	**(5.4)**	**1.5**	6.4	(4.7)	1.7
	161.4	**(39.4)**	**122.0**	149.4	(38.4)	111.0

All of the properties within the portfolio are geographically close to each other and have similar economic features and risks. Management information utilised by the Executive Committee to monitor and review performance is reviewed as one portfolio. As a result, management have determined that the Group operates a single operating segment providing business accommodation for rent in London.

2. Operating profit

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

	2020 £m	2019 £m
Depreciation[1]	**0.9**	1.0
Staff costs (including share based costs)[1] (note 5)	**18.7**	18.8
Repairs and maintenance expenditure on investment properties	**2.4**	3.7
Trade receivables impairment (note 13)	**0.8**	0.7
Amortisation of intangibles	**0.5**	0.4
Audit fees payable to the Company's Auditor	**0.2**	0.2

1. Charged to direct costs and administrative expenses based on the underlying nature of the expenses.

Auditor's remuneration: services provided by the Company's Auditor and its associates	**2020 £000**	2019 £000
Audit fees:		
Audit of Parent Company and consolidated financial statements	**178**	154
Audit of subsidiary financial statements	**31**	27
	209	181
Fees for other services:		
Audit-related assurance services	**31**	31
Total fees payable to Auditor	**240**	212

	2020 £m	2019 £m
Total administrative expenses are analysed below:		
Staff costs	**9.8**	9.6
Cash-settled share based costs	**–**	0.3
Equity settled share based costs	**2.6**	1.9
Other	**5.3**	5.3
	17.7	17.1

3(a). Profit on disposal of investment properties

	2020 £m	2019 £m
Proceeds from sale of investment properties (net of sale costs)	**79.5**	50.8
Book value at time of sale	**(80.3)**	(42.5)
(Loss)/profit on disposal	**(0.8)**	8.3

During the year, the sale of the Marshgate site completed. Workspace received proceeds of £15m, of which £10.5m was received in cash in August 2019. The remaining balance of £4.5m is payable upon transfer of the leasehold element and is being held on the balance sheet as deferred consideration (Note 10). As part of the sale, Workspace will also be receiving new commercial space, the value of which is held as investment property on the balance sheet.

3(b). Other expenses

	2020 £m	2019 £m
Change in fair value of deferred consideration	**0.2**	1.1
	0.2	1.1

The value of deferred consideration (cash and overage) from the sale of investment properties has been revalued by CBRE Limited at 31 March 2020 and 31 March 2019. This resulted in a reduction in the fair value of deferred consideration of £0.2m at 31 March 2020 (31 March 2019: decrease of £1.1m). The amounts receivable are included in the consolidated balance sheet under current trade and other receivables (note 13).

4. Finance costs

	2020 £m	2019 £m
Interest payable on bank loans and overdrafts	**(4.1)**	(4.7)
Interest payable on other borrowings	**(18.6)**	(17.3)
Amortisation of issue costs of borrowings	**(0.7)**	(1.3)
Interest payable on finance leases	**(1.7)**	(0.9)
Interest capitalised on property refurbishments (note 10)	**1.8**	2.7
Foreign exchange gains/(losses) on financing activities	**4.2**	5.5
Cash flow hedge – transfer (to)/from equity	**(4.2)**	(5.5)
Finance costs	**(23.3)**	(21.5)
Exceptional finance costs	**–**	(3.1)
Total finance costs	**(23.3)**	(24.6)

Prior year exceptional finance costs of £3.1m were incurred upon repayment of the £57.5m 6% Retail Bond in September 2018. The costs included a £2.9m premium on redemption and £0.2m of unamortised finance costs and legal fees relating to this debt.

5. Employees and Directors

Staff costs for the Group during the year were:	2020 £m	2019 £m
Wages and salaries	**15.3**	15.8
Social security costs	**1.8**	1.9
Other pension costs (note 26)	**0.7**	0.8
Cash-settled share based costs (note 22)	**–**	0.3
Equity settled share based costs (note 22)	**2.6**	1.9
	20.4	20.7
Less costs capitalised	**(1.7)**	(1.9)
	18.7	18.8

The monthly average number of people employed during the year was:	2020 Number	2019 Number
Head office staff (including Directors)	**117**	110
Estates and property management staff	**118**	110
	235	220

The emoluments and pension benefits of the Directors are determined by the Remuneration Committee of the Board and are set out in detail in the Directors' Remuneration Report on pages 130 to 161. These form part of the financial statements.

Total Directors' emoluments for the financial year were £2.9m (2019: £3.2m), comprising of £1.4m (2019: £2.2m) of Directors' remuneration, £1.4m (2019: £0.9m) gain on exercise of share options and £0.1m (2019: £0.1m) of cash contributions in lieu of pension in respect of two Directors (2019: two).

6. Taxation

	2020 £m	2019 £m
Current tax:		
UK corporation tax	**0.8**	–
Adjustments to tax in respect of previous periods	**–**	–
	–	–
Deferred tax:		
On origination and reversal of temporary differences	**(0.4)**	–
	–	–
Total taxation charge	**0.4**	–

Taxation chargeable in the year relates to income from non REIT activities such as overage, meeting room income and utilities recharges.

The tax on the Group's profit for the year differs from the standard applicable corporation tax rate in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £m	2019 £m
Profit before taxation	**72.5**	137.3
Tax at standard rate of corporation tax in the UK of 19% (2019: 19%)	**13.8**	26.0
Effects of:		
REIT exempt income	**(14.3)**	(15.1)
Changes in fair value not subject to tax as a REIT	**1.4**	(11.5)
Share based payment adjustments	**–**	0.1
Overage income subject to tax when received	**(0.1)**	–
Losses carried forward previously unrecognised	**–**	0.6
Utilisation of losses unrecognised brought forward	**(0.4)**	–
Other non-taxable expenses	**–**	(0.1)
Total taxation charge	**0.4**	–

The Group is a Real Estate Investment Trust ('REIT'). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Group estimates that as the majority of its future profits will be exempt from tax, future tax charges are likely to be low.

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at balance sheet date has been calculated at 19% (2019: 17%).

The Group currently has an unrecognised asset in relation to tax losses carried forward of £1.3m (2019: £0.8m) calculated at a corporation tax rate of 19% (2019: 19%).

	2020 £m	2019 £m
Deferred tax assets:		
– Deferred tax to be recovered within 12 months	**0.8**	0.6
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered within 12 months	**(0.2)**	(0.6)
Deferred tax liabilities (net)	**0.6**	–

6. Taxation continued

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Other income (overage receipts) £m	Total £m
At 1 April 2018	0.8	0.8
Credited to income statement	(0.2)	(0.2)
At 31 March 2019	0.6	0.6
Credited to income statement	(0.4)	(0.4)
At 31 March 2020	**0.2**	**0.2**

Deferred tax assets	Expenses (share based payment) £m	Tax losses £m	Total £m
At 1 April 2018	(0.8)	–	(0.8)
Charged to income statement	0.2	(0.2)	–
At 31 March 2019	(0.6)	(0.2)	(0.8)
Charged to income statement	–	–	–
At 31 March 2020	**(0.6)**	**(0.2)**	**(0.8)**

7. Dividends

	Payment date	Per share	**2020 £m**	2019 £m
For the year ended 31 March 2018:				
Final dividend	August 2018	18.55p	**–**	33.4
For the year ended 31 March 2019:				
Interim dividend	February 2019	10.61p	**–**	19.2
Final dividend	August 2019	22.26p	**40.1**	–
For the year ended 31 March 2020:				
Interim dividend	February 2020	11.67p	**21.1**	–
Dividends for the year			**61.2**	52.6
Timing difference on payment of withholding tax			**(0.2)**	(0.5)
Dividends cash paid			**61.0**	52.1

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 March 2020 of 24.49 pence per ordinary share which will absorb an estimated £44.3m of revenue reserves and cash. If approved by the shareholders at the AGM, it will be paid on 7 August 2020 to shareholders who are on the register of members on 3 July 2020. The dividend will be paid as a REIT Property Income Distribution ('PID') net of withholding tax where appropriate.

8. Earnings per share

Earnings used for calculating earnings per share:	**2020 £m**	2019 £m
Basic and diluted earnings	**72.1**	137.3
Change in fair value of investment properties	**7.5**	(60.8)
Exceptional finance costs	**–**	3.1
Profit on disposal of investment properties	**0.8**	(8.3)
EPRA earnings	**80.4**	71.3
Adjustment for non-trading items:		
Other income/(expenses)	**0.2**	1.1
Taxation	**0.4**	–
Trading profit after interest	**81.0**	72.4

Earnings have been adjusted to derive an earnings per share measure as defined by the European Public Real Estate Association ('EPRA') and an adjusted underlying earnings per share measure.

