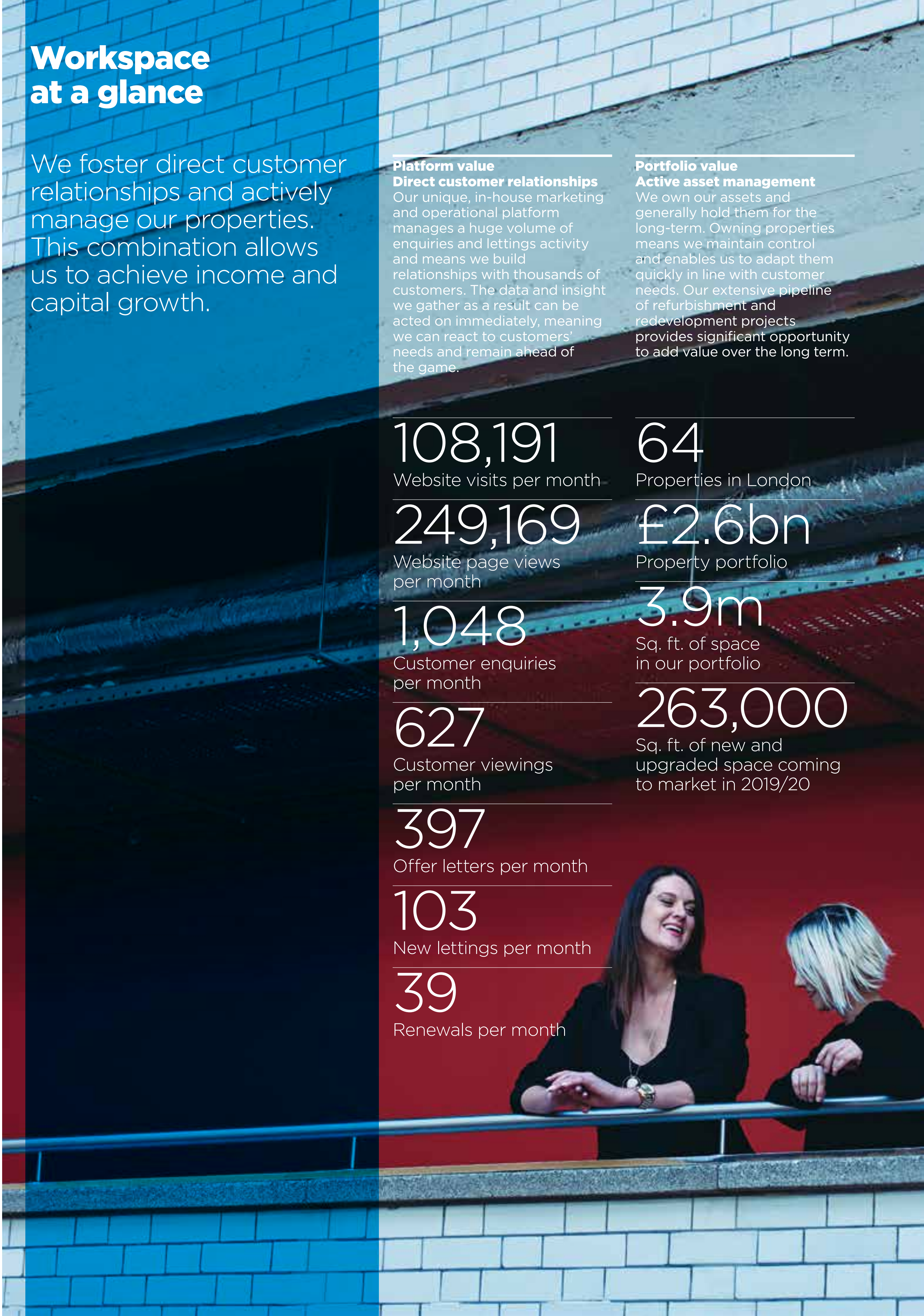
ANNUAL REPORT AND ACCOUNTS 2019

Workspace Group PLC

WORKSPACE®



Workspace at a glance

We foster direct customer relationships and actively manage our properties. This combination allows us to achieve income and capital growth.

Platform value
Direct customer relationships
Our unique, in-house marketing and operational platform manages a huge volume of enquiries and lettings activity and means we build relationships with thousands of customers. The data and insight we gather as a result can be acted on immediately, meaning we can react to customers' needs and remain ahead of the game.

108,191
Website visits per month

249,169
Website page views per month

1,048
Customer enquiries per month

627
Customer viewings per month

397
Offer letters per month

103
New lettings per month

39
Renewals per month

Portfolio value
Active asset management
We own our assets and generally hold them for the long-term. Owning properties means we maintain control and enables us to adapt them quickly in line with customer needs. Our extensive pipeline of refurbishment and redevelopment projects provides significant opportunity to add value over the long term.

64
Properties in London

£2.6bn
Property portfolio

3.9m
Sq. ft. of space in our portfolio

263,000
Sq. ft. of new and upgraded space coming to market in 2019/20

The Workspace Advantage

The Workspace Advantage is our unique customer offer and is open to all businesses. We provide inspiring, flexible spaces with super-fast technology in dynamic London locations.

Typical customer offer:

- Two-year lease
- Six-month rolling break clause
- Unfurnished space that customers can fit out and personalise
- Bespoke technology offer tailored to each individual business
- Vibrant community of like-minded businesses
- Regular business insight and networking events

2018/19 performance

2018/19 financial highlights

£137.3m
Profit before tax

£72.4m
+19%
Trading profit after interest

£10.86
+4.7%
EPRA NAV per share

32.87p
+20%
Dividend per share

2018/19 customer highlights

1,048
Average enquiries per month

90.9%
Like-for-like occupancy

Front cover:
The Frames, Shoreditch

Page 1:
The Shepherds Building, Hammersmith

Powering performance

Differentiation and market insight continues to drive long-term performance.

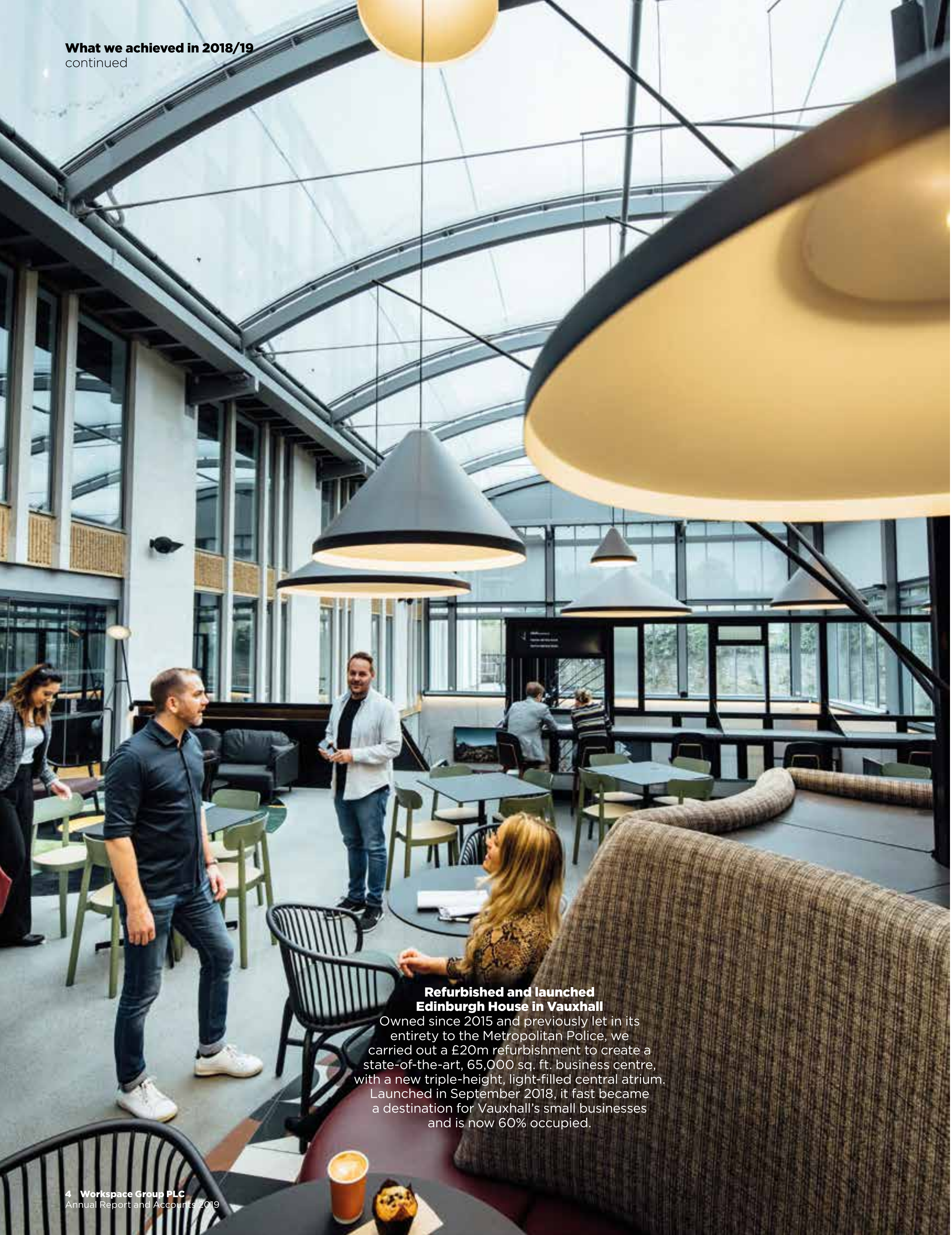
We remain focused on income, customers and the future.

What we achieved in 2018/19

We continued to build a great business, delivering The Workspace Advantage.

WE INVESTED IN ASSETS

Launched The Frames in Shoreditch
A brand new 50,000 sq. ft. business centre, doubling the size of the former building, this £25m refurbishment project completed in September 2018. The centre immediately captured the imagination of London's businesses and is already 86% occupied.



Refurbished and launched Edinburgh House in Vauxhall

Owned since 2015 and previously let in its entirety to the Metropolitan Police, we carried out a £20m refurbishment to create a state-of-the-art, 65,000 sq. ft. business centre, with a new triple-height, light-filled central atrium. Launched in September 2018, it fast became a destination for Vauxhall's small businesses and is now 60% occupied.

Acquired The Shepherds Building
Acquired in September 2018 for £125.3m, in Shepherd's Bush, an increasingly attractive location for the entertainment and media industries. The 150,000 sq. ft. building is being progressively repositioned as a Workspace business centre.

Fundraising for XLP
A team from Workspace held a fundraising event at The Arch climbing wall based in The Biscuit Factory, our business centre in Bermondsey. Alongside many other events through the year, including a night's sleep out in the City, our employees raised a fantastic £26,000 for XLP, one of our charity partners.

WE GOT A LITTLE BIT CRAZY

Defining and introducing our four values
Last year we introduced our four values and embedded them in the business. Managers across the company held workshops for the teams to discuss what the values meant for their area of the business and day-to-day behaviours. The workshops threw up some fantastic ideas which are now being rolled out across the business.

More details on our values can be found on page 46.

Know your stuff *Find a way* *Show we care* *Be a little bit crazy*

CUSTOMER INSIGHTS CONTINUED TO DRIVE DECISIONS

Understanding our customers
The wealth of data that we collect from enquiries, viewing feedback, customer surveys and use of facilities, such as meeting rooms, allows us to regularly adapt our offer. It also helps drive decisions, such as which locations to refurbish next.

Helping customers expand
Our flexibility helped Pulse Live, a customer based at Kennington Park, to grow with us. Pulse have moved from a 4,000 sq. ft. unit to 8,000 sq. ft. in the newly refurbished Edinburgh House.

Super connected customers

We provide high-quality Wi-Fi connectivity meaning our customers can work how and where they want, including on the roof terrace at Vox Studios in Vauxhall.

WE ASKED WHAT'S NEXT?

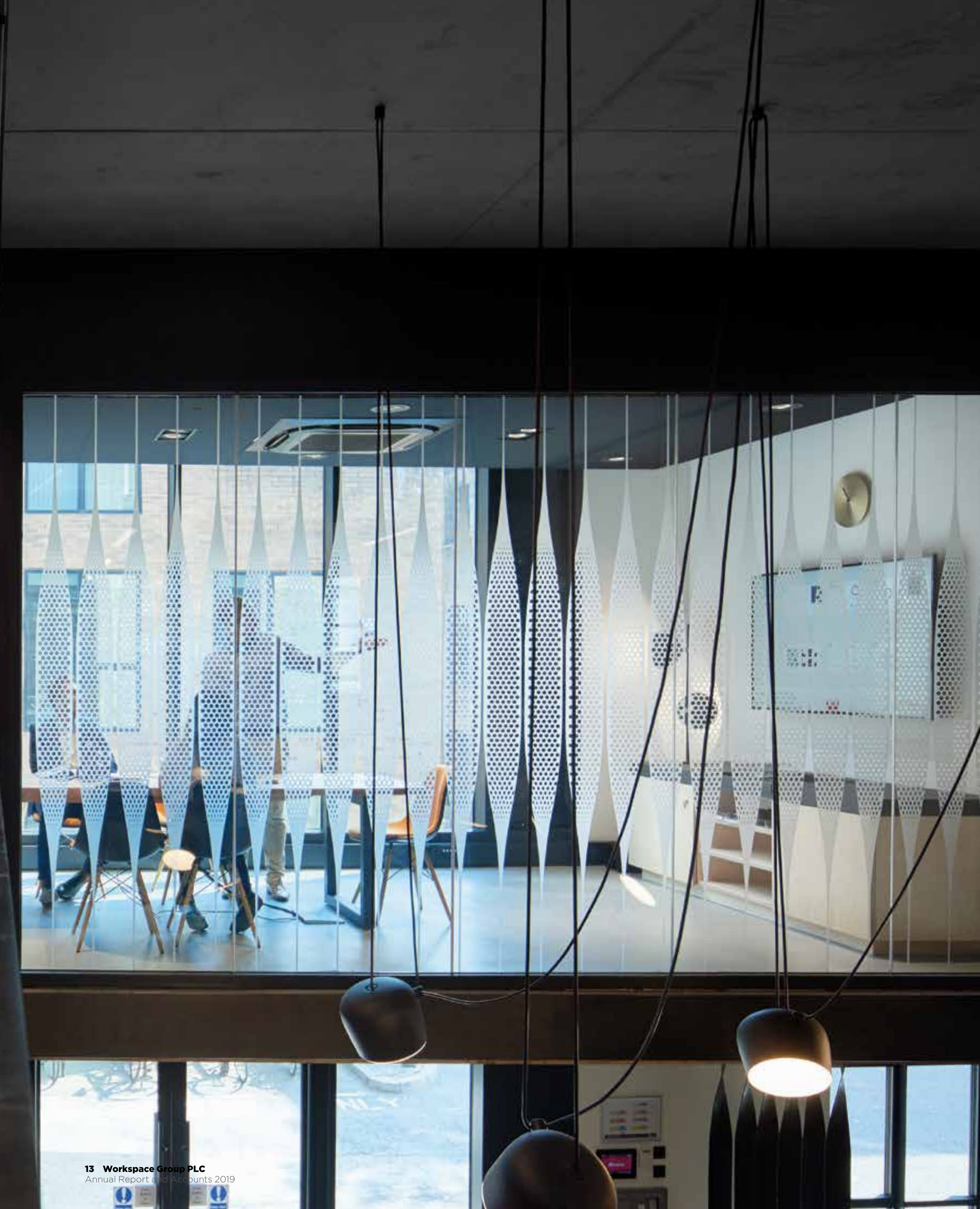
We're innovating to keep up with changing ways of working

80% of our customers now connect to our network wirelessly. We are therefore investing more than £1m a year in upgrading the capacity and security of our wireless technology to give customers the freedom to work without limits anywhere in the building.

WE DEEPENED OUR EXPERTISE

Investing in talent

To keep ahead of demand we strengthened our marketing team during the year, adding a new Enquiries Manager and further team members with expertise in digital marketing, content creation and converting enquiries in to viewings.



Training and development

We run a regular programme of training for our centre managers and other site staff. Topics covered during the year included customer service, networking events and social media.

In-house expertise

In today's increasingly regulatory environment, it is vital that Workspace stays on top of changing regulations and best practices. To support our strategy, we strengthened our in-house governance and compliance expertise by hiring Kelly Carmichael as Head of Legal and Assistant Company Secretary.

Chairman's statement

Our proven strategy has enabled us to deliver another year of strong performance in 2018/19 and we are confident this will continue in the future.

Our proven strategy has enabled us to deliver another year of strong performance and we are confident this will continue. The business has a unique model which combines an attractive London-based property portfolio with a customer-focused operating platform, delivering long-term capital and income growth.

Despite the uncertainty that the UK's current challenging political situation places on businesses, Workspace has continued to see strong demand for its flexible space offer. This is in a real estate market that is increasingly turning to flexibility and customer service, our core focus for many years.