Number of shares used for calculating earnings per share:	**2020 Number**	2019 Number
Weighted average number of shares (excluding own shares held in trust)	**180,465,649**	177,138,144
Dilution due to share option schemes	**981,867**	1,258,651
Weighted average number of shares for diluted earnings per share	**181,447,516**	178,396,795

In pence:	**2020**	2019
Basic earnings per share	**40.0p**	77.5p
Diluted earnings per share	**39.7p**	77.0p
EPRA earnings per share	**44.5p**	40.3p
Adjusted underlying earnings per share[1]	**44.6p**	40.6p

1. Adjusted underlying earnings per share is calculated by trading profit after interest on a diluted basis.

9. Net assets per share and total accounting return

Net assets used for calculating net assets per share:	**2020 £m**	2019 £m
Net assets at end of year (basic)	**1,998.0**	1,982.0
Derivative financial instruments at fair value	**(18.5)**	(10.1)
EPRA net assets	**1,979.5**	1,971.9

Number of shares used for calculating net assets per share:	**2020 Number**	2019 Number
Shares in issue at year end	**180,747,868**	180,385,498
Less own shares held in trust at year end	**(174,719)**	(135,946)
Dilution due to share option schemes	**1,232,747**	1,267,169
Number of shares for calculating diluted adjusted net assets per share	**181,805,896**	181,516,721

	2020	2019
EPRA net assets per share	**£10.89**	£10.86
Basic net assets per share	**£11.07**	£11.00
Diluted net assets per share	**£10.99**	£10.91

Net assets have been adjusted and calculated on a diluted basis to derive a net asset per share measure as defined by EPRA.

Total Accounting Return	**2020 £**	2019 £
Opening EPRA net assets per share (A)	**10.86**	10.37
Closing EPRA net assets per share	**10.89**	10.86
Increase in EPRA net assets per share	**0.03**	0.49
Ordinary dividends paid in the year	**0.34**	0.29
Total return (B)	**0.37**	0.78
Total accounting return (B/A)	**3.4%**	7.5%

The total accounting return for the year comprises the growth in absolute EPRA net asset per share plus dividends paid in the year as a percentage of the opening EPRA net asset value per share. The total return for the year ended 31 March 2020 was 3.4% (31 March 2019: 7.5%).

EPRA Net Asset Value Metrics

EPRA published updated best practice reporting guidance in October 2019, which included three new Net Asset Valuation metrics; EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV). This new set of EPRA NAVs metrics will come into full effect for accounting periods starting from 1 January 2020, but are presented below for comparison to the current EPRA NAV metric.

	March 2020			March 2019		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to shareholders	**1,998.0**	**1,998.0**	**1,998.0**	1,982.0	1,982.0	1,982.0
Fair Value of Derivative Financial Instruments	**(18.5)**	**(18.5)**	**–**	(10.1)	(10.1)	–
Intangibles per IFRS balance sheet	**–**	**(2.0)**	**–**	–	(1.6)	–
Excess of fair value of debt over book value	**–**	**–**	**11.9**	–	–	10.7
Purchasers' costs	**187.8**	**–**		190.0	–	–
NAV	**2,167.3**	**1,977.5**	**2,009.9**	2,161.9	1,970.3	1,992.7
NAV per share	**£11.92**	**£10.88**	**£11.06**	£11.91	£10.85	£10.98

Reconciliation to previously reported EPRA NAV

	March 2020			March 2019		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
EPRA NAV	**1,979.5**	**1,979.5**	**1,979.5**	1,971.9	1,971.9	1,971.9
Include Fair value of Derivative financial instruments	**–**	**–**	**18.5**	–	–	10.1
Exclude Intangibles per IFRS balance sheet	**–**	**(2.0)**	**–**	–	(1.6)	–
Excess of fair value of debt over book value	**–**	**–**	**11.9**	–	–	10.7
Purchasers' costs	**187.8**	**–**	**–**	190.0	–	–
New EPRA measure	**2,167.3**	**1,977.5**	**2,009.9**	2,161.9	1,970.3	1,992.7

10. Investment properties

	2020 £m	2019 £m
Balance at 1 April	**2,591.4**	2,288.7
Purchase of investment properties	**–**	221.8
Capital expenditure	**53.5**	88.6
Change in value of finance leases	**12.4**	(0.3)
Capitalised interest on refurbishments (note 4)	**1.8**	2.7
Disposals during the year	**(65.3)**	(42.5)
Change in fair value of investment properties	**(7.5)**	60.8
Less: Reclassified as deferred consideration	**–**	(2.9)
Less: Classified as assets held for sale	**–**	(25.5)
Balance at 31 March	**2,586.3**	2,591.4

Investment properties represent a single class of property being business accommodation for rent in London.

Capitalised interest is included at a rate of capitalisation of 4.0% (2019: 4.3%). The total amount of capitalised interest included in investment properties is £14.1m (2019: £12.3m).

The change in fair value of investment properties is recognised in the consolidated income statement.

Investment properties include buildings with a carrying amount of £305m (2019: £300m) held under finance leases with a carrying amount of £28.2m (2019: £15.8m). Investment property finance lease commitment details are shown in note 16(h).

Valuation

The Group's investment properties are held at fair value and were revalued at 31 March 2020 by the external valuer, CBRE Limited, a firm of independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Global Standards at this balance sheet date. All the properties are revalued at period end regardless of the date of acquisition. This includes a physical inspection of all properties, at least once a year. In line with IFRS 13, all investment properties are valued on the basis of their highest and best use. For like-for-like properties their current use equates to the highest and best use. For properties undergoing refurbishment or redevelopment, most of these are currently being used for business accommodation in their current state. However, the valuation is based on the current valuation at the balance sheet date including the impact of the potential refurbishment and redevelopment as this represents the highest and best use.

For the 31 March 2020 valuation, the outbreak of Covid-19 has had a significant impact on real estate activity causing some uncertainty for property valuations. Consequently, the valuers have included a material valuation uncertainty clause in their valuation report which states:

> As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that you keep the valuation of the properties under frequent review.
>
> For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

To allow for the immediate impact of the pandemic, the valuers have reflected in their assessment a £32m deduction a buyer might expect to allow for the risk of increased customer defaults and non-payment of rent.

The Executive Committee and the Board both conduct a detailed review of each property valuation to review appropriate assumptions have been applied. Meetings are held with the valuers to review and challenge the valuations, to confirm that they have considered all relevant information, and rigorous reviews are performed to check that valuations are sensible. In particular, they discussed the impact on the valuation of the Covid-19 rent reductions. They are satisfied with the valuers conclusions.

The valuation of like-for-like properties (which are not subject to refurbishment or redevelopment) is based on the income capitalisation method which applies market-based yields to the Estimated Rental Values ('ERVs') of each of the properties. Yields are based on current market expectations depending on the location and use of the property. ERVs are based on estimated rental potential considering current rental streams, market comparatives, occupancy and timing of rent reviews. Whilst there is market evidence for these inputs and recent transaction prices for similar properties, there is still a significant element of estimation and judgement. As a result of adjustments made to market observable data, the significant inputs are deemed unobservable under IFRS 13.

When valuing properties being refurbished by Workspace, the residual value method is used. The completed value of the refurbishment is determined as for like-for-like properties above. Capital expenditure required to complete the building is then deducted and a discount factor is applied to reflect the time period to complete construction and allowance made for construction and market risk to arrive at the residual value of the property.

The discount factor used is the property yield that is also applied to the estimated rental value to determine the value of the completed building. Other risks such as unexpected time delays relating to planned capital expenditure are assessed on a project-by-project basis, looking at market comparable data where possible and the complexity of the proposed scheme.

10. Investment properties continued

Valuation continued

Redevelopment properties are also valued using the residual value method. The completed proposed redevelopment which would be undertaken by a residential developer is valued based on the market value for similar sites and then adjusted for costs to complete, developer's profit margin and a time discount factor. Allowance is also made for planning and construction risk depending on the stage of the redevelopment. If a contract is agreed for the sale/redevelopment of the site, the property is valued based on agreed consideration.

For all methods the valuers are provided with information on tenure, letting, town planning and the repair of the buildings and sites.

The reconciliation of the valuation report total to the amount shown in the consolidated balance sheet as non-current assets, investment properties, is as follows:

	2020 £m	2019 £m
Total per CBRE valuation report	**2,574.4**	2,604.0
Deferred consideration on sale of property	**(5.3)**	(2.9)
Head leases treated as finance leases under IFRS 16	**28.2**	15.8
Less: Reclassified as assets held for sale	**(11.0)**	(25.5)
Total investment properties per balance sheet	**2,586.3**	2,591.4

The Group's investment properties are carried at fair value and under IFRS 13 are required to be analysed by level depending on the valuation method adopted. The different valuation methods are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2 – Use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data.
Level 3 – Use of a model with inputs that are not based on observable market data.