The new space from our extensive refurbishment and redevelopment programme is letting up well and we have successfully integrated our recent property acquisitions. These projects drive significant returns for shareholders and we have a strong pipeline of ongoing activity for the coming years.

Our Full Year Results are testament to our business model and we have seen net rental income increase by 16% to £111.0m and our EPRA NAV per share rise 4.7% to £10.86. The Board has recommended a 20% increase in the dividend for the year, highlighting our confidence in the strategy and future growth of the Company.

Over the last year, we have continued to embed our new values framework across the business and we are already seeing the benefits. Workspace has a very distinctive culture that fosters innovation, a genuine focus on customer service and a desire amongst our people to learn and develop.

After a very successful seven years as Chief Executive Officer, Jamie Hopkins left Workspace on 31 May 2019. The Board is hugely grateful to Jamie for his significant contribution. He oversaw a clear strategy which has delivered strong performance and we believe will continue to do so. Graham Clemett, Chief Financial Officer, has taken on the role of Interim Chief Executive Officer while a full and formal search for a permanent successor is carried out. In this interim period, I am confident that the business is in very good hands with Graham and the rest of the Executive team, who have built up a wealth of experience over many years at Workspace.

The UK is clearly navigating a challenging political environment and there is a great deal of uncertainty around the potential impact on the economy. Despite this backdrop, Workspace is well placed with its focus on London and the attractions that the Capital holds for businesses of all shapes and sizes. Our customer offering is constantly evolving, capturing the imagination of London's businesses, and the Board is confident that The Workspace Advantage will continue to deliver shareholder value over the long term.

Daniel Kitchen
Non-Executive Chairman

Driving future value creation

We are aware of the recent reforms to the UK Corporate Governance Code.

At Workspace, we are clear that good governance drives good performance for us and our stakeholders, as well as benefiting the wider economy. On that basis we think it is prudent that we take the necessary time to shape our response to fully understand how the new code connects with, and supports, The Workspace Advantage to enable its delivery for the long term.

For these reasons, in this Report we will be reporting on our compliance with the UK Corporate Governance Code 2016.

– See page 78 for more information.

Our market
Understanding now and next

To help deliver The Workspace Advantage for the long-term we:

1. Maintain p19
2. Evolve p24
3. Listen p28
4. Shape p34

In the following section we outline our thinking on each.

MAINTAIN

Maintaining our focus on London, the flexible office market and the trends that affect our customers.

Environmentally friendly ways to get to work
We encourage our customers to cycle to work and we provide extensive cycle storage and changing facilities in our properties.

Trends that affect the London market

1. Strong demand for space despite the uncertainty surrounding the UK's withdrawal from the EU.

Description
60% of Londoners feel Brexit is the biggest issue facing the country[1]. However, despite continued economic uncertainty, demand for commercial property has remained strong while London continues to be a key cultural and financial hub, generating £425bn per year and representing 24% of national output[2].

What this means for Workspace
The resilience of London's flexible office market makes it the perfect fit for Workspace. The Capital continues to be a vibrant home for business, with 100,000 new businesses born in London every year[3]. We continue to see strong demand for our offer across both our established and emerging London locations, and target acquisitions in areas where we expect to see robust growth.

6m
Londoners in work[4]

Link to our strategy
- Right Market

1. Ipsos MORI December 2018 Issues index.
2. GLA London's Economy Today report, January 2019.
3. Department for Business, Energy & Industrial Strategy report, 2018.
4. Centre for London, The London Intelligence, Issue 7, January 2019.

2. With London job openings at a record high, attracting and retaining of talent is critical for businesses.

Description
The rate of job growth in London has been faster in the 10 years since 2008 than in the years leading up to it[4], while unemployment continues to fall. The rise in job openings means there will be more highly skilled job vacancies than there are candidates to fill the roles. There is a greater competition for businesses to attract and secure the most talented professionals.

What this means for Workspace
In order to attract and retain the best talent, employers need to provide the flexibility and modern office facilities that inspire, stimulate and respond to changing employee needs. Our model offers flexible leases and spaces, while our refurbishment and redevelopment pipeline means the properties in our unique portfolio are continuously upgraded to meet evolving customer needs while also creating striking buildings through leading-edge design.

13%
more job vacancies in 2018 than in 2017[5]

Link to our strategy
- Right Properties
- Right Customers
- Right Market
- Right Brand

5. CV Library Recruiter report, January 2019.

3. Londoners increasingly favour walking or cycling to work.

Description
Growth in numbers travelling on London's transport network continues to be stalled. There is an increase in environmentally friendly methods of commuting, with 15% of Londoners now walking or cycling to work[6]. TFL is spending £169m on cycling infrastructure every year, including boosting safety via new Cycle Superhighways and Quietways[7].

What this means for Workspace
This mode of transport reflects a changing pattern in working, where professionals opt to live closer to their place of work. Our properties are strategically located throughout London in both fringe and central locations, giving customers the choice of proximity. We promote cycle-to-work schemes to customers and provide extensive cycle storage facilities in our properties. In 2018/2019, we installed an additional 121 bicycle storage spaces and 136 lockers into business centres.

121
new cycling spaces installed this year

Link to our strategy
- Right customers
- Right properties
- Right market

6. Department for Transport, Walking and Cycling Statistics, 2018.
7. London Assembly Transport Committee report, March 2018.

Trends that affect the flexible office market

1. Continued growth of the flexible office market.

Description
Since 2014 the flexible office space market has more than doubled globally, with one fifth of take-up in leading cities, including London[8]. The past two years have seen an influx of conventional landlords into the market – 79% of landlords are currently considering some form of flexible provision[9] – while demand from customers of all sizes is on the rise – further fuelling a polarisation in the office market.

What this means for Workspace
With more than 30 years of experience operating in the market, the amplified spotlight on flexible space is highly advantageous to Workspace. We are seeing high demand from a range of business sizes, including increased demand from larger businesses looking to take space with us.

30%
of UK landlords said experience is the main barrier of entry to the flexible market[10]

Link to our strategy
- Right market
- Right brand
- Right customers

8. JLL, Disruption or distraction, Flex Space EMEA Research 2018.
9. CBRE, UK landlords and investors embrace the flexible revolution, Research 2018.
10. CBRE, UK landlords and investors embrace the flexible revolution, Research 2018.

Inspiring spaces
We own and manage our buildings, retaining complete control over the customer experience. This means we can design spaces that deliver vibrant and collaborative working environments.

2. Landlords and operaters are putting customers first.

Description
The real estate market is being driven by the end user. A more customer-centric approach is being adopted across the real estate industry – taking inspiration from the retail and hospitality sectors[8]. Customers now expect a certain level of facility provision beyond just the serviced office providers.

What this means for Workspace
Ownership of our properties gives us complete control over the customer experience. We regularly adapt our properties to changing customer needs, providing leading-edge facilities and flexible space with a focus on wellbeing.

Direct relationships with our customers and feedback surveys help inform how we meet their needs. This is why we invest in high-speed, resilient connectivity and networking events. In 2018/19, we launched the WorkspacePerks benefits platform, giving customers the opportunity to trade exclusive deals with companies across our portfolio.

50
exclusive customer offers already on our WorkspacePerks benefits platform

Link to our strategy
- Right brand
- Right market
- Right properties

8. JLL, Disruption or distraction, Flex Space EMEA Research 2018.

Trends that affect our customers

1. Ways of working continue to change as employees become more mobile.

Description
The workforce is increasingly fluid. People aren't fixed to their desks in a specific office anymore: sometimes they prefer to work in a café, breakout area, meeting room, or remotely. One in seven people in the EU are now self-employed and 56% of employees work from other company premises at least once a month[1]. Estimates suggest 30% of the EU's working population operates in the on-demand or gig economy[1], many using co-working space.

What this means for Workspace
We offer built-in flexibility that caters to customers who want to hot-desk or work in collaborative communal areas. Our building-wide Wi-Fi allows customers to work anywhere in the building. In addition, we provide in-building mobile coverage where required. Club Workspace is one of the largest co-working networks in London, with 19 locations across our portfolio.

19
Club Workspace co-working locations across London

Link to our strategy
- Right properties
- Right market

1. JLL, Disruption or Distraction, Flex Space EMEA Research 2018.

2. Customers prioritise connectivity when they are weighing up their office needs.

Description
Occupiers are increasingly favouring connectivity over location, according to Radius Data Exchange. Occupiers are likely to pay 5% more in rent for London office space with strong connectivity than for similar space without a guarantee of high digital performance[2].

What this means for Workspace
Ownership of the buildings means we can provide our digitally-dependent customer base with immediate access to high-speed internet connectivity, best-in-class levels of infrastructure diversity and robust emergency back-up services to protect against service disruption. 33 of our properties are already Wired Certified Gold or Platinum, and we are working across our portfolio to achieve the rating.

77%
of commercial tenants state poor connectivity impacts their profitability[3]

Link to our strategy
- Right brand
- Right customers

2. Radius Data Exchange and WiredScore office connectivity report, 2019.
3. Radius Global Market value of connectivity research 2017.

Super connected
Our building-wide Wi-Fi allows customers to work anywhere in the building.

3. 'Millennials' and 'Generation Z' value workplace culture as much as financial reward.

Description
Attracting and retaining talented millennials and Generation Z staff begins with both financial rewards and workplace culture[4]. Young people say that employers offering more flexibility than they did three years ago are achieving greater profitability, and that these working environments are more stimulating, healthy and satisfying[4]. Employees increasingly look for a sense of family and community.

What this means for Workspace
The look and feel of our buildings are carefully crafted to create individuality and appeal to our ever-changing customer base.

A key part of the Workspace brand is the facilitation of networking and collaboration – we host more than 300 events per year. Staff wellbeing is also central to our product: we provide light and open space designed to encourage movement and social interaction and to deter sedentary working.

70%
of UK millennials say they want flexible working options[5]

Link to our strategy
- Right brand
- Right customers

4. Deloitte Millennial Survey Report 2018.
5. Powwownow Flexible Working Survey 2018.

4. Businesses want their landlords to have strong sustainability credentials.

Description
Social media has played a positive role in making young people more socially conscious – in 2018 online searches for 'plastic recycling' increased by 55%[6]. Occupiers are challenging landlords to ensure they are both environmentally and socially sustainable. The most common customer queries Workspace receives relate to single-use plastics and renewable energy.

What this means for Workspace
We provide our customers with transparency about how much energy they are using individually as well as the environmental performance of each building. We are working with our cafés to significantly reduce the amount of single-use items they use. The installation of solar panels across eight properties generated 107,540 kilowatt hours per annum. Overall, 2018 saw an increase in renewable energy generation from solar by 23% year-on-year.

107,540
kilowatts generated from solar energy across Workspace's portfolio

Link to our strategy
- Right people
- Right customers

6. Hitwise Green Living Report 2018.

EVOLVE

The world is constantly changing. There are a number of macro trends we're seeing today that could impact the nature of work and the workplace in future decades.

To help us understand what's next, we spoke to some of London's young people who will be part of shaping 'next'.

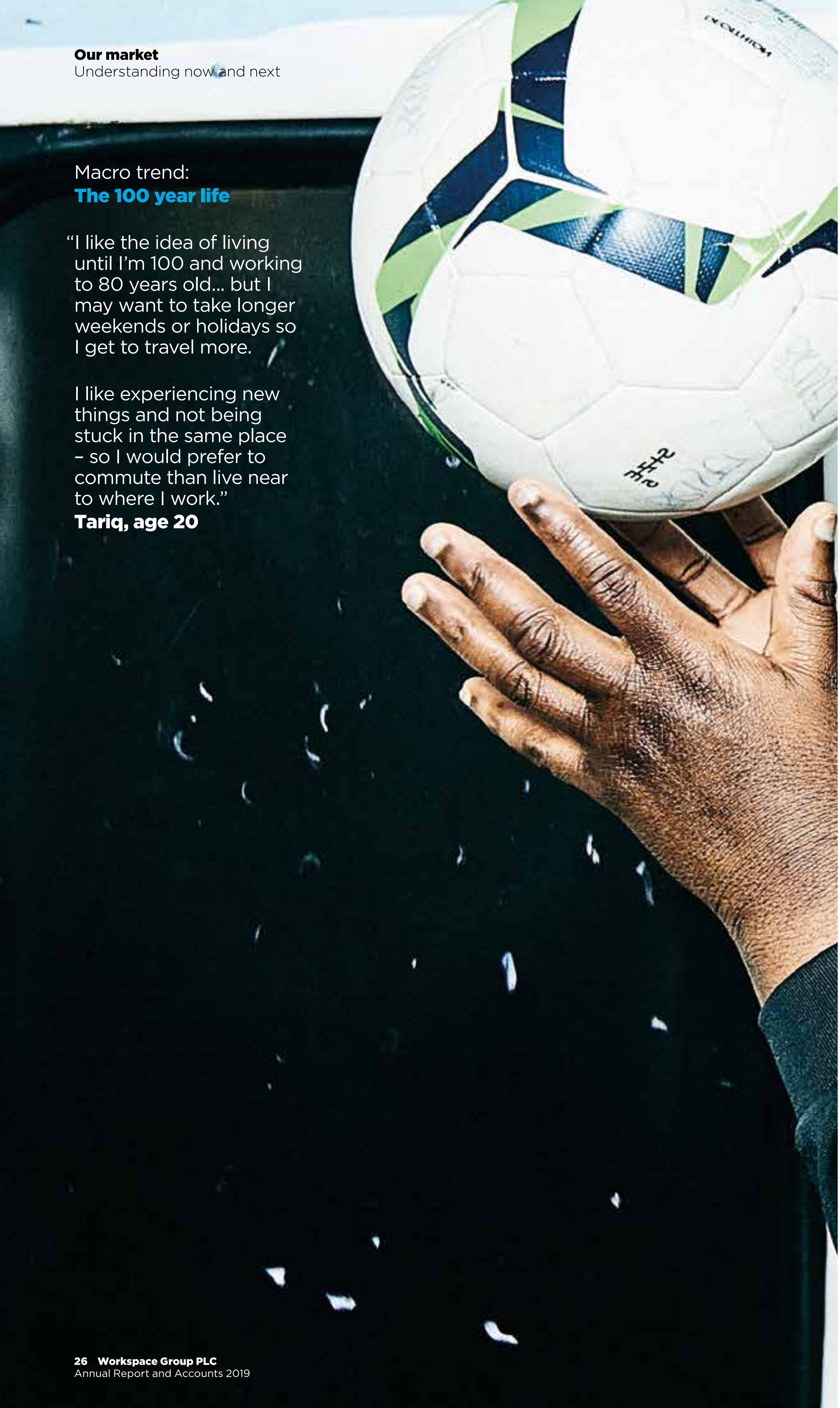
The young people featured in this section are currently on programmes with XLP, a charity working to create positive futures for young people growing up on London's inner-city estates.

Images were taken aboard one of the XLP community buses.

Macro trend:
Urbanisation

"There is going to be more and more competition for jobs – and I want to have more than one! I'd like to be both a criminal psychologist and a musical theatre performer. These days, people can make money out of what they truly love doing thanks to social media and being able to work from home.

Dieura, age 15



Macro trend:
The 100 year life

"I like the idea of living until I'm 100 and working to 80 years old… but I may want to take longer weekends or holidays so I get to travel more.

I like experiencing new things and not being stuck in the same place – so I would prefer to commute than live near to where I work."
Tariq, age 20

Macro trend:
The gig economy

"I think the increase in short-term jobs and freelance work is a positive thing – it attracts more active people and means there will be more creativity in the workplace."
Holly, age 17

Macro trend:
Cyber security

"Hackers are finding it much easier to steal identities and commit fraud. It's important that people have secure Wi-Fi to guard against attacks. For example, our school has a good system and they know everything we are doing – but it does mean we have less privacy."
Jess, age 16

LISTEN

To help us deliver for the long term, we listen to all stakeholders. We listen to everyone who works for Workspace, to our investors, our neighbours, and to anyone within our supply chain.

It's one of the things that makes Workspace super connected.

This year, we asked stakeholders one simple question:

Q.

What value does Workspace provide to you?

Stakeholder group:
Customers

A.

"As a fast-growing business, we like knowing that we can take advantage of Workspace's flexibility"

Workspace's response
Our forward-thinking customers are often eager to expand, which is why we provide both flexible leases and space. Our on-site centre managers have close relationships with customers and are on hand to make office expansions easy, including the option of relocating to another Workspace property.

Mighty Fine
A honeycomb confectionary company based at China Works business centre in Vauxhall.

Stakeholder group:
Our people

A.

"Opportunities to develop my career"

Workspace's response
Our strong corporate culture means employee retention and loyalty is high. We understand that our staff are our greatest assets, which is why we invest significantly in training and development opportunities. In future years, we will be monitoring employee engagement and satisfaction through a new employee survey.

Read more on page 46.

Georgia Macaulay
Assistant Centre Manager,
Edinburgh House, Vauxhall.

Stakeholder group:
Our suppliers and partners

A.

"Both a collaborative relationship and the freedom to be creative"

Workspace's response
We build trusted, long-term relationships with our suppliers and partners, and require them to adhere to the same set of social, environmental and ethical standards as Workspace.