As noted in the Significant judgements, key assumptions and estimates section, property valuations are complex and involve data which is not publicly available and involves a degree of judgement. All the investment properties are classified as Level 3, due to the fact that one or more significant inputs to the valuation are not based on observable market data. If the degree of subjectivity or nature of the measurement inputs changes then there could be a transfer between Levels 2 and 3 of classification. No changes requiring a transfer have occurred during the current or previous year.

The following table summarises the valuation techniques and inputs used in the determination of the property valuation.

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	1,539.6	A	£12-£79	£47	4.1%-7.0%	5.9%
Completed projects	547.4	A	£20-£69	£46	4.9%-7.2%	5.6%
Refurbishments	331.3	A/B	£19-£70	£35	4.3%-6.4%	5.2%
Redevelopments	139.8	A/B	£16-£35	£21	3.5%-6.8%	5.4%
Head leases	28.2	n/a	–	–	–	–
Total	**2,586.3**					

A = Income capitalisation method.
B = Residual value method.

A key unobservable input for redevelopments at planning stage and refurbishments is developer's profit. The range is 15%–19% with a weighted average of 17%.

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £213–£240 per sq. ft. and a weighted average of £229 per sq. ft.

Costs to complete are not considered to be a significant unobservable input for refurbishments due to the high percentage of costs that are fixed.

Sensitivity analysis:

A +/- 10% movement in ERVs or a +/- 25 basis points movement in yields would result in the following increase/decrease in the valuation.

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+154/-154	-63/+68
Completed projects	+55/-55	-23/26
Refurbishments	+39/-39	-18/+24
Redevelopments	+11/-11	-5/+6

11. Property, plant and equipment

Cost or valuation	Equipment and fixtures £m
1 April 2018	7.2
Additions during the year	1.5
Balance at 31 March 2019	8.7
Additions during the year	2.3
Balance at 31 March 2020	**11.0**
Accumulated depreciation	
1 April 2018	4.3
Charge for the year	1.0
Balance at 31 March 2019	5.3
Charge for the year	0.9
Balance at 31 March 2020	**6.2**
Net book amount at 31 March 2020	**4.8**
Net book amount at 31 March 2019	3.4

12. Other investments

The Group holds the following investment:

	2020 £m	2019 £m
15% of share capital of Excell Holdings Limited (2019: 15%)	**7.9**	9.8
	7.9	9.8

In accordance with IFRS 9 the valuation of the share in Excell Holdings has been adjusted to fair value, resulting in a reduction of £1.9m in the financial year, recognised in the consolidated statement of other comprehensive income.

13. Trade and other receivables

Current trade and other receivables	**2020 £m**	2019 £m
Trade receivables	**11.1**	5.0
Less provision for impairment of receivables	**(1.1)**	(0.7)
Trade receivables – net	**10.0**	4.3
Prepayments, other receivables and accrued income	**9.9**	6.5
Deferred consideration on sale of investment properties	**5.3**	2.9
	25.2	13.7

Receivables at fair value:
Included within deferred consideration on sale of investment properties is £0.8m (2019: £2.9m) of overage which is held at fair value through profit and loss. In the current year, as the amounts receivable are expected within the following 12 months they have been classified as current receivables.

The deferred consideration arising on the sale of investment properties relates to cash and overage. The overage has been fair valued by CBRE Limited using appropriate discount rates, and will be revalued on a regular basis. This is a Level 3 valuation of a financial asset, as defined by IFRS 13. The change in fair value recorded in the consolidated income statement, including both current and non-current elements, was a loss of £0.2m (31 March 2019: £1.1m loss) (note 3(b)).

	2020 £m	2019 £m
Deferred consideration on sale of investment properties:		
Balance at 1 April	**2.9**	7.0
Cash received	**(1.9)**	(5.8)
Additions/reclassifications	**4.5**	2.8
Change in fair value	**(0.2)**	(1.1)
Balance at 31 March	**5.3**	2.9

Receivables at amortised cost:
The remaining receivables are held at amortised cost. There is no material difference between the above amounts and their fair values due to the short-term nature of the receivables. Trade receivables are impaired when there is evidence that the amounts may not be collectable under the original terms of the receivable. All the Group's trade and other receivables are denominated in Sterling.

Movements on the provision for impairment of trade receivables are shown below:

	2020 £m	2019 £m
Balance at 1 April	**0.7**	0.6
Increase in provision for impairment of trade receivables	**0.8**	0.3
Receivables written off during the year	**(0.4)**	(0.2)
Balance at 31 March	**1.1**	0.7

14. Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank and in hand	**70.3**	17.3
Restricted cash – tenants' deposit deeds	**8.9**	9.4
	79.2	26.7

Tenants' deposit deeds represent returnable cash security deposits received from tenants and are held in ring-fenced bank accounts in accordance with the terms of the individual lease contracts.

15. Trade and other payables

	2020 £m	2019 £m
Trade payables	**4.8**	5.7
Other tax and social security payable	**5.6**	0.4
Corporation tax payable	**0.8**	–
Tenants' deposit deeds (note 14)	**8.9**	9.4
Tenants' deposits	**25.6**	21.2
Accrued expenses	**26.6**	28.7
Deferred income – rent and service charges	**10.8**	11.6
	83.1	77.0

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

16. Borrowings
(a) Balances

	2020 £m	2019 £m
Current		
Senior Floating Rate Notes 2020 (unsecured)	**9.0**	–
Non-current		
Bank loans (unsecured)	**153.0**	138.5
5.6% Senior US Dollar Notes 2023 (unsecured)	**81.0**	76.9
5.53% Senior Notes 2023 (unsecured)	**83.9**	83.8
Senior Floating Rate Notes 2020 (unsecured)	**–**	9.0
3.07% Senior Notes (unsecured)	**79.8**	79.7
3.19% Senior Notes (unsecured)	**119.7**	119.7
3.6% Senior Notes (unsecured)	**99.8**	99.8
Finance lease obligations	**28.2**	15.8
	654.4	623.2

(b) Net debt

	2020 £m	2019 £m
Borrowings per (a) above	**654.4**	623.2
Adjust for:		
Finance leases	**(28.2)**	(15.8)
Cost of raising finance	**1.9**	2.6
Foreign exchange differences	**(16.6)**	(12.5)
	611.5	597.5
Cash at bank and in hand (note 14)	**(70.3)**	(17.3)
Net debt	**541.2**	580.2

At 31 March 2020 the Group had £96m (2019: £110m) of undrawn bank facilities, a £2m overdraft facility (2019: £2m) and £70.3m of unrestricted cash (2019: £17.3m).

Net debt represents borrowing facilities drawn, less cash at bank and in hand. It excludes impacts of foreign exchange differences as these are fixed via swaps, finance leases and any cost of raising finance as they have no future cash flows.

16. Borrowings continued

(c) Maturity

	2020 £m	2019 £m
Repayable within one year	**9.0**	–
Repayable between one year and two years	**–**	9.0
Repayable between two years and three years	**154.0**	–
Repayable between three years and four years	**148.5**	140.0
Repayable between four years and five years	**–**	148.5
Repayable in five years or more	**300.0**	300.0
	611.5	597.5
Cost of raising finance	**(1.9)**	(2.6)
Foreign exchange differences	**16.6**	12.5
	626.2	607.4
Finance leases:		
Repayable in five years or more	**28.2**	15.8
	654.4	623.2

(d) Interest rate and repayment profile

	Principal at period end £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	–	Base+2.25%	Variable	On demand
Private Placement Notes:				
Senior Floating Rate Notes	9.0	LIBOR+3.5%	Half yearly	June 2020
Non-current				
Private Placement Notes:				
5.6% Senior US Dollar Notes	64.5	5.6%	Half yearly	June 2023
5.53% Senior Notes	84.0	5.53%	Half yearly	June 2023
3.07% Senior Notes	80.0	3.07%	Half yearly	August 2025
3.19% Senior Notes	120.0	3.19%	Half yearly	August 2027
3.6% Senior Notes	100.0	3.6%	Half yearly	January 2029
Bank loan	154.0	LIBOR+1.65%	Monthly	June 2022
	611.5			

(e) Derivative financial instruments

The Group has cross currency swaps to ensure the US Dollar liability streams generated from the US Dollar Notes are fully hedged into Sterling for the life of the transaction. Through entering into cross currency swaps the Group has created a synthetic Sterling fixed rate liability totalling £64.5m.

These swaps have been designated as a cash flow hedge with changes in fair value dealt with in other comprehensive income. The Group has elected to continue applying hedge accounting as set out in IAS 39 to these swaps as permitted by IFRS 9.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The critical terms of this hedging relationship perfectly matched at origination, so for the prospective assessment of effectiveness a qualitative assessment was performed. Quantitative retrospective effectiveness tests using the hypothetical derivative method are performed at each period end to determine the continuing effectiveness of the relationship. Sources of hedge ineffectiveness include credit risk or changes made to the critical terms of the hedged item or the hedged instrument.