We worked closely with architects Squire & Partners to deliver The Frames' striking design while ensuring it blends into east London's surroundings.

Henry Squire
Partner at Squire & Partners, the architechtural firm which designed The Frames in Shoreditch and is currently working on a number of projects for us.

Stakeholder group:
Community

A.

"Boosting the local economy and perception of the area"

Workspace's response
We aim to have a positive impact on the areas in which we operate, supporting local businesses and institutions, carrying out community consultations and hosting events at our business centres.

Our community investment programmes support disadvantaged young people in London, providing CV and career workshops, and interview practise.

Russell Dryden
Manager of the Blue Bermondsey Business Improvement District, a five-minute walk from The Biscuit Factory business centre.

Stakeholder group:
Investors

A.
"Delivering long-term value"

Workspace's response
Following years of strong performance, it is important we keep investors informed about how we intend to deliver The Workspace Advantage for the long term.

This year we continued to advocate our values framework internally, reinforcing a culture that allows us to deliver our customer offer. We also mapped customer behaviours in order to strengthen relationships and maintain a leading-edge offer. Key acquisitions and investment decisions helped us deliver value to all stakeholders.

Interim Chief Executive Officer's statement
Responding to now and next

SHAPING THE RIGHT RESPONSE

The insights, outlined on pages 18-33, coupled with our culture, values and proven strategy will further differentiate us in the market, make us more valuable to our customers and enable us to deliver value to all our stakeholders.

Graham Clemett photographed at Edinburgh House, Vauxhall.

In many ways we are a traditional property company: we own high-quality, well located buildings across London which we regularly refurbish and redevelop. It is how we attract and retain customers that differentiates our business model. For over 30 years, Workspace has offered truly flexible lease terms and allowed customers to fit-out and use their space as they wish, enabling them to create and maintain their own individual identity. We have long believed in lease flexibility, retaining customers by providing them with inspiring buildings and great service.

Maintaining a close relationship with customers is critical to the success of our business. We gain vital knowledge from enquiries and viewings, analysing how customers use their space and listening to the daily feedback we receive from our centre teams. These insights, supported by our investment in technology and the analytics that it provides, inform decisions across the business and, in due course, drive performance.

Despite the uncertain economic and political environment, the business has continued to see good demand over the year. Our marketing efforts across a range of channels, underpinned by the strength of our brand, have generated an average of 1,048 enquiries per month which have been converted into 103 lettings per month.

A significant feature over the last year has been the launch of some 341,000 sq. ft. of new and upgraded space, completing refurbishment projects at eight properties. We have been delighted with the level of demand for this space from both customers new to Workspace and existing customers looking to expand.

Our total rent roll was up 12.9% in the year to £127.5m. This has come from a combination of strong growth at our recently completed projects, the successful integration of recent acquisitions and continued rent roll growth at our like-for-like properties. As a result we have recorded another year of strong financial performance, with trading profit after interest up 19% to £72.4m.

With our clearly defined strategy, an attractive range of properties in London, a programme of exciting property upgrades, a strong balance sheet and ongoing investment in our people and technology, we are confident that Workspace will continue to embrace the future and maintain its market-leading position.

Graham Clemett
Interim Chief Executive Officer

Our strategy

Super connected:
Delivering The Workspace Advantage requires all parts of our business to work together
Our five strategic priorities frame and help direct the implementation of The Workspace Advantage.

To help with the assessment and successful delivery of our strategy, the Board regularly invites external advisers, as well as internal Workspace teams, into the Boardroom to share insights and knowledge.

Our Executive Directors and senior management team spend a significant amount of time out and about in the business, visiting centres, talking to centre managers and meeting customers, as well as analysing the competition.

Our strategy
Our strategy is now well embedded and has been proven to deliver results. The Board reviews it regularly to keep it relevant and we have no reason to believe it will not continue to deliver excellent returns for shareholders.

The Workspace Advantage sits at the heart of the strategy with five strategic pillars that drive value for the business.

This value comes from the two parts of our business – the portfolio, which we are upgrading and expanding, and the platform, which drives income growth and provides valuable customer insights.

All of this informs our understanding of the market, determines how we create value through our business model and feeds into our risk assessments.

- Our market – page 18
- Our business model – page 40
- Doing the Right Thing – page 42
- Principal risks and uncertainties – page 55
- Business review – page 67
- Governance – page 77

Our strategic priorities drive Portfolio and Platform value

Right market
Despite the political uncertainty, we believe that London remains the right market for our business. The opportunity continues to be extremely attractive, with strong demand from all types of businesses for our offer. Where we see value, we will continue to acquire new assets that meet customer demand for our space and will deliver attractive returns to shareholders, and our deep market insight enables us to move quickly when these opportunities arise.

Right properties
We have a high-quality portfolio of properties in dynamic London locations and we are constantly upgrading our assets. We are delivering capital and income growth by driving rental income growth at our like-for-like properties and letting up the new and upgraded space coming out of our extensive refurbishment and redevelopment pipeline. We remain focused on creating and, opportunistically, acquiring the right properties that will attract our customers.

Right customers
Our properties are open to all and our customer base is made up of some of London's fastest growing and established businesses from a broad mix of sectors. Our customers range from freelancers, consultants and early-stage businesses right up to well-known brands and established companies.

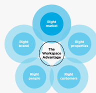
Right people
Employing the right people continues to be critical for the success of the business. Workspace's people display deep knowledge of their subjects, have an inquisitive nature and a thirst for innovation, and show genuine care for our customers, our communities and each other.

Right brand
Workspace has a strong brand, and we work hard to ensure that our offer is highly visible to prospective customers as they embark on their search for office space. Digital marketing, a strong social media presence and employees who live our values are all key to attracting and retaining customers and maintaining high levels of customer satisfaction.

China Works, Vauxhall
Understanding the property market allows us to deliver value to investors as well as customers.

Creating value in 2018/19

Strategic priority:
Right market



Description
Our portfolio is exclusively based in London, where we see continued strong customer demand and opportunities to acquire attractive real estate.

What we said we would do in 2018/19
Continue to pursue acquisitions in London where we see opportunities to create value.

The market trends that influenced our progress
Relevant London trends
- With London job openings at a record high, attraction and retention of talent is critical for businesses.
- Uncertainty surrounding the UK's withdrawal from the EU has not affected demand for office space.

Relevant flexible office trends
- Continued growth of the flexible office market.

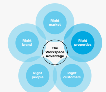
What we achieved in 2018/19
- Acquired the remaining Centro Buildings in Camden and our first property in Shepherd's Bush.
- Continued to see strong demand from London-based businesses. Average monthly enquiries were 1,048 during the year.

What we aim to do in 2019/20
Continue to grow our footprint in London through expanding existing sites and acquiring new properties that will deliver value for shareholders.

Link to relevant principal risks
1, 2, 3, 4, 5, 10

Link to relevant KPIs
Financial: 3, 5, 6, 7, 8
Non-financial: 2, 5

Strategic priority:
Right properties



Description
Creating the right environments for our customers is critical and our rolling programme of asset management, refurbishment and redevelopment projects means our properties remain at the cutting-edge of customer requirements.

What we said we would do in 2018/19
Progress our extensive project pipeline to drive income and capital growth.

The market trends that influenced our progress
Relevant London trends
- Londoners increasingly favour walking or cycling to work.

Relevant flexible office trends
- Landlords are putting customers first.

Relevant customer trends
- Businesses want their landlords to have strong sustainability credentials.

What we achieved in 2018/19
- Completed eight projects delivering a total of 341,000 sq. ft. of new and upgraded space.
- Refurbishment work underway on a further nine properties.

What we aim to do in 2019/20
Deliver 263,000 sq. ft. of new and upgraded space from our refurbishment and redevelopment pipeline.

Link to relevant principal risks
1, 2, 3, 4, 5, 8, 10

Link to relevant KPIs
Financial: 1, 2, 3, 4, 5, 6, 7, 8
Non-financial: 2, 4, 5, 6

Brickfields, Hoxton
New building launching in 2019 comprising 57,000 sq. ft.

Strategic priority:
Right customers

Description
The Workspace Advantage means we have a customer-first culture and we aim to create communities of businesses in our centres, with regular insight and networking events to encourage further collaboration.

What we said we would do in 2018/19
Bring upgraded space to the market for our customers and launch an online benefits platform.

The market trends that influenced our progress
Relevant London trends
- As London job openings are at a record high, attraction and retention of talent is critical for businesses.

Relevant customer trends
- 'Millennials' and 'Generation Z' value workplace culture as much as financial reward.
- Ways of working continue to change as customers become more mobile.
- Customers prioritise connectivity when they are weighing up their office needs.

What we achieved in 2018/19
- New space has let up extremely well, proving that our product is capturing customers' imagination.
- Launched the customer benefits platform, connecting businesses across the portfolio.

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

Link to relevant principal risks
3, 4, 5, 6, 9, 10, 11

Link to relevant KPIs
Financial: 1, 5, 6
Non-financial: 1, 2, 3, 4, 5, 6, 8

Strategic priority:
Right people

Description
Having the right skills and experience within Workspace is critical, but as important is maintaining the right culture to drive behaviours and therefore business performance.

What we said we would do in 2018/19
Launch the new Workspace values, enable engagement with all employees and reward successes.

The market trends that influenced our progress
Relevant London trends
- As London job openings are at a record high, attraction and retention of talent is critical for businesses.

Relevant flexible office trends
- Landlords are putting customers first.

Relevant customer trends
- 'Millennials' and 'Generation Z' value workplace culture as much as financial reward.

What we achieved in 2018/19
- Launched the new company values into the business, which are now well embedded, becoming part of our recruitment and appraisal processes.
- Further strengthened the team with new hires across the business.

What we aim to do in 2019/20
Continue to embed the values, highlighting success stories and values champions.

Link to relevant principal risks
3, 4, 6, 7, 8, 9, 11

Link to relevant KPIs
Financial: 1, 2, 5, 6
Non-financial: 1, 5, 6, 7, 8

Strategic priority:
Right brand

Description
With an increase in competition, it is becoming more important that our key USPs differentiate us in the crowded marketplace and that they remain strongly linked to our Workspace Advantage brand positioning.

What we said we would do in 2018/19
Continue brand tracker survey and drive further engagement with the brand through social media.

The market trends that influenced our progress
Relevant London trends
- Uncertainty surrounding the UK's withdrawal from the EU has not affected demand for office space.

Relevant flexible office trends
- Continued growth of the flexible office market.

Relevant customer trends
- Customers prioritise connectivity when weighing up their office needs.
- Businesses want their landlords to have strong sustainability credentials.

What we achieved in 2018/19
- 1.3m website hits during the year, up 18% year on year.
- Further execution of The Workspace Advantage brand campaign drove a 33% increase in first-time website visits year on year.

What we aim to do in 2019/20
Refine our messaging further and use Pathway to Purchase research to tailor our marketing strategy. Roll out brand messaging across multiple consumer channels.

Link to relevant principal risks
3, 4, 5, 6, 7, 8, 9, 11

Link to relevant KPIs
Financial: 1, 2, 5, 6, 9
Non-financial: 1, 2, 3, 4, 5, 6, 8

ENSURING OUR LONG-TERM SUCCESS

Our business model draws on the resources we have both within Workspace and those gathered externally, to deliver long-term value to our customers and shareholders.

Super connected:
Delivering The Workspace Advantage requires all parts of our business to work together.
Our aim is to create value for the long term.

To deliver this, our value-creating activities are guided by:
- Our values, which help drive our behaviours and deliver The Workspace Advantage.
- Governance, which helps us make the right decisions.
- The ongoing mitigation of our principal risks and uncertainties, which helps show us where and when we think we can create value.
- Market insight, which guides how we use the key inputs to our Business Model.
- Our strategy, which is regularly assessed by the Board.

- Our values – page 46
- Governance – page 77
- Principal risks and uncertainties – page 55
- Our market – page 18
- Our strategy – page 36

What we do

We lease flexible office space to a wide variety of customers across London. We regularly refurbish and redevelop our properties, and strategically acquire new assets where we can add value.

The majority of our space is offered on flexible lease terms (two years with a six-month rolling break). Our average customer is a 10-person company and occupies 1,000 sq. ft. of space.

In addition to dedicated office space, our business centres also offer co-working membership and meeting rooms for hire.

The Workspace Advantage

We have a customer-focused model and unique operational platform, whereby we manage all market lettings activity in house.

In addition to space, we provide customers with added value facilities, such as super-fast technology, a thriving community and a programme of business insight events.

How we create value

Portfolio
Adding value to our properties

We own all our properties and currently have 64 sites across London. Ownership gives us control to adapt our product as customer demands change.

We have a strong balance sheet and generate good cash flow. This gives us access to financing and the ability to reinvest in upgrading and expanding our existing properties, whilst also strategically acquiring new sites to grow our portfolio.

Where possible, we look to generate additional value by intensifying use at existing sites, selling residential planning consents and creating brand new business centres in partnership with residential developers.

We have acquired two new properties this year, completing the purchase of the Centro Buildings in Camden and acquiring The Shepherds Building in Shepherd's Bush.

We occasionally dispose of assets where we believe we can no longer add value or if the property falls below our robust return targets. In 2018/19 we sold a portfolio of three properties, Belgravia Studios, Spectrum House and The Ivories for a combined price of £51.9m.

We invest in the facilities we offer customers, such as state-of-the-art technology, onsite cafés, cycle storage and showers, and have a rolling programme of refurbishment which enables us to both protect and enhance property values.

Having the right properties supports our strategic priorities of maintaining a strong brand and therefore attracting and retaining the right customers.

Platform
Adding value for our customers

Our target market is London-based businesses ranging in size from entrepreneurs and early stage start-ups to larger, more established companies of several hundred employees. Through our offer, we enable our customers to perform at their best.

We enjoy strong relationships with the thousands of businesses in our space. Through regular surveys and day-to-day interaction with our centre staff, we engage and respond to their feedback.

We do not place any constraints on our customers. We offer flexible lease terms – a trend that is becoming more prominent in the market – a range of spaces and secure, unlimited data.

Customer service is of paramount importance and the dedicated on-site centre managers are committed to encouraging a sense of community and collaboration amongst businesses at all our locations.

Our proactive approach enables our customers to focus on their businesses.

We believe that our people are our greatest resource and work hard to provide the support they need to live by our values.

Doing The Right Thing

We strive to always Do The Right Thing. This means a commitment to reducing the environmental impact of our properties, working with customers to encourage recycling and reduction in energy usage and supporting the communities in which we operate.

Doing The Right Thing

We have a responsibility to Do the Right Thing by all our stakeholders
We believe that our business model and strategy will deliver sustainable growth and performance. In order to do this, we must ensure that Workspace continues to be a responsible business and that we fully integrate environmental, social and governance (ESG) factors into our business.

The following pages outline how we aim to Do the Right Thing in every aspect of our operations and demonstrate the importance of these ESG factors to the business.

Doing the Right Thing is core to Workspace's culture. In employee workshops held during the year, ideas were put forward for further enhancing the environmental and community activities we undertake, and our customers tell us that they see these factors as key elements of our brand proposition.

The Board and senior management team strongly believe that by integrating ESG factors in our day-to-day business activities, we will drive an enhanced performance and ensure the long-term sustainability of the Company.

2018/19 highlights

Our customers

WorkspacePerks
Launched customer benefits platform.

Recycle
More than 70% of our waste has been recycled during the year.

Wellbeing
Customer welcome pack now includes a sustainable transport guide, covering the cycle-to-work scheme, bike maintenance services and the London Healthy Workplace Charter.

Carbon Trust
Partnered with the Carbon Trust to hold "lunch and learn" sessions for customers on energy efficiency.

121
Cycle storage spaces installed this year.

LEG
The Leather Market Environmental Group set up at The Leather Market to help customers reduce their environmental impact.

Food recycling
We rolled out new food waste streams across the portfolio.

Our properties

Targets met
Exceeded our CCS target of 37/50 at all development projects completed during the year.

Energy use
Solar panels installed on the roof of The Frames.

SKA rated fit-out
60 Gray's Inn Road was our first Silver-SKA-rated fit-out with 100% of stripped-out material recycled.

Biodiversity
Installing green roofs at several business centres.

Our people

Culture
Successfully launched our new values into the business.

Talent retention
Ten long-term service awards of 10 years and two of 15 awarded during 2018/19.

Training
227 training days carried out during the year.

Social mobility
Workspace signed up to the Social Mobility Pledge, committing to provide work experience to those from disadvantaged backgrounds.

Breast Cancer Care
Workspace supported charity, Breast Cancer Care, in its Pink Week to raise awareness and funds to fight the disease.

Our communities

InspiresMe
Continued to hold CV and career workshops for disadvantaged young people.

Fundraising
A Workspace team trekked through the Sahara desert, raising £20,000 for XLP.

Community engagement
Continued to engage with local communities. In Wandsworth, we hosted free local events at our Riverside Business Centre, including family learning workshops.

London College of Communications
Provided space for Talent Works programme to hold content creation event for 30 students.