The effects of the cash flow US Dollar swap hedging relationship is as follows:

	2020	2019
Carrying amount of derivative	**18.5**	10.1
Change in fair value of designated hedging instrument	**8.3**	7.6
Change in fair value of designated hedged item	**(4.2)**	(5.4)
Notional amount £m	**64.5**	64.5
Notional amount ($m)	**100**	100
Rate payable (%)	**5.66%**	5.66%
Maturity	**June 2023**	June 2023
Hedge ratio	**1:1**	1:1

(f) Financial instruments and fair values

	2020 Book value £m	**2020 Fair value £m**	2019 Book value £m	2019 Fair value £m
Financial liabilities held at amortised cost				
Bank loans	**153.0**	**154.0**	138.5	140.0
Private Placement Notes	**473.2**	**484.1**	468.9	478.1
Finance lease obligations	**28.2**	**28.2**	15.8	15.8
	654.4	**666.3**	623.2	633.9
Financial assets at fair value through other comprehensive income				
Derivative financial instruments:				
Cash flow hedge – derivatives used for hedging	**(18.5)**	**(18.5)**	(10.1)	(10.1)
Other investments	**(6.9)**	**(6.9)**	(9.8)	(9.8)
	(25.4)	**(25.4)**	(19.9)	(19.9)
Financial assets at fair value through profit or loss				
Deferred consideration (overage)	**5.3**	**5.3**	2.9	2.9
	5.3	**5.3**	2.9	2.9

In accordance with IFRS 13 disclosure is required for financial instruments that are carried or disclosed in the financial statements at fair value. The fair values of all the Group's financial derivatives, bank loans and Private Placement Notes, have been determined by reference to market prices and discounted expected cash flows at prevailing interest rates and are Level 2 valuations. There have been no transfers between levels in the year.

The different levels of valuation hierarchy as defined by IFRS 13 are set out in note 10.

16. Borrowings continued
(g) Financial instruments by category

Assets	2020 £m	2019 £m
a) Assets at value through profit or loss		
Deferred consideration (overage)	**5.3**	2.9
	5.3	2.9
b) Loans and receivables		
Cash and cash equivalents	**79.2**	26.7
Trade and other receivables excluding prepayments[1]	**11.7**	5.7
	90.9	32.4
c) Assets at value through other comprehensive income		
Other investments	**6.9**	9.8
	6.9	9.8
Total	**103.1**	45.1

Liabilities	2020 £m	2019 £m
Other financial liabilities at amortised cost		
Borrowings (excluding finance leases)	**626.2**	607.4
Finance lease liabilities	**28.2**	15.8
Trade and other payables excluding non-financial liabilities[2]	**65.9**	65.0
	720.3	688.2

1. Trade and other receivables exclude prepayments of £8.2m (2019: £5.1m) and non-cash deferred consideration of £5.3m (2019: £2.9m).
2. Trade and other payables exclude other tax and social security of £5.6m (2019: £0.4m), corporation tax of £0.8m (2019: nil) and deferred income of £10.8m (2019: £11.6m).

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

Minimum lease payments under finance leases fall due as follows:

	2020 £m	2019 £m
Within one year	**1.7**	1.0
Between two and five years	**6.8**	3.9
Beyond five years	**156.0**	93.0
	164.5	97.9
Future finance charges on finance leases	**(136.3)**	(82.1)
Present value of finance lease liabilities	**28.2**	15.8

(i) Changes in liabilities from financing activities

	Bank loans and borrowings £m	Finance lease liabilities £m	Derivatives used for hedging-assets £m
Balance at 1 April 2019	607.4	15.8	10.1
Changes from financing cash flows:			
Proceeds from bank borrowings and Private Placement Notes	104.0	–	–
Repayment of bank borrowings and Retail Bond	(90.1)	–	–
Total changes from cash flows	13.9	–	–
Changes in fair value of derivative financial instruments	–	–	8.4
Foreign exchange differences	4.2	–	–
Amortisation of issue costs of borrowing	0.7	–	–
Changes in finance leases	–	12.4	–
Interest payable	22.7	1.4	–
Interest paid	(22.7)	(1.4)	–
Total other changes	4.9	12.4	8.4
Balance at 31 March 2020	**626.2**	**28.2**	**18.5**

17. Financial risk management objectives and policy

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

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

(a) Market risk

Market risk is the risk that changes in market conditions will affect the Group's interest rates. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group finances its operations through a mixture of retained profits and borrowings. The Group borrows at both fixed and floating rates of interest and then uses interest rate and cross currency swaps and caps to generate the desired interest and risk profile. The Group has entered into a cross currency swap to ensure the US Dollar liability streams generated from the US Dollar private placement notes are fully hedged into Sterling for the life of the transaction. At 31 March 2020 73% (2019: 75%) of Group borrowings were fixed or fixed through the use of interest rate and cross currency swaps.

All transactions entered into are approved by the Board and are in accordance with the Group's treasury policy. The Board also monitors variances on interest rates to budget and forecast rates to ensure that the risk relating to interest rates is being sufficiently safeguarded against. Based upon year-end variable rate loan balances, a reasonably possible interest rate movement of +/-0.5% would have increased and decreased net interest payable by £0.8m (2019: £0.7m).

Interest cover covenants in relation to Group borrowings is a ratio of 2.0x and the Group targets a minimum cover of 2.5x. As at 31 March 2020 interest cover was 5.2x. Interest cover is calculated as net rental income divided by finance costs (excluding exceptional finance costs).

(b) Credit risk

The Group's main financial assets are cash and cash equivalents, deposits with banks and financial institutions and trade and other receivables.

Credit risk is the risk of financial loss if a tenant or a counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to this risk principally relates to the receivables from tenants, deferred consideration on the sale of investment property and cash and cash equivalent balances held with counterparties.

The Group's exposure to credit risk in relation to receivables from tenants is influenced mainly by the characteristics of individual tenants occupying its rental properties. The Group has around 4,009 lettable units with overall occupancy of 87.0% at 59 properties. The largest 10 single tenants generate around 15% of net rent roll. As such, the credit risk attributable to individual tenants is low.

The Group's credit risk in relation to tenants is further managed by requiring that tenants provide a deposit equivalent to three months' rent on inception of lease as security against default. Total tenant deposits held are £34.5m (2019: £30.6m). The Group monitors aged debt balances and any potential bad debts every week, the information being reported to the Executive Committee every month as part of the performance monitoring process. The Group's debt recovery is consistently high and as such is deemed a low risk area.

In light of Covid-19 the Group's exposure to credit risk may be higher in the short term as customers deal with the unprecedented impact of the pandemic.

17. Financial risk management objectives and policy continued

(b) Credit risk continued

Deferred consideration (cash and overage) on the sale of investment properties is contractual and valued regularly by the external valuer based on current and future market factors. Cash and cash equivalents and financial derivatives are held with major UK high street banks or building societies and strict counterparty limits are operated on deposits.

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

	2020 £m	2019 £m
Cash and cash equivalents (note 14)	**79.2**	26.7
Trade receivables – current (note 13)	**10.0**	4.3
Deferred consideration – current (note 13)	**5.3**	2.9
	94.5	33.9

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to target a minimum headroom on loan facilities of £50m, so as to enable it to have sufficient funds to meet financial obligations as they fall due. This is performed via a variety of methods including daily cash flow review and forecasting, monthly monitoring of the maturity profile of debt and the regular revision of borrowing facilities in relation to the Group's requirements and strategy. The Board reviews compliance with loan covenants which include agreed interest cover and loan to value ratios, alongside review of available headroom on loan facilities.

To manage its liquidity effectively, the Group has an overdraft facility of £2m (2019: £2m) and a revolving loan facility of £250m (2019: £250m). At 31 March 2020 headroom excluding overdraft and cash was £96m (31 March 2019: £110m).

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities, derivative financial instruments and trade and other payables existing at the balance sheet date. Contracted cash flows are based upon the loan balances and applicable interest rates payable on these at each year end.

31 March 2020	Carrying* amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial liabilities						
Bank loans	**154.0**	**2.7**	**2.7**	**2.7**	**151.8**	**159.9**
Private Placement Notes	**457.5**	**27.5**	**17.9**	**18.2**	**492.1**	**555.7**
Finance lease liabilities	**28.2**	**1.7**	**1.7**	**1.7**	**162.7**	**167.8**
Trade and other payables†	**65.9**	**65.9**	**–**	**–**	**–**	**65.9**
	705.6	**97.8**	**22.3**	**22.6**	**806.6**	**949.3**

31 March 2019	Carrying* amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial liabilities						
Bank loans	140.0	3.3	3.3	3.3	140.6	150.5
Private Placement Notes	457.5	18.5	27.3	18.2	518.9	582.9
Finance lease liabilities	15.8	1.0	1.0	1.0	94.9	97.9
Trade and other payables†	65.0	65.0	–	–	–	65.0
	678.3	87.8	31.6	22.5	754.4	896.3

† Trade and other payables exclude other tax and social security of £5.6m (2019: £0.4m), corporation tax of £0.8m (2019: nil) and deferred income of £10.8m (2019: £11.6m).
* Excludes unamortised borrowing costs.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and monitor an appropriate mix of debt and equity financing.