1,217
Hours volunteered for charities by Workspace people.

Our suppliers and partners

Environment
100% of waste was diverted from landfill from all of our managed assets.

Targets met

95%
of all timber procured from certified sustainable sources

Single-use plastic
Started engaging with cafes at our business centres to reduce single use plastic.

Renewable energy
All of our electricity supplies within our Group contract are on a renewable energy tariff.

Partner
Bywaters' new data platform allows our centre managers to compare buildings' recycling rates.

Awards, accreditations and commitments

Global Real Estate Sustainability Benchmark ('GRESB')
We gained a Green Star for the fifth year in a row for the GRESB survey. We achieved an A rating for Public Disclosure and scored 80 in the Real Estate Assessment, exceeding both the Average score of 68 and the Peer Average score of 72. GRESB allows us and our investors to measure our sustainability performance within the real estate sector.

European Public Real Estate Association ('EPRA')
We were awarded another Gold for reporting in line with the 2018 European Sustainability Best Practice Recommendations (EPRA sBPRs) for the fifth year in a row. As with the EPRA financial BPR Awards, each year EPRA recognises companies which have issued the best-in-class annual sustainability performance report.

Carbon Disclosure Project ('CDP')
We achieved a B in our 2018 Carbon Disclosure Project score, exceeding the sector and regional score average B-. Scores were based on disclosure, awareness, management and leadership with regards to carbon management and climate change risk.

FTSE4Good Index
This year we achieved 3.3 out of 5 (Absolute Rating) and 76% (Relative Percentile Score). The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.

Investors in People
We continued to hold our Investors in People accreditation for the 19th year in a row, having achieved the highest Gold Award in the last accreditation. The standard defines what it takes to lead, support and manage people well for sustainable results.

The Social Mobility Pledge
We have signed up to the Social Mobility Pledge and have committed to partnering with schools, providing work experience and adopting open employee recruitment practices.

Green Electricity
All of our electricity supplies within our group contract are on a green tariff. SSE Green is 100% renewable energy generated by a variable mix of hydro-electric, offshore and onshore wind depending on prevailing weather conditions. This year we have calculated our market-based emissions in addition to location-based emissions for our scope 2 greenhouse gas reporting.

Our customers

Attracting and retaining a loyal customer base

Workspace cultivates strong relationships with its customers, thanks to its in-house operational platform and dedicated centre teams who curate thriving communities in their buildings.

We know from our engagement with customers that they care deeply about the environmental performance of their office space, as well as the role they, and we, can play in the local communities.

Case Study
The Leather Market Environmental Group

We have recently set up an environmental group with our customers based at The Leather Market in partnership with customer Anthesis, an environmental consultancy. The group's aim is to help customers reduce their environmental impacts through education and collaboration. The group will meet quarterly to discuss recycling, energy, water, procurement, events and campaigns. The benefits to our customers include environmental savings, cost savings, PR benefits and networking opportunities.

Case Study
Encouraging our customers to recycle

This year, we surpassed our target of just over 70% of our waste being recycled (based on a combination of estimated and actual waste weighed). To put that into perspective, of the 369 tonnes of waste collected in March 2019, just under 260 tonnes of this was recyclable material. To raise further awareness, centre teams have held recycling and waste awareness roadshows, our Facilities Managers and Technicians have reviewed and managed our recycling areas, and our Energy & Sustainability Manager has been engaging with our café operators.

Case Study
Educating customers on energy use

This year we partnered with the Carbon Trust to hold 'lunch and learn' workshops at various sites across the portfolio, providing advice on energy efficiency and government grants.

In addition, our customer welcome pack contains energy-efficiency resources and tips including promoting the Better Building Partnership's (BBP) Responsible Fit-out Guide, grant opportunities, energy-saving guides and posters, carbon footprint calculators and information on how to switch to a green energy provider.

Looking forward

- We plan to roll out environmental groups at other centres following success of the LEG.
- We will be holding more sustainability-focused events across the portfolio.

Link to relevant KPIs

Financial: 1, 2, 3, 4, 5, 6, 7, 8
Non-financial: 2, 4, 5, 6

Maintaining the right property portfolio for the long term
Workspace has owned many of its 64 properties for decades and we want to ensure the continued sustainability of these buildings for the years to come.

Whether we're upgrading the sites through minor refurbishments, adding new floors or starting from scratch and rebuilding a more fit-for-purpose asset, we are focused on reducing the environmental impact of our properties and their supply chains.

Case Study
The Frames
In September 2018, we launched a new business centre in Shoreditch, The Frames, on the site of an old asset that Workspace had owned for more than 20 years. The property is designed to BREEAM Excellent rating, the world's leading sustainability assessment method for master planning projects, infrastructure and buildings. The Frames benefits from natural light and natural ventilation as well as clever design to encourage movement around the building and a combination of open space and private offices for both collaboration and concentration, promoting health and wellbeing.

Barley Mow Centre, Chiswick: 3,000 sq. ft. of green roof and wall.

Case Study
Biodiversity
We have made an effort during the year to increase the amount of space at our centres given to biodiverse habitats. ScreenWorks in Islington, The Record Hall in Farringdon and Cocoa Studios at The Biscuit Factory in Bermondsey are just some of the Workspace centres bringing greenery to London's skyline.

Case Study
Achieving Silver SKA rating for the fit-out at 60 Gray's Inn Road
We achieved our first ever Silver SKA Rating at Gray's Inn Road. This is a coveted certification that assesses fit-out projects against a stringent set of sustainability criteria. This refurbishment project saw 100% of the stripped out materials recycled, all materials diverted from landfill, any new products sustainably sourced and energy-efficient air conditioning and lighting installed.

Looking forward
- We aim to achieve further SKA ratings on future projects if feasible.
- We are following the Soft Landings framework for our future development Brickfields. Soft Landings helps close the performance gap between design intentions and operational outcomes.

Link to relevant KPIs
Financial: 1, 2, 3, 4, 5, 6, 7, 8
Non-financial: 2, 4, 5, 6

Workspace Group – Task Force on Climate-related Financial Disclosures (TCFD)
TCFD Disclosure Summary
Launched in 2017, the TCFD encourages businesses to disclose their response to climate change by assessing climate change 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 the long-term success and the delivery of strategic and operational objectives. The Risk Committee, which reports to the Board, reviews and identifies risks associated with sustainability, carbon and energy management, of 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, so that our assets operate as efficiently as possible. As detailed within our full TCFD disclosure 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 2030.

Workspace's full TCFD disclosure can be found within our TCFD Full Disclosure Report.

- For more information on our environmental performance go to the Report of the Directors on page 158.

Our people

Nurturing and developing talent within Workspace, thanks to a dynamic culture
Workspace's growth and customer-centric approach is possible because of our focus on attracting, retaining and developing the right talent.

We know that Workspace has a distinct culture and set of behaviours that drive the success of the business. However, until now, this had not been articulated. We felt it was important to clearly set out a values framework to support the development and delivery of our customer offer, The Workspace Advantage. We believe that an articulated culture creates a common feeling of identity and direction, helping motivate teams and enhance decision-making.

We held a series of workshops across the business in April 2018, encompassing more than 100 employees, to gather staff insights on our culture. The discussions provided an environment where employees could talk openly about what they saw as common behaviours or values existing across the business and, ultimately, share their perceptions of the internal culture.

The feedback from these sessions was overwhelmingly positive, with a consensus that Workspace has an enthusiastic, inclusive and caring culture. We synthesised the output of the workshops into four key values:

1. Know Your Stuff
"We like people who are serious about their subject and know there's always more to learn. Enthusiasts who back it with the facts. Those who ask questions, who are open-minded and interested. We don't just react to what customers, colleagues or the market are telling us, we anticipate it. And our accent on technology helps us to do just that."

2. Find A Way
"We look for those who are persistent and have the confidence to move things forward even when they are difficult or unclear. Flexibility and adaptability are key but so are focus and determination. Our teams mix people with a range of backgrounds and skills and the result is always more interesting and effective."

3. Show We Care
"We value people with great social skills and look for those who instinctively build really good relationships – we are in constant conversation with customers and one another. We like people who are approachable, flexible and see opportunity in the every day. We think hard about how we can contribute to our communities and give something back."

4. Be A Little Bit Crazy
"We depend on the creativity and imagination of all our people. We like those who sense an idea before they can explain it, the ones who see things a little differently, who believe they can make a difference. We like people who thrive on fresh thinking, who are motivated by possibility, who don't want to work for just another corporation because that's what we're trying not to be."

Workshops
The values were launched via a series of workshops carried out by each team manager, alongside case studies – stories told through intranet news articles, framed posters and email communications – showing examples of employees who had demonstrated the values, while values-branded notepads and tote bags were handed out to all staff. The values have received a positive response and have been embedded in the staff performance reviews and recruitment processes.

Diversity
We strongly believe in the clear competitive advantage gained from employing a diverse workforce, ensuring we attract the best people with a broad range of experience, backgrounds and skills sets. We are fully committed to an active Equal Opportunities Policy covering recruitment, selection, training and development, performance reviews and promotions.

Case Study
Breast Cancer Awareness workshops at Kennington Park
As part of Pink Week, a session was run detailing how to check for breast cancer and how to support friends and family if they are diagnosed.

Employee engagement

We continue to reinforce the values through our internal communications, having introduced several new channels during the year, including Sharepoint, Skype for Business, Yammer and a monthly internal newsletter called The Workspace Wrap.

The objective of our internal communications strategy is to create an engaged, motivated and well-informed workforce who feel they are working towards a common goal: Workspace's long-term success. This is done by empowering staff to become capable brand ambassadors and maintaining a consistent flow of internal news across our new channels, providing engaging content around company performance, property launches and CSR initiatives, for example. See page 80 in Governance for Board engagement with employees.

Long-service awards and careers

Our dynamic culture means that employee retention and loyalty is high, with 26 members of staff achieving long-service awards this year, 10 of which were for 10 years of service and two for 15 years.

Learning and development

Employees have the opportunity to build their careers with us. Know Your Stuff is one of our key values, and we place a lot of importance on providing training and development opportunities to all our employees. We carried out more than 227 training days over the year, covering a range of topics:

- Customer services
- Networking
- IT skills
- Writing skills for customer communications
- Conflict resolution
- Planning and organisation skills

Case study

Sophie Rose started at Workspace in 2013 as a Purchase Ledger Clerk. We have since helped develop her career via a number of professional training courses, which resulted in her qualifying as a Chartered Management Accountant this year. After progressing through the Management Accounts team, she is now Business Analyst within the Financial Planning and Analysis Team. Sophie is also a key member of our 'Doing the Right Thing' committee.

Health and wellbeing

One of the priorities of our internal culture is the health and wellbeing of our staff. Throughout the year, we have promoted yoga and mental health sessions across a number of sites, while launching a new offers platform with discounts on gym memberships and meditation sessions, which can be taken advantage of by employees as well as customers.

Looking forward

- We are increasing 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.
- We will also be monitoring employee engagement and satisfaction through a new employee survey.

Link to relevant KPIs

Financial: 1, 2, 3, 4, 5, 6, 7, 8
Non-financial: 2, 4, 5, 6

Our communities

Working alongside and supporting our communities
Workspace aims 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 different ways.

We work with local businesses and aim to encourage the local employment of young people with our customers and suppliers.

We continue to engage with local communities and host consultation events. In Wandsworth we ran free local events at our Riverside Business Centre, including family learning workshops.

We leverage our relationships with customers and suppliers, as well as our in-house skills and knowledge, to support disadvantaged young people in London. Through our InspiresMe programme, we run CV and career workshops and provide interview practice. We have also continued to hold events for our customers and suppliers to raise awareness of the benefits of hiring apprentices and introduce them to potential candidates.

Case Study
Developing creative talent with the London College of Communications
Workspace partnered with the London College of Communication's Talent Works programme, providing space at Kennington Park to hold their two-week pop-up content creation studio for 30 students. Holding the studio at an external venue provides the students with a richer experience and teaches them what working in the real world can be like.

Supporting communities
LCC Talent Workshops held at Kennington Park.

The students were given briefs from 13 local charities and enterprises, with projects covering filmmaking, print and digital design, motion graphics, animation and social media strategy. The project is aimed at students who may struggle to get their first paid creative job. They gain experience working with real clients, develop soft skills, and work for their portfolios.

Looking forward
- We have selected Great Ormand Street Hospital as our new Charity Partner. We will host a variety of fundraising events throughout the year to support the hospital.
- We will continue to work with XLP through our InspiresMe programme.

Link to relevant KPIs
Financial: 1, 2, 3, 4, 5, 6, 7, 8
Non-financial: 2, 4, 5, 6

Fundraising
Workspace staff and customers raised £26k for our charity partners this year. The XLP four-day Sahara trek was our main fundraising event.

Our suppliers and partners

Developing strong relationships with our suppliers and partners
We are committed to driving positive change both within our supply chain and across our partnerships.

Stringent KPIs are embedded into our tendering process from the outset, designed to ensure all suppliers and partners adhere to the highest standards of sustainability.

We work closely with Bywaters, our waste contractor, to improve our recycling rates across the portfolio. For example we have worked together on initiatives including back-of-house recycling areas, introducing new food waste recycling streams and holding recycling events for our customers. This year we have transferred all of our data onto a new platform, allowing our centre managers to easily compare each building's recycling performance on a monthly basis so as to address issues and reach our targets. This year we surpassed our target to recycle more than 70% of our waste.

Our target is to procure at least 95% of timber from certified sustainable sources such as FSC – we exceeded this across all of our projects. We also surpassed our target for diversion of construction and demolition waste from landfill. For example, 100% of waste was diverted from landfill at The Light Box.

Case Study
Considerate construction on development projects
We have exceeded our target Considerate Constructors Score (CCS) of 37/50 at all of our projects completed during the year. Notable scores included 40/50 at Cocoa Studios at The Biscuit Factory, 41/50 at The Light Box in Chiswick and 40/50 at Brickfields in Hoxton.

Case Study
Engaging with our cafés on single use plastic
This year we have been working with the cafes and catering partners in our centres to reduce single-use plastic. We have visited each cafe to discuss switching to low environmental impact alternatives, such as reusable coffee cups, cardboard packaging and paper straws. Following our engagement and research, we will be setting a Workspace best practice standard across our cafes this year.

Case Study
Better Buildings Partnership (BBP)
We are a member of the Better Building Partnership (BBP) and report into the Real Estate Environmental Benchmark (REEB). The BBP is a collaboration of the UK's leading commercial property owners who are working together to improve the sustainability of existing commercial building stock.

Case Study
Islington Sustainable Energy Partnership
Karen Jamison, our Energy & Sustainability Manager, sits on the Steering Committee for the Islington Sustainable Energy Partnership (ISEP). Committee members meet six times a year to plan projects and events, and maximise benefit for members and the wider community.

Looking forward
- Our new recycling rate target for 2019/20 is 75%
- We will work with Bywaters so that more than 70% of our waste is measured by weight (rather than volume or estimated) by 31 March 2020
- We will host further XLP apprenticeship workshops for partners, suppliers and customers.

Link to relevant KPIs
Financial: 1, 2, 3, 4, 5, 6, 7, 8
Non-financial: 2, 4, 5, 6

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

£m

+16%

2019	**111.0**
2018	95.6
2017	79.2

Time period measured
Monthly

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 2018/19
The increase in the year was driven by growth in rental income at our like-for-like properties, an increase in rental income from completed projects where we are letting up new and upgraded space and two significant property acquisitions.

2. Trading profit after interest

£m

+19%

2019	**72.4**
2018	60.7
2017	50.7

Time period measured
Monthly

Definition
Trading profit after interest is net rental income, joint venture trading income and finance 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 2018/19
Trading profit after interest for the year was £72.4m, up 19% on the previous year. Net rental income is the key driver of trading profit due to our relatively fixed cost base.

3. EPRA NAV per share

£

+4.7%

2019	**10.86**
2018	10.37
2017	9.53

Time period measured
Six monthly

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 2018/19
Our EPRA NAV at 31 March 2019 was £10.86, up 4.7% from the prior year.

4. Dividend per share
pence

+20%

2019 32.87
2018 27.39
2017 21.07

Time period measured
Six monthly

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 2018/19
A positive trading profit performance and confidence in our outlook, as well as adhering to distribution requirements as a REIT, have driven the Board to recommend a 20% increase to the total dividend for 2018/19.

5. Like-for-like rent roll growth
%

+2.2%

2019 2.2
2018 8.6
2017 13.7

Time period measured
Weekly

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 2018/19
Like-for-like rent roll has continued to grow, increasing by 2.2% year-on-year. Growth was affected by the short term impact of customers moving from like-for-like to newly launched space.

6. Like-for-like rent per sq. ft. growth
%

+3.8%

2019 3.8
2018 7.6
2017 12.9

Time period measured
Weekly

Definition
Like-for-like rent per sq. ft. is the like-for-like rent roll divided by the occupied area generating that rent roll.

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 2018/19
Like-for-like rent per sq. ft. has increased by 3.8% in the year, with average rent up from £38.35 per sq. ft. to £39.80 per sq. ft.

7. Property valuation
£m

+2.7%*

2019 2,604
2018 2,280
2017 1,844

Time period measured
Six monthly

*Underlying

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 2018/19
We have achieved an underlying gain for the year of 2.7%. The largest uplift was in completed projects which reflects the strong demand and pricing levels achieved at some of the recently launched schemes.

See Property Valuation section of the Business Review on page 73 for more detail.

Vox Studios, Vauxhall
Vox Studios has seen a strong valuation uplift in the year.

8. Total Property Return
%

7.7%

2019	**7.7**
2018	11.3
2017	8.2

Time period measured
Six monthly

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 209.

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, forms part of the senior management team's bonus objectives.

Movement in 2018/19
Capital and income returns have led us to outperform compared to the IPD benchmark.

9. Total Shareholder Return
%

-0.5%

2019	**-0.5**
2018	29.4
2017	0.8

Time period measured
Annually

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 209.

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 the senior management team.

Movement in 2018/19
Total shareholder return in 2018/19 was down due to a fall in the share price later in the year adversely impacted by political uncertainty.

Non-financial performance

1. Customer enquiries
monthly average

1,048

2019	**1,048**
2018	1,016
2017	1,060

Time period measured
Daily

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 dial up digital marketing spend to target enquiries as required, for example around the launch of a new building.

Movement in 2018/19
Customer enquiries remained steady year on year thanks to continued demand for our space.

Jo Dai
Founder of a design-focused, ethical fashion brand based at E1 Studios in Whitechapel.

2. Website visits
million per year

1.30m

2019	**1.30**
2018	1.14
2017	0.85

Time period measured
Daily

Definition
Website visits measure the number of times individuals visit our website.

Why this is important to Workspace
Our website is our most important marketing tool, with the majority of enquiries coming via the site. We are frequently upgrading our site so that all the information our customers might require is visible and easy to access.

Movement in 2018/19
Website visits increased during the year, thanks to another execution of The Workspace Advantage campaign driving traffic to the site from digital advertising, social media activity and Search Engine Optimisation (SEO) driving content. First-time visits to the site increased by 33% year-on-year.

3. Offer letters
monthly average

397

2019	**397**
2018	317
2017	323

Time period measured
Daily

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 2018/19
The average number of offer letters per month increased significantly during the year reflecting strong demand for our space following customer viewings.

4. New lettings
monthly average

103

2019	**103**
2018	93
2017	99

Time period measured
Weekly

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 2018/19
Good levels of lettings have continued throughout 2018/19 thanks to strong demand for our space.

5. Renewals
monthly average

39

2019	**39**
2018	43
2017	53

Time period measured
Weekly

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 2018/19
Despite being slightly down year-on-year, we continued to deliver good levels of lease renewals during the year.

6. Employee volunteering days

101

2019	**101**
2018	121
2017	79

Time period measured
Annually

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 2018/19
The number of volunteering days is slightly lower than last year owing to fewer company-wide events. This figure includes 57 working days and 44 personal days.

7. Customer events

125

2019	**125**
2018	131
2017	180

Time period measured
Monthly

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 2018/19
This number will move around year to year as we do not have a specific target. It is important that we continue to run a significant number of events across our centres during the year.

Principal risks and uncertainties

Super connected:
Delivering The Workspace Advantage requires all parts of our business to work together.
In isolation risk mitigation helps us manage specific subjects and areas of the business. However, when brought into our day-to-day activities successful risk management has helped us maximise our advantage in 2018/19.

Market understanding
Monitoring the fundamentals of the London market helped us spot opportunities as well as assess what our customers want. We have undertaken work to engage with customers to understand their needs.

Property acquisition
In the year risk mitigation helped us assess the right opportunities – where we knew we could deliver our unique customer offer.

Refurbishment and redevelopment
We continue to apply risk management at ongoing refurbishments and redevelopments where we are investing to deliver The Workspace Advantage.

- Our market – page 18
- Our business model – 40
- Doing The Right Thing – page 42
- Interim Chief Executive Officer's statement – page 34
- Business review – page 67
- Governance – page 77

Risks and delivering our strategy
In order to deliver our strategy, we aim to maintain a balance between safeguarding against potential risks, and taking advantage of all potential opportunities. Taking advantage of opportunities whilst considering the risks related to these opportunities is key, and we aim to do this as part of our everyday business activity rather than as a standalone exercise.

Our Key Strategic Aims are:
- Right market
- Right properties
- Right brand
- Right customers
- Right people

We operate within the London market which continues to be a resilient and vibrant market in which to operate.

We want our properties to be safe, secure and well maintained.

We need our brand to be reflective of our product, our customers and our culture. We aim to take opportunities to promote our brand efficiently and effectively.

Our customers are at the heart of everything we do and we want them to be safe and secure in our properties and to create an environment for them in which they can thrive.

We also need the right staff and expertise to deliver our strategy, with adequate succession planning where needed. We invest heavily in our staff and put effort into training and developing our employees and making them feel valued and part of our culture and values.

We aim to have a robust risk management process in place to enable us to meet our strategic objectives, and also manage day to day risks and issues.

Key highlights for 2018/19
- Ongoing data protection review and training has been undertaken across the organisation. Review of our information asset registers continues. A specific working group has been created, the Information Governance Group, incorporating senior managers from across the business to monitor compliance with GDPR requirements. Best practice guidance is being rolled out across the Group.
- We are launching the use of risk management software. The aim of this is to help effectively capture findings from our internal property site reviews, third party audits and detailed information to demonstrate our key controls are operating effectively.
- Continuing to safeguard the Group with regard to cyber security and keeping aware of risks and issues in this fast moving area. We undertook an external review of our cyber security in the year and are actioning recommendations made.
- Regular review and consideration of any potential impact from Brexit.

Further detail on our assessment of Brexit can be found on page 62.

Risk Management Structure
We have an established Risk Management Structure in place to help us capture, document and manage risks facing our business. We monitor this structure to confirm that it remains appropriate for Workspace's size, culture and business model.

Our aim is to manage each of our risks and mitigate them so that they fall within the risk appetite level we are prepared to tolerate for each risk area.

The Risk Management Structure is underpinned by close working relationships between the Executive Directors, Senior Management and other team members, which enhances our ability to efficiently capture, communicate and action any risk issues identified.

Risk Committee
We have a Risk Committee, which meets regularly and has responsibility for co-ordinating risk management activities throughout the Group. It prepares regular reports to the Board and Audit Committee.

The Risk Committee comprises the Interim Chief Executive Officer, the Operations Director and Company Secretary, alongside the Head of Finance and other Senior Managers and representatives from across the Group. The Risk Committee engages with staff throughout the business and our small size encourages good communication between each business area. In addition, frequent visits by head office staff to our business centres increases awareness and understanding of any property-specific risks and issues.

Risk registers for all business areas are maintained and risks are assessed against a defined scoring mechanism to enable consistency.

Risk culture
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.

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 49 to 54.

Risk appetite

Risk appetite reflects the overall level of risk acceptable with regards to our principal business risks. 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. Currently all our Principal Strategic risks are subject to the same moderate risk appetite.

Strategic risks

- These are defined as risks which impact achievement of our strategy and objectives.
- They are identified, assessed and managed by the Executive Committee.
- Strategic risks are ultimately owned by the Board.
- The Board and the Audit Committee receive regular updates on these risks.
- The Board is satisfied that we continue to operate within our desired risk appetite for our Strategic Risks.

Details of our Principal Risks are outlined in the next few pages. These risks are not in order of risk rating.

Risk changes in year

Competition has been added as a new risk this year due to the increasing number of companies with a similar customer offering. We have also separated our Brand and Reputational Risk into two areas. Two risks have been assessed as reduced in impact during the year – Refurbishment and Redevelopment and Valuation Risk. Regulatory Risk impact has been increased, reflecting increasing legislation and complexity.

Our Risk Management Structure

Board and Audit Committee

Executive Committee and Risk Committee

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

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

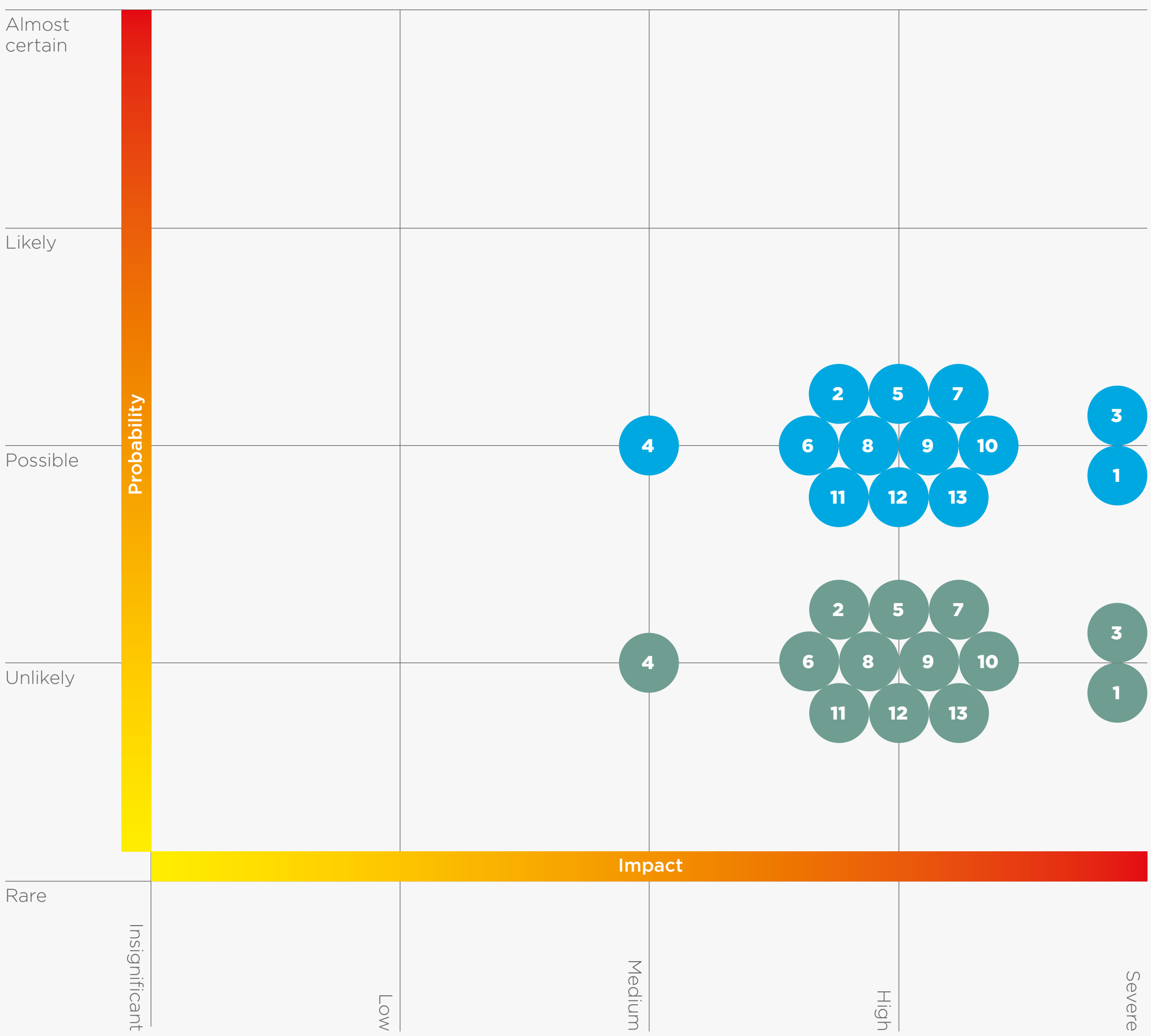
Third line of defence
Ongoing review and audit by Risk Committee.

External audit

Current assessment of Principal Business Risks

● Pre-mitigation
● Post-mitigation

1 Financing
2 Valuation
3 Customer demand
4 Refurbishment and redevelopment
5 Acquisitions and business development
6 Brand
7 Regulatory
8 Business interruption
9 Resourcing
10 London
11 Cyber security
12 Competition
13 Reputation



1. Financing

Risk dashboard

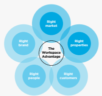
Impact
Severe

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right markets.
- Right properties.



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 66.

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.

Key metrics

£276m
£100m new Private Placement Notes and £176m equity raise

22%
Loan to Value remains low after new acquisitions

2. Valuation

Risk dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
Reduced impact from Severe to high

Risk appetite
Medium

Link to strategy
- Right markets.
- Right properties.

Link to KPIs
7. Property valuation.
8. Total Property Return.

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

Risk impact
- Covenants (Loan to Value).
- Impact on share price.

Mitigation
Market-related valuation risk is largely dependent on external factors which we cannot influence. However, we continue to do the following to remain aware of any market changes, and to generate the maximum value from our portfolio we:
- Monitor the investment market mood.
- Monitor market yields and pricing of property transactions across the London market.
- Alternative use opportunities are pursued across the portfolio and we continue to drive progress made in achieving planning consent for mixed-use development schemes, helping to drive our valuation further.

Risk management in action
We have maintained a low Loan to Value ratio, providing mitigation from any potential adverse changes in the market.

During the year we have made significant progress with our programme of refurbishment works, enhancing the standard and desirability of our properties.

Key metrics

+2.7%
Increase in underlying property valuation

3. Customer demand

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

Risk impact
- Fall in occupancy levels at our properties.
- Falling rent roll and property valuation.

Mitigation
Every week the Executive Committee meet with Senior Management to monitor occupancy levels, pricing, demand levels and reasons for customers vacating. This allows us to react quickly to changes in any of these indicators.

Our extensive marketing programme means that we are in control of our own customer leads and pipeline of deals.

We also utilise social media, backed up by a busy events programme which has further helped us to engage with customers. This differentiates us as we provide not only space but also an opportunity to network with other businesses in our portfolio.

We also stress test our business plans to assess the sensitivity we could tolerate if demand from our customers reduced. This can be found in the Viability Statement on page 66.

Dashboard

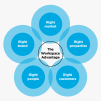
Impact
Severe

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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



Link to KPIs
5. Like-for-like rent roll.

Key metrics

90.9%
Like-for-like occupancy

12,575
Enquiries in the year

4. Refurbishment and Redevelopment

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

Risk impact
- Failure to deliver expected returns on developments.
- Cost over runs.
- Delayed delivery of key projects.
- Poor reputation amongst contractors and customers if projects are delayed.

Mitigation
For every potential development scheme we work hard to gain a thorough understanding of the planning environment and seek counsel from appropriate advisers.

We undertake detailed analysis and appraisal prior to commencing a development scheme. Appraisals are presented for Investment Committee approval and sign-off is required for every project.

The Investment Committee reviews progress on refurbishments and redevelopments every fortnight, against project timings and cost budgets both during and after the completion of a project.

Dashboard

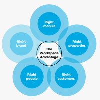
Impact
Medium

Probability (post-mitigation)
Unlikely

Change from last year
Reduced impact from High to Medium

Risk appetite
Medium

Link to strategy
- Right markets.
- Right properties.
- Right customers.
- Right people.



Link to KPIs
7. Property valuation.
8. Total Property Return.

Key metrics

4
Mixed-use redevelopment projects underway or contracted for sale

Goswell Road
We completed a major refurbishment of ground floor and basement space to create a modern and fresh feel.

5. Acquisitions and Business Development

Principal risk
Under performance due to inappropriate strategy on acquisitions and disposals.

Risk impact
- Poor timing of disposals.
- Poor timing of acquisitions.
- Failure to achieve expected returns.
- Negative reputational impact amongst investors and sell-side analysts.

Mitigation
We undertake regular monitoring of asset performance and positioning of our portfolio with periodic detailed portfolio reviews.

For each new acquisition we undertake thorough due diligence and detailed appraisals prior to purchase.

We also monitor acquisition performance against target returns via the monthly Board Pack.

Property disposals are subject to detailed review, appraisal and Board approval.

A monthly New Business Development meeting is held where the progress and profitability of each area, such as Club Workspace and our meeting room initiative, are reviewed.

Dashboard

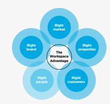
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right markets.
- Right properties.
- Right customers.
- Right brand.



Link to KPIs
3. EPRA NAV per share.
8. Total Property Return.
9. Total Shareholder Return.

Key metrics

£213m
Acquisitions in financial year

£52m
Proceeds from disposals

Customer feedback
Centre managers have regular dialogue with customers and gather feedback allowing us to adapt our offering to suit their evolving requirements.

6. Brand

Principal risk
Damage to our brand due to internal or external factors or behaviour.

Risk impact
- Damage to brand and perception amongst customers and stakeholders.
- Adverse publicity impacting on demand from new customers.

Mitigation
To enable us to understand our customers and their ever-evolving requirements we undertake twice-yearly customer surveys and have a system of real-time feedback in place. We developed a customer engagement plan to allow us to interact with our customers in a variety of ways, including the use of social media.

We maintain regular communication with all stakeholders and key shareholders. We hold investor presentations, roadshows and an annual Capital Markets Day.