Equity comprises issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. Debt comprises term loan facilities, revolving loan facilities from banks, private placement notes less cash at bank and in hand.

The foreign currency risk on the US Dollar Private Placement Notes is fully hedged through a cross currency swap.

At 31 March 2020 Group equity was £1,998.0m (2019: £1,982.0m) and Group net debt (debt less cash at bank and in hand) was £541.2m (2019: £580.2m). Group gearing at 31 March 2020 was 27% (2019: 29%).

The Group's borrowings are all unsecured. The loan to value covenant applicable to these borrowings is 60% and compliance is being met comfortably. Loan to value at 31 March 2020 was 21%. This is calculated using the total CBRE investment property valuation (as per note 10) and the current net debt (as per note 16b). Our target is to maintain loan to value below 30%. This may from time-to-time be exceeded up to a maximum of 40% as steps are taken to reduce loan to value to below 30%.

18. Notes to cash flow statement

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

	2020 £m	2019 £m
Profit before tax	**72.5**	137.3
Depreciation	**0.9**	1.0
Amortisation of intangibles	**0.5**	0.4
(Loss)/profit on disposal of investment properties	**0.8**	(8.3)
Other income	**–**	–
Other expenses	**0.2**	1.1
Net loss/(gain) from change in fair value of investment property	**7.5**	(60.8)
Equity settled share based payments	**2.6**	1.9
Finance income	**–**	–
Finance costs	**23.0**	21.5
Exceptional finance costs	**–**	3.1
Changes in working capital:		
(Increase)/decrease in trade and other receivables	**(9.5)**	1.8
Increase in trade and other payables	**10.2**	0.8
Cash generated from operations	**108.7**	99.8

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

	2020 £m	2019 £m
Cash at bank and in hand	**70.3**	17.3
Restricted cash – tenants' deposit deeds	**8.9**	9.4
	79.2	26.7

19. Share capital and share premium

	2020 £m	2019 £m
Issued: Fully paid ordinary shares of £1 each	**180.7**	180.4

Movements in share capital were as follows:	2020 Number	2019 Number
Number of shares at 1 April	**180,385,498**	163,806,591
Issue of shares	**362,370**	16,578,907
Number of shares at 31 March	**180,747,868**	180,385,498

The Group issued 362,370 shares (2019: 258,845 shares) during the year to satisfy the exercise of share options with net proceeds of £0.7m (2019: £0.3m). In the prior year the Group raised net proceeds of £176.4m via the issue of 16.3m ordinary shares, to assist funding of our acquisition and refurbishment plans.

	Share capital		Share premium	
	2020 £m	2019 £m	2020 £m	2019 £m
Balance at 1 April	**180.4**	163.8	**295.1**	135.3
Issue of shares	**0.3**	16.6	**0.3**	159.8
Balance at 31 March	**180.7**	180.4	**295.4**	295.1

20. Other reserves

	Other Investment Reserve £m	Equity settled share based payments £m	Merger reserve £m	Hedging reserve £m	Total £m
Balance at 1 April 2018	–	15.7	8.7	(5.0)	19.4
Share based payments	–	1.9	–	–	1.9
Change in fair value of other investments (note 12)	4.0	–	–	–	4.0
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	–	2.1	2.1
Balance at 31 March 2019	4.0	17.6	8.7	(2.9)	27.4
Share based payments	–	2.6	–	–	2.6
Change in fair value of other investments (note 12)	(1.9)	–	–	–	(1.9)
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	–	4.1	4.1
Balance at 31 March 2020	**2.1**	**20.2**	**8.7**	**1.2**	**32.2**

21. Investment in own shares

The Company has an Employee Share Ownership Trust ('ESOT') and a trust for the Share Incentive Plan ('SIP'). Shares are purchased in the market for distribution at a later date in accordance with the terms of the various share schemes. The shares are held by independent trustees. At 31 March 2020 the number of shares held by the ESOT totalled 75,226 (2019: 75,226).

The SIP is governed by HMRC rules (note 22). At 31 March 2020 the number of shares held for the SIP totalled 96,026 (2019: 60,720).

	2020 £m	2019 £m
Balance at 1 April	**9.3**	9.3
Shares purchased for the trusts	**0.3**	–
Balance at 31 March	**9.6**	9.3

22. Share based payments

The Group operates a number of share schemes:

(a) Long Term Incentive Plan ('LTIP')

The LTIP scheme is a performance award scheme whereby shares are issued against Group performance measures which are assessed over the three-year vesting period.

The performance measures are:
– Relative TSR.
– Total Property Return compared to the IPD benchmark.

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

Under the 2019 LTIP scheme 449,250 performance shares were awarded in June 2019 to Directors and Senior management (2018 LTIP scheme: 425,089).

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

	LTIP Number
At 1 April 2018	1,300,345
Granted	425,089
Exercised	(234,161)
Lapsed	(144,264)
At 31 March 2019	1,347,009
Granted	449,250
Exercised	(228,358)
Lapsed	(348,519)
At 31 March 2020	**1,219,382**

For the 2016 LTIP scheme, which vested in June 2019, the average closing share price at the date of exercise of shares exercised during the year was £8.89 (2015 LTIP scheme: £10.81).

A binomial model was used to determine the fair value of the LTIP grant for the Relative TSR element of the schemes.

Assumptions used in the model were as follows:

	2019 LTIP	2018 LTIP	2017 LTIP
Share price at grant	862p	1100p	890p
Exercise price	Nil	Nil	Nil
Average expected life (years)	3	3	3
Risk free rate	0.52%	0.79%	0.29%
Average share price volatility	21%	28%	30%
Correlation	49%	48%	30%
TRS starting factor	0.92	1.14	1.18
Fair value per option – Relative TSR element	322p	695p	534p

The Total Property Return compared to the IPD benchmark is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 862p for the 2019 LTIP Scheme. At each balance sheet date, the Directors will assess the likelihood of meeting the conditions under this element of the scheme. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity. The assessment at year end for the 2019 LTIP Scheme was that up to 50% of the Total Property Return element will vest (LTIP 2018: 50%, LTIP 2017: 75%).

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

The risk free rate has been determined from market yield curves for government zero-coupon bonds with outstanding terms equal to the average expected term to exercise for each relevant grant.

22. Share based payments continued

(b) Employee share option schemes

The Group operates a Save As You Earn ('SAYE') share option scheme. Grants under the SAYE scheme are normally exercisable after three or five years' saving. In accordance with UK practice, the majority of options under the SAYE schemes are granted at a price 20% below the market price ruling at the date of grant.

Details of the movements for the SAYE schemes during the year were as follows:

	SAYE	
Options outstanding	Number	Weighted exercise price
At 1 April 2018	265,123	£5.82
Options granted	40,547	£8.60
Options exercised	(24,684)	£5.69
Options lapsed	(23,532)	£6.06
At 31 March 2019	257,454	£6.25
Options granted	122,486	£7.02
Options exercised	(138,804)	£5.17
Options lapsed	(29,115)	£7.08
At 31 March 2020	**212,021**	**£7.21**

The average closing share price at the date of exercise for the SAYE options exercised (for the three-year 2016 and the five-year 2014 schemes) during the year was £9.26 (2019: £9.70).

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

	2020 SAYE 3 year	**2020 SAYE 5 year**	2019 SAYE 3 year	2019 SAYE 5 year
Weighted average share price at grant	**878p**	**878p**	1075p	1075p
Exercise price	**702p**	**702p**	860p	860p
Expected volatility	**21%**	**26%**	29%	29%
Average expected life (years)	**3**	**5**	3	5
Risk free rate	**1%**	**1%**	1%	1%
Expected dividend yield	**4%**	**4%**	3%	3%
Possibility of ceasing employment before vesting	**25%**	**25%**	25%	25%

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

Fair values per share of these options were:

	2020		2019	
	Grant date	**Fair value of award**	Grant date	Fair value of award
SAYE – three year	**25 July 2019**	**154p**	24 July 2018	303p
SAYE – five year	**25 July 2019**	**178p**	24 July 2018	342p

(c) Share incentive plan ('SIP')

All staff were granted £1,000 worth of shares in September 2015, £2,000 in August 2017 and £2,000 in September 2019. These shares are held in trust under an HMRC approved SIP. The shares can be exercised following three years of employment but must be held for a further two years in order to qualify for tax advantages. 49,396 shares were granted in the year (2019: nil). 14,090 (2019: 15,463) shares were exercised in the year and 6,211 (2019: 4,853) shares lapsed.

(d) Year end summary

At 31 March 2020 in total there were 1,528,429 (2019: 1,665,183) share awards/options exercisable on the Company's ordinary share capital. These are analysed below:

Date of grant	Exercise price	Ordinary shares Number	Vested and exercisable	Exercisable between	
LTIP					
20 July 2017	–	423,161	–	20.07.2020	–
22 June 2018	–	356,085	–	22.06.2021	–
18 June 2019	–	440,136	–	18.06.2022	–
SAYE					
25 July 2015 – five year	£7.27	247	–	01.09.2020	01.03.2021
20 July 2016 – five year	£5.18	347	–	01.09.2021	01.03.2022
26 July 2017 – three year	£7.08	67,239	–	01.09.2020	01.03.2021
26 July 2017 – five year	£7.08	762	–	01.09.2022	01.03.2023
26 July 2018 – three year	£8.60	23,583	–	01.09.2021	01.03.2022
26 July 2018 – five year	£8.60	174	–	01.09.2023	01.03.2024
25 July 2019 – three year	£7.02	113,774	–	01.09.2022	01.03.2023
25 July 2019 – five year	£7.02	5,895	–	01.09.2024	01.03.2025
SIP					
18 September 2015	–	11,315	11,315	18.09.2018	–
10 August 2017	–	36,480	–	10.08.2020	–
5 September 2019	–	48,231	–	05.09.2022	–
Total		**1,527,429**	**11,315**		

The share awards/options outstanding at 31 March 2020 had a weighted average remaining contractual life of: LTIP – 1.3 years (2019: 1.2 years), SAYE – 1.7 years (2019: 1.7 years), SIP – 1.4 years (2019: 1.6 years).

(e) Cash-settled share based payments

National Insurance payments due on the exercise of non-approved ESOS options and shares from the LTIP are considered cash-settled share based payments.

The estimated fair value of the National Insurance cash-settled share based payments have been calculated using the share price at the balance sheet date. At each balance sheet date the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement.

(f) Share based payment charges

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

	2020 £m	2019 £m
Equity settled share based payments	**2.6**	1.9
Cash-settled share based payments	**–**	0.3
	2.6	2.2

The total liability at the end of the year in respect of cash-settled share based schemes was £0.5m (2019: £0.8m).

23. Related party transactions

	2020 £m	2019 £m
Transactions for the year ended 31 March:		
Repayment of loans to joint ventures	–	0.1

Key management for the purposes of related party disclosure under IAS 24 are taken to be the Executive Board Directors, the Non-Board Executive Directors and the Non-Executive Directors. Key management compensation is set out below:

Key management compensation:	2020 £m	2019 £m
Short-term employee benefits	**3.2**	4.1
Share based payments	**1.4**	1.3
	4.6	5.4

24. Capital commitments

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

	2020 £m	2019 £m
Investment property construction	**4.3**	16.1

25. Subsidiary and other related undertakings

The Company's subsidiary and other related undertakings at 31 March 2020, and up to the date of signing the financial statements, are listed below.

Except where indicated otherwise, the Company owns 100% of the ordinary share capital of the following subsidiary undertakings incorporated and operating in the UK, all of which are consolidated in the Group's financial statements.

UK subsidiaries

The registered address of all UK subsidiaries is Canterbury Court, Kennington Park, 1-3 Brixton Road, London SW9 6DE.

Name	Nature of business
Workspace 12 Limited	Property Investment
Workspace 13 Limited	Property Investment
Workspace 14 Limited	Property Investment
Workspace Glebe Limited	Non-trading
Glebe Three Limited	Non-trading
LI Property Services Limited	Insurance Agents
Workspace Management Limited	Property Management
Workspace 1 Limited*	Dormant
Workspace 10 Limited	Dormant
Workspace 11 Limited	Dormant
Workspace 15 Limited	Dormant
Workspace Holdings Limited	Non-trading
Anyspacedirect.co.uk Limited	Non-trading
Workspace Newco 1 Limited	Dormant
Workspace Newco 2 Limited	Dormant

* 100% of the ordinary share capital of these subsidiaries is held by other Group companies.

Non-UK subsidiaries

Name	Country of incorporation	Registered address	Nature of business
Workspace 16 (Jersey) Limited	Jersey	Gaspé House, 66-72 The Esplanade, St Helier, Jersey JE2 3QT	Non-trading
Workspace 17 (Jersey) Limited	Jersey	44 Esplanade, St Helier, Jersey JE4 9WQ	Holding Company
Workspace Salisbury Limited*	Jersey	44 Esplanade, St Helier, Jersey JE4 9WQ	Property Investment
Centro Property Limited*	Guernsey	Martello Court, Admiral Park, St Peter Port, Guernsey GY1 3HB	Non-trading

* 100% of the ordinary share capital of these subsidiaries is held by other Group companies.

26. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for this scheme in the year was £0.7m (2019: £0.8m) representing contributions payable by the Group to the fund and is charged through operating profit.

The Group's commitment with regard to pension contributions, consistent with the prior year, ranges from 6% to 16.5% of an employee's salary. The pension scheme is open to every employee in accordance with the new Government auto-enrolment rules. The number of employees, including Directors, in the scheme at the year end was 202 (2019: 202).

27. Leases

The majority of the Group's tenant leases are granted with a rolling three to six-month tenant break clause, although prior year property acquisitions have included customer leases which are much longer, with fewer break clauses. The future minimum non-cancellable rental receipts under leases granted to tenants are shown below.

Land and buildings:	**2020 £m**	2019 £m
Within one year	**72.7**	68.9
Between two and five years	**65.3**	35.2
Beyond five years	**23.6**	19.5
	161.6	123.6

28. Post balance sheet events

There are no post balance sheet events to report.

Parent Company balance sheet

As at 31 March 2020

	Notes	2020 £m	2019 £m
Fixed assets			
Investments	C	**801.0**	798.4
Derivative financial instruments	F	**18.5**	10.1
		819.5	808.5
Current assets			
Debtors: amounts falling due within one year	D	**715.3**	720.1
Cash and cash equivalents		**0.2**	0.2
		715.5	720.3
Total assets		**1,535.0**	1,528.8
Current liabilities			
Creditors: amounts falling due within one year	E	**(154.4)**	(110.7)
Borrowings	F	**(9.0)**	–
Creditors: amounts falling due after more than one year		**(163.4)**	(110.7)
Borrowings	F	**(617.3)**	(607.4)
Total liabilities		**(780.7)**	(718.1)
Net assets		**754.3**	810.7
Capital and reserves			
Share capital		**180.7**	180.4
Share premium		**295.6**	295.1
Investment in own shares		**(9.6)**	(9.3)
Other reserves	G	**29.5**	23.4
Retained earnings		**258.1**	321.1
Total shareholders' equity		**754.3**	810.7

The notes on pages 211 to 213 form part of these financial statements.

The financial statements on pages 209 to 213 were approved by the Board of Directors on 4 June 2020 and signed on its behalf by:

Graham Clemett
Director
Workspace Group PLC
Registered number 2041612

Dave Benson
Director

Parent Company statement of changes in equity

For the year ended 31 March 2020

	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 31 March 2018	163.8	135.3	(9.3)	19.4	378.6	687.8
(Loss)/profit for the year	–	–	–	–	(4.9)	(4.9)
Other comprehensive income for the year	–	–	–	2.1	–	2.1
Total comprehensive income	–	–	–	2.1	(4.9)	(2.8)
Transactions with owners:						
Share issues	16.6	159.8	–	–	–	176.4
Dividends paid	–	–	–	–	(52.6)	(52.6)
Share based payments	–	–	–	1.9	–	1.9
Balance at 31 March 2019	180.4	295.1	(9.3)	23.4	321.1	810.7
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**(1.8)**	**(1.8)**
Other comprehensive income for the year	**–**	**–**	**–**	**3.5**	**–**	**3.5**
Total comprehensive income	**–**	**–**	**–**	**3.5**	**(1.8)**	**1.7**
Transactions with owners:						
Share issues	**0.3**	**0.5**	**–**	**–**	**–**	**0.8**
Dividends paid	**–**	**–**	**–**	**–**	**(61.2)**	**(61.2)**
Own shares	**–**	**–**	**(0.3)**	**–**	**–**	**(0.3)**
Share based payments	**–**	**–**	**–**	**2.6**	**–**	**2.6**
Balance at 31 March 2020	**180.7**	**295.6**	**(9.6)**	**29.5**	**258.1**	**754.3**

The notes on pages 211 to 213 form part of these financial statements.