Dashboard

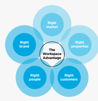
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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



Link to KPIs
5. Like-for-like rent roll.
10. Customer advocacy.

Key metrics

91.6%
Customer satisfaction score

7. Regulatory

Principal risk
Failure to meet regulatory requirements leading to fines or tax penalties, or the introduction of new requirements that inhibit activity.

Risk impact
- Fines or penalties for failure to adhere to regulations.
- Failure to identify and respond to the introduction of new requirements.
- Health and Safety breaches.
- Negative impact on reputation amongst investors and partners/suppliers.

Mitigation
Due to the increasing complexity of regulation requirements such as GDPR and Criminal Finance Act, the potential impact of the regulatory risk is considered to have increased. We continue to resource, advise and review in each key regulatory area.

During the year we recruited a Head of Legal and Assistant Company Secretary to help increase resource in this area.

REIT conditions are monitored and tested on a regular basis and reported to the Board. We work closely with HMRC and our tax advisers to remain aware of emerging issues and to keep up to date with changes.

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

The Company Secretary issues a detailed briefing to the Board regularly on emerging issues and changes to legislation.

The Group's Health and Safety Manager meets regularly with the Chief Executive Officer to keep abreast of any actual or potential Issues.

We have also undertaken a review of procedures in place in relation to the Criminal Finance Act.

Dashboard

Impact
High

Probability (post-mitigation)
Possible

Change from last year
Increased impact from Medium to High

Risk appetite
Medium

Link to strategy
- Right people.
- Right brand.

8. Business interruption

Principal risk
Major events mean that Workspace is unable to carry out its business for a sustained period.

Risk impact
- Loss of critical data.
- Loss of access for customers to work at our business centres.
- Potential loss of income.
- Potential negative impact on reputation amongst customers.

Mitigation
We have robust Business Continuity Plans and procedures in place which are regularly tested and updated. We also have in place a Crisis Management plan which details how we quickly and efficiently respond in an emergency event.

IT controls and safeguards are in place across all our systems.

By listening to our customers we know that technology, connectivity and remote working is more key than ever. We have invested time and funding into improving the security and reliability of technology and connectivity across much of our portfolio.

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

Link to KPIs
10. Customer advocacy.

Key metrics

33

Buildings with Gold/Platinum wired score ratings

Brexit

With the continuing uncertainty in the political and economic environment following the EU Referendum, it is important that we remain vigilant to any potential issues or impact that we foresee.

The Board has debated the potential implications of Brexit and mitigating actions required for key areas of the business.

Specific consideration has been given to the following areas:

Customers
The operational impact of Brexit and how it may affect customers is being monitored. Reviewing trends in pricing and demand as part of weekly trading meetings provides the ability to identify adverse market signals, thus enabling the operational team to respond accordingly. To date, we have not seen any significant impact on customer demand or pricing.

Supply chain
The Development team maintains a close relationship with contractors, conducting due diligence to understand the contingency plans and Brexit scenario planning programmes implemented by our partners and, seeking assurances that the services they provide and the materials they procure, will not be materially impacted. In the event that our contractors are impacted, this could result in a slowdown in our redevelopment and refurbishment programme.

Facilities management services provided by suppliers, such as cleaning and lift maintenance, are also subject to due diligence. Suppliers are asked to confirm that the products and services they are responsible for can be delivered without significant interruption under any scenario.

Employees
The potential impact on staff and the ability to recruit skilled people remains a focus. The Company is well regarded and there is a liquid pool of potential staff available. We have a large number of staff from EU countries and we plan to assist relevant staff with visa arrangements once the requirements under Brexit become clear.

Financing
As detailed in the Viability Statement on page 66 we have considered a number of sensitivities within our 5 year plan. We consider that the sensitivities modelled would cover the worst-case scenario of a no deal Brexit and plans have therefore been stress tested for this potential outcome.

The Company continues to meet regularly with its relationship banks and PP noteholders to discuss market conditions and availability of various sources of finance. The CFO receives regular updates from banks in relation to activity in the funding market.

Valuation
The valuation of our property portfolio could be reduced if Brexit impacts London office values and customer demand. A reduction in valuation could impact on LTV covenants within our financing facilities. However, with a relatively low LTV of 22% we would not expect this to cause a breach of covenants.

Regulation
The Company keeps up to date with changing regulations through discussions with advisors. Regulation is taken seriously and additional internal resource has been added in the year to allow an increased focus on this area.

Employee training
We carried out 227 training days during the year.

9. Resourcing

Principal risk
Failure to progress with strategy due to inability to recruit and retain correct staff.

Risk impact
- Reduced ability to action strategy successfully.
- Insufficient resource to manage increased demands as the Group grows.

Mitigation
We have a robust recruitment process in place to enable appropriate level of interviewing and scrutiny of new joiners.

We have various incentives to align staff objectives with those of the Group to help ensure staff are working in the best interests of the Group and its stakeholders. This is supported by a robust appraisal and review process for staff.

Our HR team run a detailed training and development programme designed to ensure staff are supported and encouraged to progress with learning and study opportunities.

Risk management in action
Our staff are fundamental to what makes our business work and drive the success of the Group, alongside making our business centres a fun and vibrant place to work for both staff and customers. We wanted to build on the culture we have and make sure we are communicating this well, so a series of staff workshops was held to discuss, debate and celebrate the culture and values we have. These were a success and helped ensure staff feel fully engaged with defining our core values.

Dashboard

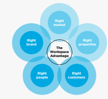
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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



Link to KPIs
1. Net Rental Income growth
2. Trading profit after interest
3. EPRA NAV per share
4. Dividend per share
5. Like-for-like rent roll
6. Like-for-like rent per sq. ft.
7. Property valuation
8. Total property return
9. Total Shareholder Return

Key metrics

26
Long service awards in the year

10. London

Principal risk
Adverse changes in the political, infrastructure and environmental dynamics of London lead to reduced demand from our customers.

Risk impact
- Impact on demand for space if London adversely affected by a major incident.

Mitigation
Having been based within the London market for a number of years, we know our markets and areas well.

We regularly monitor the London economy and commission research reports. We also hold regular meetings with the GLA and the councils in the London boroughs in which we operate so that we are aware of any changes coming through ahead of time.

We still see London as a vibrant city-communication with our customers and stakeholders supports this. For further detail on engagement with customers and stakeholders see page 91.

Dashboard

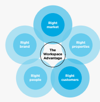
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right markets.
- Right customers.



Link to KPIs
2. Trading profit after interest.
5. Like-for-like rent roll.
6. Like-for-like rent per sq. ft.
7. Property valuation.
9. Total Shareholder Return.

11. Cyber security

Principal risk
Loss of data or income due to cyber security attack on our business.

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

Mitigation
Time and resource is spent testing the security of our systems.

Monitoring guidance and best practice issued by Government and advisors.

Regular review of IT systems and infrastructure is in place to keep these as robust as practicable.

Performing system penetration tests.

Risk management in action
Cyber security and the safety and security of our systems and data remains key for us. This area is more of a challenge due to the constant evolution of technology and the risks which are posed.

Our staff have been required to complete a detailed cyber-security training programme and we have performed some phishing exercises to make staff more vigilant about opening suspicious emails and following internet links.

We used external resource to undertake a detailed review of our policies, procedures and controls in relation to cyber security.

Dashboard

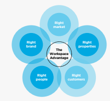
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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



12. Competition

Principal risk
Emerging third parties and competitors within our market.

Risk impact
- Reduced customer demand.
- Adverse impact on rental growth.

Mitigation
We closely monitor competitors at both a local level, by looking at similar business centres located closely to ours, and at a corporate level by reviewing competitor trends and performance.

We invest time and effort in getting to know our customers, building connections with them and encouraging them to build connections with each other, We thereby establish ourselves as more than just a landlord, giving us a competitive edge.

Dashboard

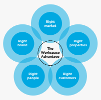
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
New risk

Risk appetite
Medium

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



13. Reputation

Principal risk
Failure to meet customer and external stakeholder expectations.

Risk impact
- Damage to our reputation and perception amongst customers and stakeholders.
- Adverse publicity impacting on demand from new customers.
- Worse reputation amongst all stakeholders as a result.

Mitigation
To facilitate our understanding of our customers and their ever-evolving requirements we undertake twice-yearly customer surveys and have a system of real-time feedback in place. We developed a customer engagement plan to enable us to interact with our customers in a variety of ways, including the use of social media.

Dashboard

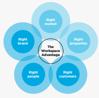
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change to risk rating, but has been split out as a separate risk from Brand

Risk appetite
Medium

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



Customers
We are more than just a landlord – we take the time to get to know our customers.

Going Concern and Viability Statement

Going Concern

The Group's activities, strategy and performance are explained in the Strategic Report on pages 16 to 76.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 140 to 178.

The Directors, having made appropriate enquiries, 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 latest strategy day was held in September 2018 and the Board reviewed the detailed business plan for the five years to 2023. The plan was updated in April 2019 to extend it to 31 March 2024 and to include the Shepherds Building acquisition.

This updated plan was reviewed at the Audit Committee meeting on 31 May 2019.

The business plan is underpinned by a detailed financial model based on assumptions around the key drivers of revenue, profit, capital expenditure and cash flow including:

- Conservative growth in pricing with stable occupancy levels for the like-for-like properties.
- Refurbishment and redevelopment schemes are delivered in line with current plans and reach stabilised occupancy levels within one to two years at current market-based pricing levels.
- Revolver bank facilities of £250m, which become repayable in June 2022, can be extended on acceptable terms.

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

The Group's activities, strategy and performance are explained in the Strategic Report on pages 16 to 76, including a description of the Group's strategy and business model on pages 36 and 40.

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 5.6 years.

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 55 to 65. Those risks that could have an impact on the ongoing success of the Group's strategy were identified and the resilience of the Group to the impact of these risks in severe yet plausible scenarios has been evaluated.

Sensitivity analyses are prepared to understand the impact of the identified risks on solvency and liquidity. Consideration was given to the potential impact of Brexit, and this impact is included in each of the sensitivities. The specific risks which were evaluated are shown in the table below.

The Group benefits from having thousands of customers spread across 64 locations in London. These customers are in a wide range of sectors and no individual customer represents more than 4% of rent roll. For this reason, the highest risk to the Group is an event or series of events that would impact on the London economy and property market as a whole.

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.

Risk sensitivity analyses

Specific risk	Risk category	Sensitivity analysis
A decline in demand for space which impacts on occupancy and pricing levels.	– Valuation. – Customer. – London.	Reductions in pricing and occupancy as experienced during the last recession over a two-year period.
Changes in the London real estate environment which impact on commercial property yields.	– Valuation. – London.	Expansion in yields as experienced during the last recession over a two-year period.
Terrorist events in London impacting on the infrastructure and attractiveness of London as a global centre for business and culture.	– London. – Business interruption.	Reduction of 10% in pricing and 10% in occupancy within one year and expansion in yields as experienced during the last recession over a one-year period.
Changes in the economic and UK regulatory environment impacting on the availability and pricing of debt.	– Financing.	Inability to refinance debt facilities falling due in the five-year period.
Changes in the London residential market which impacts on ability to realise cash proceeds at redevelopment schemes.	– Valuation. – Development. – London.	Reduction in cash proceeds from non-contracted redevelopment schemes.

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 22% as at year end.

There are a number of mitigating factors that were not considered in the scenarios tested but which could be actioned:

- Disposal of assets.
- Reduction in dividend.
- Reduction in refurbishment programme.

Conclusion

The conclusion of these sensitivity analyses is 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.

Business review

How we performed in 2018/19

Portfolio

64
Properties

£127.5m
Total Rent Roll

Financial highlights

+19%
Trading profit after interest is up

+20%
Increase in total dividend

£2.6bn
Property valuation

£10.86
EPRA net asset value per share

7.5%
Total accounting return

22%
Loan to value

£127m
Undrawn facilities available

Enquiries and lettings

1,048
Enquiries per month

103
New lettings per month

Acquisitions

3
Acquisitions

£213m
Acquisitions in the year

Disposals

3
Disposals

23%
Premium to book value at 31 March 2018

Completed projects

8
Projects completed in year

341,000 sq. ft.
New and upgraded space delivered

Refurbishments

9
Refurbishments projects underway

409,000 sq. ft.
New and upgraded space to be delivered

Redevelopments

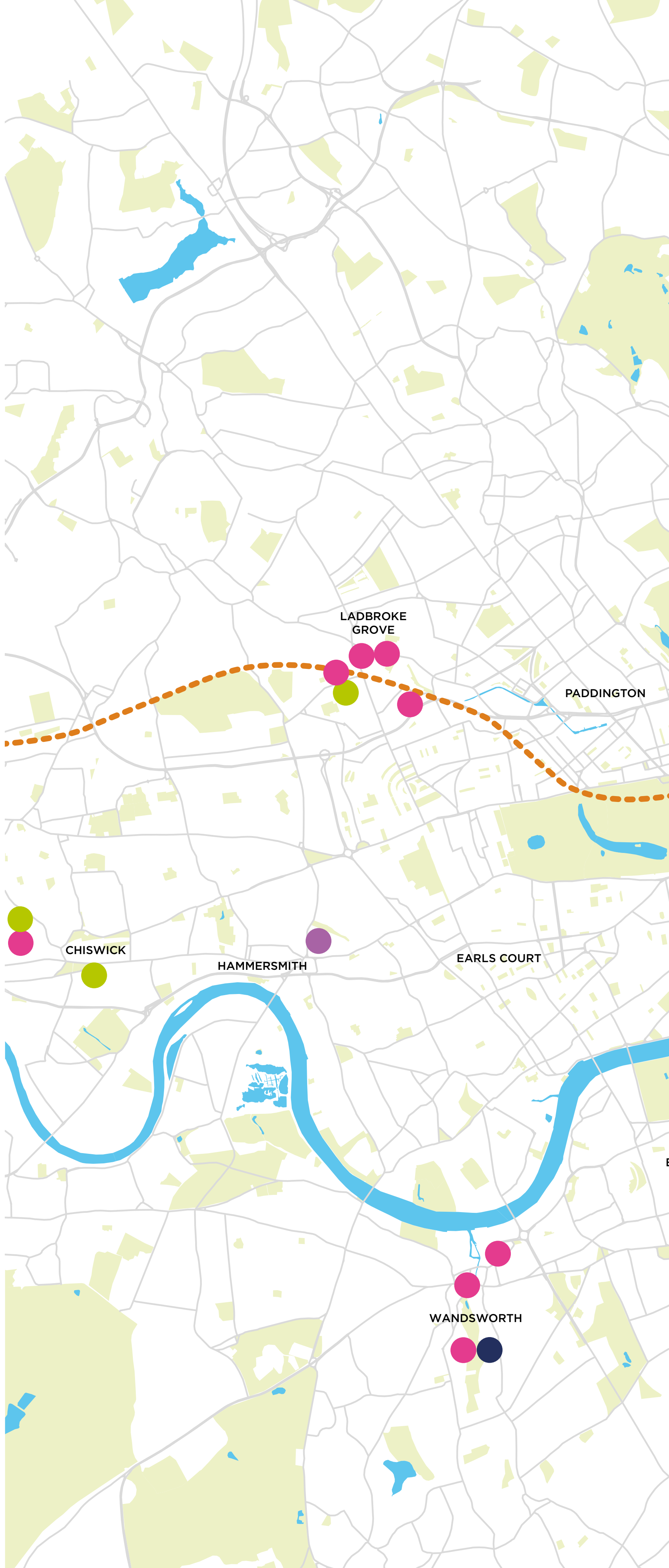
2
Redevelopments exchanged for sale

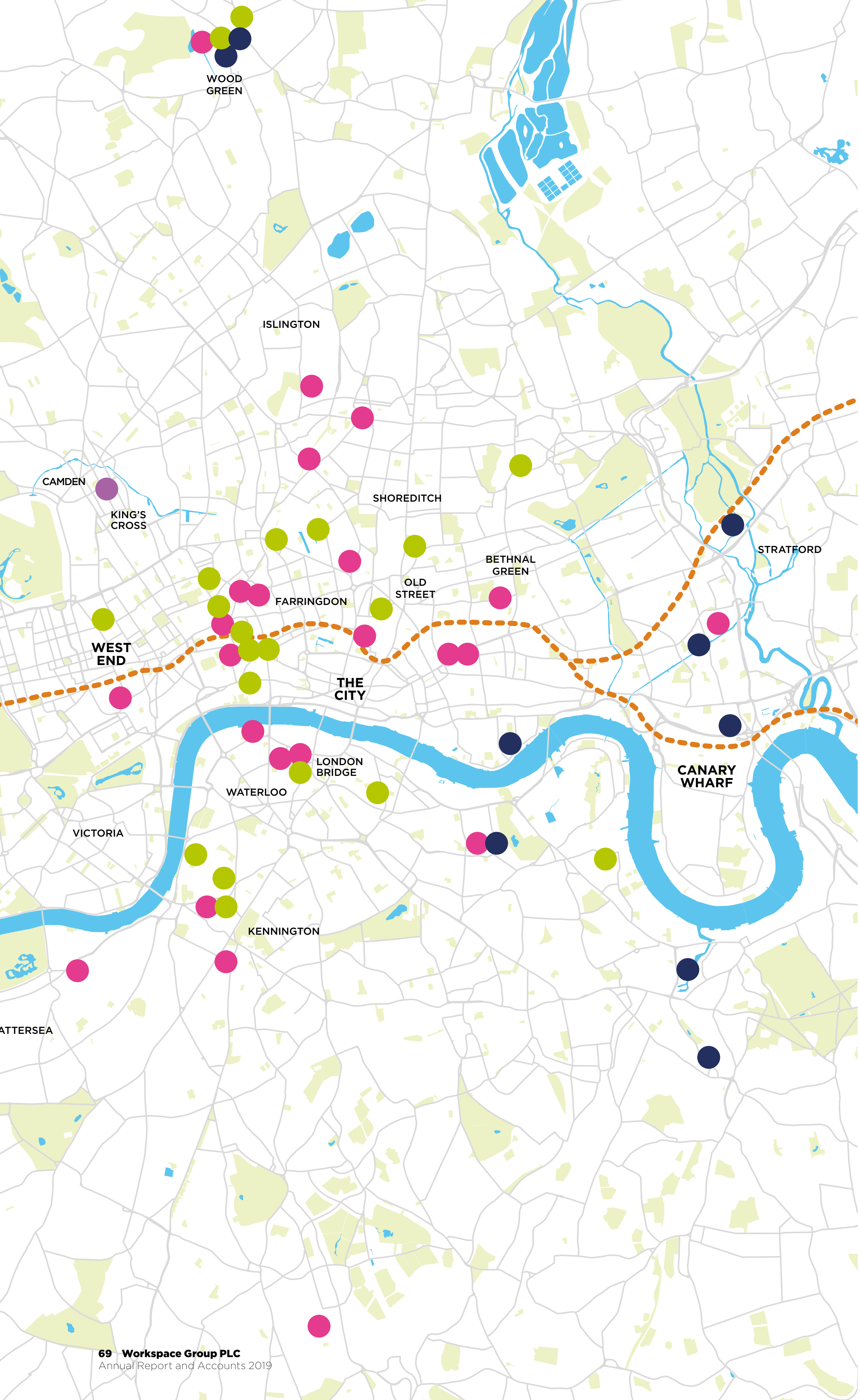
4
Redevelopment projects underway

96,000 sq. ft.
New commercial space to be received

Our portfolio

- Like-for-like
- Recent acquisitions
- Redevelopments
- Refurbishments
- Crossrail