Notes to the Parent Company financial statements

A. Accounting policies

Although the Group consolidated financial statements are prepared under IFRS as adopted by the EU, the Workspace Group PLC Company financial statements are prepared under Financial Reporting Standard 101 ('FRS 101') 'Reduced Disclosure Framework'.

Basis of accounting

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. The financial statements are presented in Sterling.

In preparing the financial statements the Company has taken advantage of the following disclosure exemptions conferred by FRS 101:

a) The requirements of IAS 7 to provide a statement of cash flows and related notes for the year.

b) The requirements of IAS 1 to provide a statement of compliance with IFRS.

c) The requirements of IAS 1 to disclose information on the management of capital.

d) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRS's that have been issued but are not yet effective.

e) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

f) The requirements of IFRS 7 on financial instruments disclosures.

g) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

The above disclosure exemptions are allowed because equivalent disclosures are included in the Group consolidated financial statements.

Significant accounting policies

i. Investments

Investments are carried in the Company's balance sheet at cost less impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Impairment and reversal of impairment is taken to the profit and loss account.

ii. Share based payment and investment in own shares

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

The Company has also established an employee Share Incentive Plan ('SIP') which is governed by HMRC rules.

The Company itself has no employees. When the Company grants share options to Group employees as part of their remuneration, the expense of the share options is reflected in a subsidiary undertaking, Workspace Management Limited. The Company recognises this as an investment in subsidiary undertakings with a corresponding increase to equity.

The disclosure requirements for share based payments are met in note 22 of the Group consolidated financial statements.

iii. Borrowings

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

iv. Derivative financial instruments and hedge accounting

The accounting policy for derivative financial instruments and hedge accounting are the same as those for the Group and are set out on page 182. Disclosure requirements are provided in note 16 to the Consolidated financial statements.

v. Foreign currency translation

The accounting policy for foreign currency translation is the same as that for the Group and is set out on page 182.

Taxation

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

Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Dividend distributions

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

B. Profit for the year

As permitted by the exemption in Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The loss attributable to shareholders, before dividend payments, dealt with in the financial statements of the Company was £1.8m (2019: £4.9m). No dividends were received in the year from subsidiary undertakings (2019: nil).

Dividend payments are disclosed in note 7 to the consolidated financial statements.

C. Investments

	Investment in subsidiary undertakings £m
Cost	
Balance at 31 March 2019	932.7
Additions in the year	2.6
Balance at 31 March 2020	935.3
Impairment	
Balance at 31 March 2019 and 31 March 2020	134.3
Net book value at 31 March 2020	**801.0**
Net book value at 31 March 2019	798.4

Other investments represented 8% of the share capital of Mailstorage Ltd, a company incorporated in the UK. The Company wrote off this investment during the prior year.

D. Debtors

Amounts falling due within one year	**2020 £m**	2019 £m
Amounts owed by Group undertakings	**715.0**	719.1
Corporation tax asset	**0.3**	1.0
	715.3	720.1

Amounts owed by Group undertakings are unsecured and repayable on demand. Interest is charged to Group undertakings.

E. Creditors: amounts falling due within one year

	2020 £m	2019 £m
Amounts owed to Group undertakings	**148.4**	104.7
Taxation and social security	**2.1**	1.9
Accruals and deferred income	**3.9**	4.1
	154.4	110.7

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

F. Borrowings

Creditors: amounts falling due after more than one year

Borrowings and financial instruments	Interest rate	Repayable	2020 £m	2019 £m
Creditors: amounts falling due within one year				
Senior Floating Rate Notes 2020	LIBOR+3.5%	June 2020	**9.0**	
Creditors: amounts falling due after more than one year				
Bank loan	LIBOR+1.65%	June 2022	**154.0**	140.0
5.6% Senior US Dollar Notes 2023	5.6%	June 2023	**64.5**	64.5
5.53% Senior Notes 2023	5.53%	June 2023	**84.0**	84.0
Senior Floating Rate Notes 2020	LIBOR+3.5%	June 2020	**–**	9.0
3.07% Senior Notes	3.07%	August 2025	**80.0**	80.0
3.19% Senior Notes	3.19%	August 2027	**120.0**	120.0
3.6% Senior Notes	3.6%	January 2029	**100.0**	100.0
Total borrowings			**611.5**	597.5
Less cost of raising finance			**(1.9)**	(2.6)
Foreign exchange differences			**16.7**	12.5
Net borrowings			**626.3**	607.4

All the above borrowings are unsecured.

Maturity analysis of borrowings:	2020 £m	2019 £m
Repayable within one year	**9.0**	–
Repayable between one and two years	**–**	9.0
Repayable between two and three years	**154.0**	–
Repayable between three and four years	**148.5**	140.0
Repayable between four and five years	**0.0**	148.5
Repayable in five years or more	**300.0**	300.0
	611.5	597.5

The following derivative financial instruments are held:

	Amount	Rate payable (%)	Term/ expiry	2020 £m	2019 £m
Cash flow hedge – cross currency swap	$100m/£64.5m	5.66%	June 2023	**18.5**	10.1

G. Capital and reserves

Movements and notes applicable to share capital, share premium account, investment in own shares, other reserves and share based payment reserve are shown in notes 19 to 22 on pages 202 to 205 and in the statement of changes in equity.

Other reserves:	Equity settled share based payments £m	Merger Reserve £m	Hedging Reserve £m	Total £m
Balance at 31 March 2018	15.7	8.7	(5.0)	19.4
Share based payments	1.9	–	–	1.9
Change in fair value of derivative financial instruments	–	–	2.1	2.1
Balance at 31 March 2019	17.6	8.7	(2.9)	23.4
Share based payments	2.6	–	–	2.6
Change in fair value of derivative financial instruments	–	–	3.5	3.5
Balance at 31 March 2020	**20.2**	**8.7**	**0.6**	**29.5**

Five-year performance (unaudited)

2016–2020

	31 March 2020 £m	31 March 2019 £m	31 March 2018 £m	31 March 2017 £m	31 March 2016 £m
Rents receivable	**132.7**	123.7	106.1	86.8	79.6
Service charges and other income	**28.7**	25.7	22.8	22.0	21.6
Revenue	**161.4**	149.4	128.9	108.8	101.2
Trading profit before interest	**104.3**	93.9	79.5	64.3	60.8
Net interest payable*	**(23.3)**	(21.5)	(18.8)	(13.6)	(16.9)
Trading profit after interest	**81.0**	72.4	60.7	50.7	43.9
Profit before taxation	**72.5**	137.3	170.4	88.8	391.3
Profit after taxation	**72.1**	137.3	171.4	88.7	388.9
Basic earnings per share	**40.0p**	78.9p	104.8p	54.5p	240.3p
Dividends per share	**36.16p**	32.87p	27.39p	21.07p	15.05p
Dividends (total)	**65.4**	59.3	44.9	34.4	24.4
Investment properties	**2,586.3**	2,591.4	2,288.7	1,839.0	1,749.4
Other assets less liabilities	**(47.1)**	(29.2)	(58.9)	(18.2)	43.7
Net debt	**(541.2)**	(580.2)	(517.1)	(242.3)	(275.5)
Net assets	**1,998.0**	1,982.0	1,712.9	1,578.5	1,517.6
Gearing	**27%**	29%	30%	15%	18%
Loan to value	**21%**	22%	23%	13%	16%
Basic NAV per share	**£11.07**	£11.00	£10.47	£9.68	£9.35
EPRA NAV per share	**£10.89**	£10.86	£10.37	£9.53	£9.23

* Excludes exceptional items.

Performance metrics (unaudited)

	31 March 2020 £m	31 March 2019 £m	31 March 2018 £m	31 March 2017 £m	31 March 2016 £m
Workspace Group:					
Number of estates	**59**	64	66	68	69
Lettable floorspace (million sq. ft.)	**3.9**	3.9	3.7	3.6	3.8
Number of lettable units	**4,009**	4,796	4,539	4,306	4,554
Average unit size (sq. ft.)	**922**	975	979	827	834
Rent roll of occupied units	**£132.8m**	£127.5m	£112.9m	£89.5m	£78.2m
Overall rent per sq. ft.	**£39.18**	£38.45	£36.05	£28.41	£24.32
Overall occupancy	**87.0%**	84.8%	85.5%	87.0%	85.8%
Enquiries (number)	**13,041**	12,575	12,189	12,724	12,353
Lettings (number)	**1,454**	1,238	1,111	1,182	1,212
EPRA Measures					
EPRA Earnings per share	**44.5p**	40.3p	37.8p	30.2p	47.5p
EPRA Net Asset Value per share	**£10.89**	£10.86	£10.37	£9.53	£9.23
EPRA Cost Ratio	**23%**	25%	25%	28%	31%

Property portfolio 2020 (unaudited)