WOOD
GREEN
ISLINGTON
CAMDEN
KING'S
CROSS
SHOREDITCH
BETHNAL
GREEN
STRATFORD
OLD
STREET
FARRINGDON
WEST
END
THE
CITY
LONDON
BRIDGE
WATERLOO
CANARY
WHARF
VICTORIA
KENNINGTON
ATTERSEA


The
Shepherds
Building
Central receptio

Enquiries and lettings

We have seen a good level of demand for space at our business centres across London with enquiries averaging 1,048 per month (2018: 1,016) over the full year, and lettings averaging 103 per month (2018: 93).

See Table 1, right.

We saw an increase in enquiry levels in the fourth quarter of the year, following the seasonally quiet third quarter, and a good level of enquiries and lettings have continued into the current financial year.

Rent roll

Total rent roll, representing the total annual net rental income at a given date, was up 12.9% (£14.6m) in the year to £127.5m at 31 March 2019 as detailed below:

Rent Roll	£m
At 31 March 2018	112.9
Like-for-like portfolio	1.6
Completed projects	6.2
Refurbishment and Redevelopment Projects	(1.3)
Acquisitions	10.8
Disposals	(2.1)
Other	(0.6)
At 31 March 2019	**127.5**

The total estimated rental value (ERV) of the portfolio, comprising the ERV of the like-for-like portfolio, properties acquired and those currently undergoing refurbishment or redevelopment (but only including properties at the design stage at their current rent roll and occupancy) is £172.9m. Assuming a 90% occupancy level at all properties (except those at the design stage), this equates to a rent roll of £156.5m, £29.0m higher than the current rent roll.

Like-for-like Portfolio

The like-for-like portfolio represents 60% of the total rent roll as at 31 March 2019. It comprises 30 properties with stabilised occupancy, excluding recent acquisitions and buildings impacted by significant refurbishment or redevelopment activity. Like-for-like trends reported for previous financial years are not restated for the property transfers made in the current financial year. The previously reported like-for-like statistics for the first half of the year have been restated for the sale of Bow Exchange.

The like-for-like rent roll has increased by 2.2% (£1.6m) in the year to £76.0m. Like-for-like rent roll grew by 2.6% (£1.9m) in the first half but reduced by 0.4% (£0.3m) in the second half of the year. The growth over the year has come from a 3.8% increase in rent per sq. ft. to £39.80 offset by a 0.9% decrease in occupancy to 90.9%.

The scale of new space we launched during the year had a noticeable short-term impact on like-for-like occupancy and rent roll, particularly in the second half of the year. This was due to the new space at five of the eight schemes opened in the year being adjacent to, or in some cases on the same site as like-for-like buildings. Excluding the five like-for-like buildings most impacted by our new launches, the underlying occupancy would have been flat and rent roll growth would have been 1.0% in the second half of the year

See Table 2, right.

We saw some softening in pricing with the CBRE estimated rental value per sq. ft. for the like-for-like portfolio declining by 1.1% in the year. The pricing reductions were mainly on higher priced units within buildings and pricing appears to have now stabilised. Overall there is still good reversion on the like-for-like portfolio. Assuming 90% occupancy at the CBRE estimated rental value of £43.84 per sq. ft. at 31 March 2019, the rent roll would be £82.8m, £6.8m higher than the actual cash rent roll at 31 March 2019.

Table 1
Enquiries and lettings

	Quarter ended				
Average number per month	**31 Mar 2019**	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018
Enquiries	**1,244**	907	1,019	1,021	1,111
Lettings	**130**	98	97	88	92

Table 2
Like-for-like rent roll

	Six months ended			
Like-for-like properties	**31 Mar 2019**	30 Sep 2018	31 Mar 2018	30 Sep 2017
Rent roll growth	**(0.4)%**	2.6%	4.3%	4.1%
Occupancy movement	**(0.7)%**	(0.2)%	(0.7)%	1.5%
Rent per sq. ft. growth	**1.0%**	2.8%	4.8%	2.7%

Table 3
Completed Projects

Building	Project	Opened	Occupancy*
China Works, Vauxhall	Upgrade	Jun 2018	84%
Fuel Tank, Deptford	New Building	Jun 2018	62%
Cocoa Studios, Bermondsey	New Building	Jun 2018	72%
The Frames, Shoreditch	New Building	Sep 2018	61%
Edinburgh House, Vauxhall	New Space	Sep 2018	41%
Gray's Inn Road, Holborn	Upgrade	Oct 2018	63%
Vox Studios (phase 2), Vauxhall	New Space	Oct 2018	69%
Metal Box Factory (part), Bankside	Upgrade	Dec 2018	95%

* At 31 March 2019.

£127.5m
Total rent roll

Completed Projects

During the year we completed eight projects delivering a total of 341,000 sq. ft. of new and upgraded space. We have been delighted with the strength of demand and pace at which we have been able to let up this space.

See Table 3, left.

There is now a total of thirteen projects in the completed projects category with rent roll increasing by £6.2m in the year to £21.8m and overall occupancy of 72.9% at 31 March 2019. If these buildings were all at 90% occupancy at the CBRE estimated rental values at 31 March 2019, the rent roll would be £30.2m, £8.4m higher.

Projects Underway – Refurbishments

We are currently underway on nine refurbishment projects that will deliver 409,000 sq. ft. of new and upgraded space. As at 31 March 2019, rent roll was £4.6m, down £0.5m in the year. We expect to complete six of these refurbishments in the current financial year delivering 263,000 sq. ft. of new and refurbished space.

The short-term reduction in rent roll at these refurbishments will be replaced in due course by a significant uplift in rent as they complete and the new and upgraded space is let. Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2019, the rent roll at these nine buildings once they are completed would be £15.2m, an uplift of £10.6m.

Projects Underway – Redevelopments

There are currently four mixed-use redevelopment projects underway or contracted for sale. The buildings are vacated upon sale and Workspace receives a consideration comprising cash, and at three of these properties, new business centres (built at no cost to Workspace) providing 96,000 sq. ft. of net lettable space.

As at 31 March 2019 rent roll was down £0.2m to zero with vacant possession achieved at Marshgate. Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2019, the rent roll at the three new business centres we will receive back would be £2.1m.

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 2019 was £9.4m, down £0.6m in the year.

Acquisitions

The acquisition of Centro 1 and 2 in April 2018 completed our purchase of the Centro buildings in Camden, following the purchase of Centro 3, 4 and 5 in January 2018. In total these buildings comprise 215,000 sq. ft. of lettable space. The immediate focus has been to let up the vacant space in the buildings and we have made good progress with occupancy improving from 85% at acquisition to 91% at 31 March 2019. We have also seen strong growth in rent roll which has increased from £6.6m at acquisition to £9.5m at 31 March 2019. This comprised £2.1m from the ending of rent-free periods and £0.8m from new lettings and rent reviews.

More recently in October 2018 we acquired The Shepherds Building in Shepherd's Bush, comprising 150,000 sq. ft. of net lettable space. The building was fully let at acquisition to a relatively small number of customers (32 in total). The building is well configured for our multi-let approach and we are looking to sub-divide space as existing customers vacate. We have made good early progress with 11,000 sq. ft. already received back from one customer who had given notice to vacate prior to acquisition. This is now being sub-divided into 18 separate units.

Total rent roll at these two properties at 31 March 2019 was £15.7m, an increase of £10.8m in the year and £2.7m on an underlying basis post-acquisition. If these properties were at 90% occupancy at the CBRE estimated rental values at 31 March 2019, the rent roll would be £1.1m higher at £16.8m. The CBRE rental values do not at this stage reflect our longer-term repositioning plans.

Completed Project – China Works, Vauxhall

Acquisition – The Shepherds Building, Hammersmith

Disposals
We completed the sale of a portfolio of three small office buildings in September 2018 for £51.9m at a 23% premium to book value at 31 March 2018, with a loss of £2.1m in rent roll.

Profit performance
Trading profit after interest for the year is up 19.3% (£11.7m) on the prior year to £72.4m. See Table 4, right.

Net rental income increased by 16.1% (£15.4m) in the year to £111.0m as detailed in Table 5, right.

Total administration costs were up 6.2% in the year to £17.1m, with underlying costs (excluding share based costs) up 8.0% (£1.1m) to £14.9m. Average head-office headcount increased by seven to 110 year on year, with salary and inflationary cost growth at around 3%.

Net finance costs increased by 14.4% (£2.7m) in the year. The average net debt balance over the year was £129m higher than in the prior year, whilst the average interest rate has reduced from 4.3% to 3.7%. This interest rate includes the commitment fee on the undrawn revolver facility. The marginal cost of the undrawn revolver facility is 1.5% over LIBOR.

Profit before tax for the year reduced by 19.4% to £137.3m as a result of a lower uplift in the property valuation and lower disposal profits as detailed in Table 6, right.

The change in fair value of investment properties of £60.8m reflects the underlying increase in the CBRE valuation in the year of £68.2m reduced by acquisition related costs of £8.6m and the change in fair value of overage which is reclassified in the accounts as deferred consideration. The profit on sale of investment properties of £8.3m relates to profit on sale of Spectrum House, Belgravia and Ivories in September 2018.

Exceptional finance costs relate to the early repayment of the Group's 6% £57.5m Retail Bond in September 2018, with £2.9m being the premium on redemption and a further £0.2m of unamortised finance costs.

Adjusted underlying earnings per share is up 10.3% to 40.6p, with the growth in trading profit after interest reduced by the 9.96% increase in the number of shares in issue following the share placement in June 2018.

Dividend
Our dividend policy is based on the growth in trading profit after interest taking into account our investment and acquisition plans and the distribution requirements that we have as a REIT. The current plan is to grow the dividend on a covered trading profit basis of at least 1.2 times adjusted underlying earnings per share.

A final dividend of 22.26p (2018: 18.55p) will be paid on 2 August 2019 to shareholders on the register at 5 July 2019. The 20% increase in both the interim and final dividend for the year reflects the strong financial performance and Board's confidence in the outlook for the Company. The dividend will be paid as a Property Income Distribution.

Table 4
Trading profit after interest

£m	**31 Mar 2019**	31 Mar 2018
Net rental income	**111.0**	95.6
Administrative expenses – underlying	**(14.9)**	(13.8)
Administrative expenses – share based costs*	**(2.2)**	(2.3)
Net finance costs	**(21.5)**	(18.8)
Trading profit after interest	**72.4**	60.7

* These relate to both cash and equity settled costs

Table 5
Net rental income

£m	**31 Mar 2019**	31 Mar 2018
Like-for-like properties	**71.7**	65.2
Completed projects	**15.8**	13.1
Projects underway	**3.9**	5.0
Projects at design stage	**8.9**	8.9
Acquisitions	**9.9**	0.5
Disposals	**0.8**	2.9
Total net rental income	**111.0**	95.6

Table 6
Profit before tax

£m	**31 Mar 2019**	31 Mar 2018
Trading profit after interest	**72.4**	60.7
Change in fair value of investment properties	**60.8**	82.5
Profit on sale of investment properties	**8.3**	26.6
Exceptional finance costs	**(3.1)**	–
Other items	**(1.1)**	0.6
Profit before tax	**137.3**	170.4
Diluted earnings per share	**77.0p**	104.0p
Adjusted underlying earnings per share	**40.6p**	36.8p

+19.3%

Trading profit after interest

Table 7
Property valuation

	£m
Valuation at 31 March 2018	2,280
Revaluation uplift	68
Capital expenditure	92
Acquisitions	222
Acquisition costs	(9)
Disposals	(43)
Capital receipts	(6)
Valuation at 31 March 2019	**2,604**

Table 8
Like-for-like properties valuation metrics

	31 March 2019	31 March 2018	Change
ERV per sq. ft.	**£43.84**	£44.34	(1.1%)
Rent per sq. ft.	**£39.80**	£38.35	+3.8%
Equivalent Yield	**6.2%**	6.5%	(0.3%)
Net Initial Yield	**5.3%**	5.4%	(0.1%)
Capital Value per sq. ft.	**£603**	£579	+4.1%

Table 9
Completed projects valuation metrics

	31 Mar 2019
ERV per sq. ft.	**£48.21**
Rent per sq. ft.	**£43.00**
Equivalent Yield	**5.7%**
Net Initial Yield	**3.8%**
Capital Value per sq. ft.	**£748**

Property valuation
At 31 March 2019, the wholly owned portfolio was independently valued by CBRE at £2,604m, an underlying increase of 2.7% (£68m) in the year.

The main movements in the valuation over the year are set out in Table 7, left.

There was a lower revaluation uplift in the second half of the year of 0.2% (£6m), compared to the uplift of 2.6% (£62m) in the first half. This uplift excludes acquisition costs of £9m (primarily stamp duty). A summary of the full year valuation and uplift by property type is set out below:

£m	Valuation	Uplift
Like-for-like Properties	1,266	27
Completed Projects	521	39
Refurbishments	337	1
Redevelopments	166	(2)
Acquisitions	314	3
Total	**2,604**	**68**

Like-for-like Properties
There was a 2.2% (£27m) increase in the valuation of like-for-like properties to £1,266m, comprising:
- a decrease in ERV per sq. ft. of 1.1% equating to a reduction in value of some £14m; and
- a 0.3% reduction in equivalent yield equating to an increase in value of some £41m.

See Table 8, left.

Completed projects
The uplift of 8.1% (£39m) in value of the thirteen completed projects to £521m reflects the strong demand and pricing levels that have been achieved at some of the more recently launched schemes. The most significant uplifts in the year being £19m at The Frames and £8m at Vox Studios (phase 2). The overall valuation metrics for completed projects are set out in Table 9, left.

Current Refurbishments and Redevelopments
We have seen a small uplift of 0.3% (£1m) in the value of current refurbishments to £337m and a small reduction of 1.2% (£2m) in the value of current redevelopment projects to £166m.

Acquisitions
Three properties were acquired in the financial year:
- In April 2018, we acquired the remaining two Centro buildings (Centro 1 and 2) for £77m. They provide 85,000 sq. ft. of net lettable space and were acquired at a capital value of £901 per sq. ft. and a net initial yield of 4.9%.
- In August 2018, we completed the acquisition of the commercial component of a mixed-use redevelopment scheme on Long Lane, adjacent to our Leather Market property, for £11.5m which we had contracted to purchase in July 2016. We have now completed the refurbishment and launched the 25,000 sq. ft of space (Taper Studios) in March 2019. It is now part of The Leather Market business centre for reporting purposes.
- In October 2018, we acquired The Shepherds Building, Shepherd's Bush, for £125m. It provides 150,000 sq. ft. of net lettable space and was acquired at a capital value of £835 per sq. ft. and a net initial yield of 4.8%.