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000
Archer Street Studios	W1D 7AZ	Like-for-like	14,984	1,105,571
Barley Mow Centre	W4 4PH	Completed	77,337	1,828,136
Bow Enterprise Park (part)	E3 3TZ	Like-for-like	14,634	259,809
Bow Office Exchange	E3 3QP	Held for Sale/Redevelopment	0	0
Brickfields	E2 8HD	Completed	56,755	1,301,251
Canalot Studios	W10 5BN	Refurbishment	49,513	1,459,919
Cannon Wharf	SE8 5EN	Completed	32,619	564,668
Cargo Works	SE1 9PG	Like-for-like	71,217	3,956,325
Centro Buildings	NW1 0DU	Like-for-like	213,049	10,229,030
China Works	SE1 7SJ	Completed	68,808	2,293,830
Chiswick Studios	W4 5PY	Like-for-like	14,254	539,326
Chocolate Factory (part)	N22 6XJ	Refurbishment	57,586	730,008
Chocolate Factory (part)	N22 6XJ	Held for Sale/Redevelopment	55,215	219,226
Clerkenwell Workshops	EC1R 0AT	Like-for-like	52,879	2,817,678
E1 Studios	E1 1DU	Like-for-like	40,797	1,225,513
East London Works	E1 1DU	Like-for-like	39,121	1,416,461
Edinburgh House	SE11 5DP	Completed	65,492	2,361,774
Exmouth House	EC1R 0JH	Like-for-like	58,051	3,137,366
Fitzroy Street	W1T 4BQ	Refurbishment	92,669	4,855,410
160 Fleet Street	EC4A 2DQ	Completed	42,849	1,396,036
Fuel Tank	SE8 3DX	Completed	35,188	538,949
Garratt Lane	SW18 4LZ	Held for Sale/Redevelopment	43,000	688,000
338 Goswell Road	EC1V 7LQ	Completed	41,490	1,362,030
Grand Union Studios	W10 5AD	Like-for-like	63,640	2,163,150
60 Gray's Inn Road	WC1X 8AQ	Completed	36,138	1,859,151
Havelock Terrace	SW8 4AS	Refurbishment	58,164	1,210,281
Highway Business Park	E1 9HR	Held for Sale/Redevelopment	19,786	291,149
Ink Rooms	WC1X 0DS	Completed	22,235	1,261,082
Kennington Park	SW9 6DE	Like-for-like	365,080	11,141,848
Leroy House	N1 3QP	Like-for-like	46,802	1,186,924
Lock Studios	E3 3YD	Held for Sale/Redevelopment	–	–
Mallard Place	N22 6TS	Like-for-like	10,150	122,820
Mare Street Studios	E8 3QE	Refurbishment	55,287	0
Marshgate Business Centre	E15 2NH	Held for Sale/Redevelopment	0	0
Metal Box Factory	SE1 0HS	Like-for-like	106,667	6,736,049
Morie Street Studios	SW18 1SL	Like-for-like	21,710	604,587
Pall Mall Deposit	W10 6BL	Refurbishment	47,697	562,724
Parkhall Business Centre	SE21 8EN	Refurbishment	122,930	1,826,439
Parma House	N22 6XF	Held for Sale/Redevelopment	34,984	176,707
Peer House	WC1X 8LZ	Like-for-like	10,222	393,313
Pill Box	E2 6GG	Like-for-like	50,409	1,623,135
Poplar Business Park	E14 9RL	Held for Sale/Redevelopment	65,178	983,624
Q West	TW8 0GP	Held for Sale/Redevelopment	54,961	538,088
Rainbow (part)	SW20 0JK	Held for Sale/Redevelopment	111,114	179,344
Rainbow (part)	SW20 0JK	Refurbishment	0	0
Riverside	SW18 4UQ	Like-for-like	101,821	1,786,922
Salisbury House	EC2M 5QQ	Like-for-like	233,637	12,680,643

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000
ScreenWorks	N5 2EF	Like-for-like	63,974	2,339,441
The Biscuit Factory – Cocoa Studios	SE16 4DG	Like-for-like	39,298	1,133,082
The Biscuit Factory (part)	SE16 4DG	Refurbishment	88,080	1,686,182
The Biscuit Factory (part)	SE16 4DG	Like-for-like	126,244	2,651,616
The Frames	EC2A 4PS	Completed	52,271	3,026,145
The Leather Market	SE1 3ER	Completed	147,339	6,372,404
The Light Box	W4 5PY	Completed	78,489	1,922,105
The Light Bulb (part)	SW18 4GQ	Like-for-like	52,644	1,652,766
The Light Bulb (part)	SW18 4WW	Held for Sale/Redevelopment	0	0
The Print Rooms	SE1 0LH	Like-for-like	46,127	2,496,505
The Record Hall	EC1N 7RJ	Like-for-like	57,563	3,112,297
The Shaftesbury Centre	W10 6BN	Like-for-like	12,627	291,772
The Shepherds Building	W14 0DA	Like-for-like	148,690	6,434,999
Thurston Road	SE13 7SH	Held for Sale/Redevelopment	0	0
Vox Studios	SE11 5JH	Like-for-like	107,103	4,859,123
Wenlock Studios	N1 7EU	Refurbishment	31,157	909,346
Westbourne Studios	W10 5JJ	Like-for-like	57,953	2,299,719

Glossary of terms

Customer satisfaction score is a combination of responses to our customer survey focused on how likely customers are to recommend Workspace and their view on standards of customer service.

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

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

EPRA EPS is a definition of earnings per share as set out by the European Public Real Estate Association ('EPRA'). It is based on operating earnings where profit before tax is adjusted to exclude the impact of any changes in property valuation, gains or losses on property disposals and fair value movements.

EPRA net asset value (EPRA NAV) is a definition of net asset value per share as set out by EPRA. It is adjusted to include investment properties at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

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

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

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

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

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

Interest cover is the number of times net interest payable is covered by net rental income.

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

Like-for-like are those properties with stabilised occupancy, excluding recent acquisitions and buildings impacted by significant refurbishment or redevelopment activity.

Loan to value is net debt divided by the current value of properties owned by the Group as valued by CBRE.

MSCI IPD MSC Inc is a company that produces independent benchmarks of property returns under the brand IPD.

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

Net debt is the amount drawn on bank and other loan facilities, including overdrafts, less cash deposits. This excludes any foreign exchange movements.

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

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

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

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

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

Rent roll is the annualised net rent of occupied units for a property or portfolio of properties at a reporting date.

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

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

Total Accounting Return is the growth in absolute EPRA net asset per share plus dividends paid in the year as a percentage of the opening EPRA net asset value per share.

Total Property Return is a percentage measure calculated by MSCI IPD and defined in the MSCI Global Methodology for Real Estate Investment as the percentage of value change plus net income accrued relative to the capital employed.

Total Shareholder Return ('TSR') is the growth in ordinary share price as quoted on the London Stock Exchange plus dividends per share received for the year, expressed as a percentage of the share price at the beginning of the year.

Trading profit after interest is net rental income, less administrative expenses and finance costs (excluding exceptional finance costs).

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

Investor information

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

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
Telephone: +44 (0)370 707 1413

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

Website
The Company has an investor website which holds, amongst other information, a copy of the latest Annual Report and Accounts, a list of properties held by the Group and copies of all press announcements. The site can be found at www.workspace.co.uk

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Stifel Nicolaus Europe Limited
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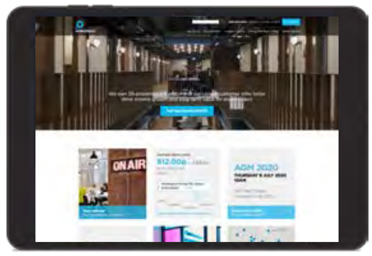
Communicating with our investors

We have developed a comprehensive suite of communications that allow us to keep investors up to date.

Website

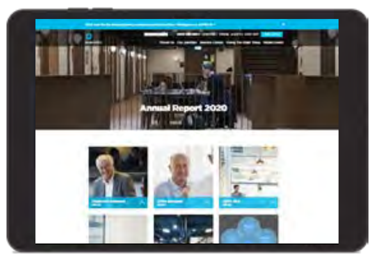
The most up-to-date information about our business:
www.workspace.co.uk/investors



Annual Report

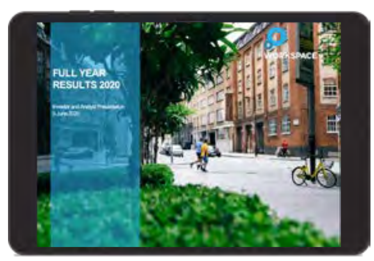
Information about our market, value-creating activities, our focus on Doing the Right Thing, our strategy, KPIs, risk, governance and performance.

Available digitally or as a PDF:
www.workspace.co.uk/annual-report-2020



Investor presentations

The latest presentations can be found in our Reporting Centre:
www.workspace.co.uk/investors/investors/reporting-centre



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