Refurbishment activity
We continue to make good progress on our pipeline of refurbishment projects:
- In April 2018, we received planning permission for a major refurbishment at Shaftesbury Centre, Ladbroke Grove. The existing 13,000 sq. ft. building will be replaced by a new business centre providing 41,000 sq. ft. of lettable space at an estimated cost of £15m.
- In June 2018, we completed the refurbishment of China Works, Vauxhall, a historic building, now upgraded with state-of-the-art facilities and customer amenities.
- In September 2018 we opened two brand new business centres, The Frames in Shoreditch and Edinburgh House in Vauxhall.
- In October 2018, we completed the second phase of the refurbishment programme at Vox Studios in Vauxhall. This provides an additional 27,000 sq. ft. of space, increasing the total lettable area at this business centre to 108,000 sq. ft. We also completed the refurbishment and upgrade of 36,000 sq. ft. at Gray's Inn Road in Holborn.
- In November 2018, we obtained planning consent for a major refurbishment of Leroy House, Islington. The project will provide 61,000 sq. ft. of new and upgraded space.
- In December 2018 we completed the refurbishment and upgrade of 17,000 sq. ft. at Metal Box Factory, Bankside.

A summary of the status of the refurbishment pipeline at 31 March 2019 is set out in table 10, above.

Of the nine refurbishment projects underway, we are currently on-site at eight with completion expected at six during the coming financial year.

Table 10
Refurbishment programme summary

Projects	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	9	£63m	£34m	409,000
Design stage	4	–	£50m	152,000
Design stage (without planning)	3	–	£81m	303,000

Table 11
Redevelopment programme summary

	No. of properties	Residential units	Cash received	Cash/ overage to come	New commercial space (sq. ft.)
Underway	4	577	£30m	£20m	96,000
Design stage	4	783	–	–	115,000
Design stage (without planning)	1	350	–	–	140,000

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.

It has been a busy and successful year of redevelopment activity, highlights include:
- In June 2018, we received back two new buildings from our redevelopment activity. Cocoa Studios at The Biscuit Factory, Bermondsey, and The Fuel Tank, Deptford.
- In July 2018, we exchanged contracts for the redevelopment of Marshgate, adjacent to the
- Olympic Park in Stratford. The redevelopment, comprising 200 residential units, has been
- exchanged for sale for £15m in cash and the return of a new 39,000 sq. ft. business centre.
- In January 2019 we exchanged contracts for the disposal of Bow Office Exchange in Bow, E3, for £11m. The sale will complete on vacant possession, which is expected to be achieved in Autumn 2019.
- In March 2019 we were granted planning consent for a significant mixed-use redevelopment at Highway Business Centre, Limehouse which includes an adjoining property owned by Canada Life Investments. Our share of the planning consent (44% of the total) comprises 117 residential units and 31,000 sq. ft. of new commercial space, replacing our existing 19,800 sq. ft. light industrial building.

A summary of the status of the redevelopment pipeline at 31 March 2019 is set out in table 11, above.

The sale of the residential schemes at the four redevelopment schemes underway is expected to deliver £50m in cash (of which £30m has already been received) and three new commercial buildings.

There are four schemes at the design stage with mixed-use planning consents which are not yet contracted for sale and discussions with the planners for the redesignation of land use at the one scheme at the design stage without planning are also progressing well.

Table 12
Movements in cash flow

£m	31 Mar 2019	31 Mar 2018
Net cash from operations after interest	**76**	74
Dividends paid	**(52)**	(37)
Capital expenditure	**(87)**	(74)
Purchase of investment properties	**(221)**	(370)
Property disposals	**51**	128
Capital receipts	**6**	9
Share placement proceeds	**176**	–
Increase in restricted cash – tenant deposits	**(5)**	–
Other	**(7)**	(5)
Net movement	**(63)**	(275)
Opening Debt (net of cash)	**(517)**	(242)
Closing Debt (net of cash)	**(580)**	(517)

There is a reconciliation of net debt in note 16(b) to the financial statements.

Table 13
Committed facilities

	Drawn amount	Facility	Maturity
Private Placement Notes	£457.5m	£457.5m	2020-2029
Bank facilities	£140.0m	£250m	2022
Total	**£597.5m**	**£707.5m**	

Table 14
EPRA NAV per share

	£
At 31 March 2018	10.37
Property valuation surplus	0.38
Property acquisition costs	(0.05)
Trading profit after interest	0.40
Share placement	0.05
Dividends paid in year	(0.29)
Profit on sale of investment properties	0.05
Exceptional finance costs	(0.02)
Other	(0.03)
At 31 March 2019	**10.86**

Cash flow
The Group generates strong operating cash flow in line with trading profit, with good levels of cash collection. Bad debts are low in the year at £0.2m (March 2018: £0.2m). A summary of the movements in cash flow are set out in Table 12, left.

Financing
The Group had £17.3m of cash and £597.5m of drawn debt at 31 March 2019 with £707.5m of committed facilities as detailed in Table 13, left.

All facilities are provided on an unsecured basis with an average maturity of 5.6 years (31 March 2018: 5.5 years).

- In June 2018, we successfully completed the placing of new ordinary shares representing
- approximately 9.96 per cent of our issued ordinary share capital prior to the placing. A total of approximately 16.3m new ordinary shares of 100 pence each were placed at a price of £11.00 per placing share, a 6% premium to the March 2018 EPRA NAV, raising gross proceeds of £179m.
- In September 2018, we exercised the option to redeem £57.5m of 6% fixed rate retail bonds, ahead of maturity in October 2019. The aggregate redemption price of the bonds was £60m, excluding accrued interest, a premium of £2.9m over the aggregate issue price of the bonds.
- In December 2018, we agreed the placing of £100m of ten-year private placement notes at a fixed rate coupon of 3.6%, with funding completing on 17 January 2019.

The average interest cost of our fixed rate private placement notes has reduced to 4.0% from 4.2%. Our revolver bank facilities are provided at a floating rate of 1.65% over LIBOR. At 31 March 2019, 63% of our facilities are at fixed rates, representing 75% of our borrowings on a drawn basis.

At 31 March 2019, loan to value was 22% (31 March 2018: 23%) and interest cover (based on net rental income) was 5.2 times (31 March 2018: 5.1), providing good headroom on all facility covenants.

Net assets
Net assets increased in the year by £269m to £1,982m. EPRA net asset value (NAV) per share at 31 March 2019 was up 4.7% to £10.86 in the year (31 March 2018: £10.37), with an increase of 1.0% (£0.11) in the second half of the year following an increase of 3.7% (£0.38) in the first half. The calculation of EPRA NAV per share is set out in note 9 of the financial statements.

See Table 14, left.

Total return
The total accounting return for the year comprises the growth in absolute EPRA NAV per share plus dividends paid in the year as a percentage of the opening EPRA NAV. The total return for the year ended 31 March 2019 was 7.5%.

Key property statistics

	Half Year ended			
	31 Mar 2019	30 Sep 2018	31 Mar 2018	30 Sep 2017
Workspace Group Portfolio				
Property valuation	**£2,604m**	£2,435m	£2,280m	£2,139m
Number of properties	**64**	64	66	68
Lettable floorspace (million sq. ft.)	**3.9**	3.8	3.7	3.6
Number of lettable units	**4,796**	4,709	4,539	4,544
Rent roll of occupied units	**£127.5m**	£115.0m	£112.9m	£104.8m
Average rent per sq. ft.	**£38.45**	£36.66	£36.05	£33.80
Overall occupancy	**84.8%**	82.4%	85.5%	85.2%
Like-for-like number of properties	**30**	30	33	34
Like-for-like lettable floor space (million sq. ft.)	**2.1**	2.1	2.0	2.1
Like-for-like rent roll growth	**(0.4)%**	2.6%	4.3%	4.1%
Like-for-like rent per sq. ft. growth	**1.0%**	2.8%	4.8%	2.7%
Like-for-like occupancy movement	**(0.7)%**	(0.2)%	(0.7)%	1.5%

Notes:

1. The like-for-like category has been restated in the current financial year for the following:
   - The transfer in of Grand Union Studios, Ladbroke Grove from completed projects
   - The transfer in of Salisbury House, Moorgate, from the acquisitions category
   - The disposal of Belgravia Studios, N19, The Ivories, N1 and Spectrum House, NW5
   - The transfer in of Bow Enterprise Park (Phase 1) from the completed projects category
   - The transfer out of Wenlock Studios, Old Street, to the refurbishment projects category
   - The transfer out of Parma House, Wood Green, to the redevelopment projects category
   - The transfer out of Bow Exchange, Bow, to the redevelopment projects 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 16 to 76 was approved by the Board of Directors on 4 June 2019 and signed on its behalf by:

Graham Clemett
Interim Chief Executive Officer and
Chief Financial Officer

Club Workspace at Edinburgh House, Vauxhall

Governance

Governance that drives performance

Our focus on culture and values, together with good internal governance practices enables us to deliver The Workspace Advantage for the long term for all our stakeholders.

Daniel Kitchen
Non-Executive Chairman

Where to find the information

Compliance with the UK Corporate Governance Code 2018
The Company has, throughout the year ended 31 March 2019 fully complied with the provisions of the UK Corporate Governance Code 2016 (The 'Code'). The Code can be found on the FRC's website: frc.org.uk

Chairman's governance statement

We are confident that we have the right governance structure, a distinct culture, clearly defined values and the right people to deliver our strategy and continued strong performance. Our governance structure is flexible, thus allowing for fast decision making and effective oversight.

The UK Corporate Governance Code 2018
We are in the process of reviewing our internal governance in light of the new 2018 Code which will apply to us from 1 April 2019. The Board and its Committees have spent considerable time reviewing the 2018 Code to monitor our continuing compliance. We have already started a number of initiatives but have more to complete during the coming year.

What do we have in place:
- We have defined our Company values which, with the involvement of employees, are being integrated into the business.
- Our employee engagement programme has advanced through a number of initiatives, including enhanced internal communication tools online.
- Daniel Kitchen has been appointed as the designated Non-Executive Director responsible for employee engagement.
- Committee Terms of Reference have been updated to reflect the new Code.
- A two year post vesting holding period was introduced into the LTIP rules in 2017.

Delivering for the long term

What is coming during 2019:
- Recruit a permanent successor for Jamie Hopkins, who stepped down as the CEO on 31 May 2019.
- Progress the work on articulating the Company purpose and how this aligns with both the Company values and The Workspace Advantage brand proposition.
- Continue to evolve our programme of employee and broader stakeholder engagement.

Dear Shareholder

Continuing to deliver The Workspace Advantage for the long term

The Board remains committed to maintaining our high standards of corporate governance. Good internal governance enables us to deliver The Workspace Advantage for the long term for all our stakeholders. I am delighted to be able to report that we received external recognition for this, winning the Best Real Estate PLC award at the UK Stock Market Awards in June 2018.

Board changes

Jamie Hopkins stepped down as CEO on 31 May 2019 after a very successful seven years in the role. The Board thanks Jamie for his significant contribution to the business over that period and we wish him well in the future. A search is underway for a permanent successor and Graham Clemett, Chief Financial Officer, has taken on the role of Interim CEO in the meantime.

Board composition, succession and effectiveness

We continue to monitor and evaluate our Board diversity and succession planning. Consequently, significant focus has been given to our Board composition and I am pleased to welcome Ishbel Macpherson who joined us as a Non-Executive Director from 23 January 2019. Ishbel brings a wealth of experience and her background in investment banking will bring a valuable perspective to the Board. Full details of the process which was undertaken to appoint Ishbel and information on her induction programme can be found on page 117 within the Nominations Committee Report.

Two of our Directors have completed six years as Non-Executive Directors of the Company. Chris Girling completed his second three-year term in February 2019, whilst Damon Russell's six-year term expired in May 2019. It was agreed that both Chris and Damon continue to be effective Non-Executive Directors, have made a valuable contribution to meetings and continue to demonstrate commitment to their roles. I am therefore pleased to report that both Chris and Damon have agreed to continue to serve as Directors for a further three years.

This year we have undertaken an internal Board evaluation following an external review last year and we believe that the Board continues to perform well with no significant issues identified.

More detail on our Board diversity, succession planning and Board evaluation can be found on pages 114 to 116.

Culture and values

The Workspace Advantage is at the heart of our strategy, and our people are key to delivering that. Having a clearly defined culture and set of values is important to enhance performance and unite the business around common and consistent behaviours that help us achieve our goals. At Workspace, we have a superb culture and pride ourselves in employing people with a diverse mix of experience, skills and backgrounds.

During 2018, we initiated a project to articulate the values and behaviours that make our people different and which form the successful culture that is delivering The Workspace Advantage. We engaged with our staff at all levels of the business through workshops and their input helped to define our four key values:

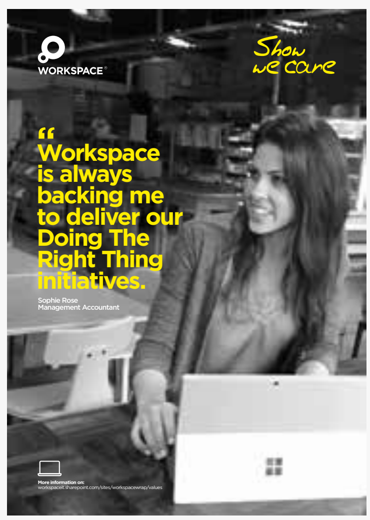
Embedding our culture and four key values

Capturing our culture and embedding Company values

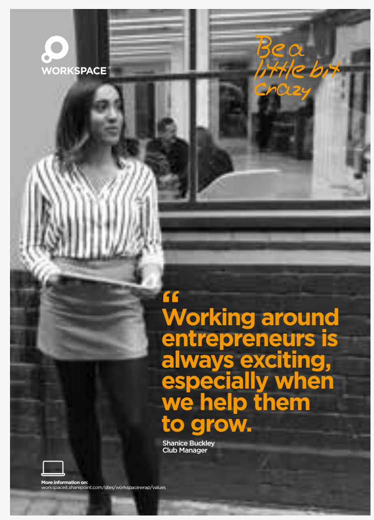
We launched our values in 2018 and have taken steps to embed them into the business, using case studies that demonstrate how our people live the values every day.

1. Know your stuff
We like people who are serious about their subject, enthusiasts who back it up with the facts and those who ask questions about how to do things better.

2. Find a way
Our people find a way, are persistent and have the confidence to move things forward. They are flexible, yet focused and determined and our teams mix people with a range of backgrounds and experience.



3. Show we care
We're not robots. We value approachable people with great social skills who build really good relationships. We think hard about how we can contribute to our communities.



4. Be a little bit crazy
We depend on the creativity and imagination of our people, who see things a little differently, thrive on fresh thinking and are motivated by possibility.

More detail on our culture and values project can be found on pages 46 to 47.

Employee engagement

We have a strong programme of employee engagement and have expanded our internal communications channels further over the last year. Our new monthly employee newsletter celebrates employee and business successes and enables us to share information on customer news and Doing the Right Thing initiatives, as well as privacy and data reminders. We are in the process of launching a new Company-wide intranet and have rolled out digital communication tools to facilitate engagement between head office and site staff better. We also hold regular functions which bring all our employees together and reinforce our corporate culture.

Going forward, I will be taking on the role as the Non-Executive Director with responsibility for employee engagement.

We will continue to engage, listen and respond appropriately to our people so that we sustain our culture which encourages deep knowledge, a sense of innovation, a focus on doing the right thing by our customers and communities and, as a result, enhances our performance.

Stakeholder engagement

We believe that understanding and responding to the impact we have on all our stakeholders is crucial to the success of our business. In addition to our employees, we have engagement programmes in place with investors, the media, suppliers, partners and community organisations. As part of the work ongoing to articulate our purpose, we have conducted a detailed stakeholder mapping exercise and have gathered specific insights from these and other stakeholder groups.

Executive remuneration

The Workspace Remuneration Committee is very committed to its role in promoting the delivery of long-term value across the Company. It seeks to align remuneration closely to the Company's purpose, culture and values, as well as fulfilling its duty to customers, employees, communities and our shareholders. Our remuneration disclosure has continued to evolve. Maria Moloney, Chairman of our Remuneration Committee, discusses this further from page 127.

General Data Protection Regulation (GDPR)

GDPR came into force in May 2018. Ahead of this time, significant work was undertaken to review and update our policies and procedures. See page 126 for more details.

Outlook

Following the recent reforms to the UK Corporate Governance Code, the Board is taking time to shape our response as we move forward, with a view to fully integrate the new Code to support the long-term delivery of The Workspace Advantage for all stakeholders.

We fundamentally believe that good governance drives good performance for both the business, its stakeholders and the wider economy. With ongoing changes to our industry and the macroeconomic and political situation, the Board is focused on allowing Workspace to adapt to future environments and deliver sustainable success over the long term.

Daniel Kitchen
Chairman
4 June 2019

More detail on our employee engagement programme can be found on pages 46 to 47.

More detail on our stakeholder engagement programme can be found on pages 92 to 94.

Leadership

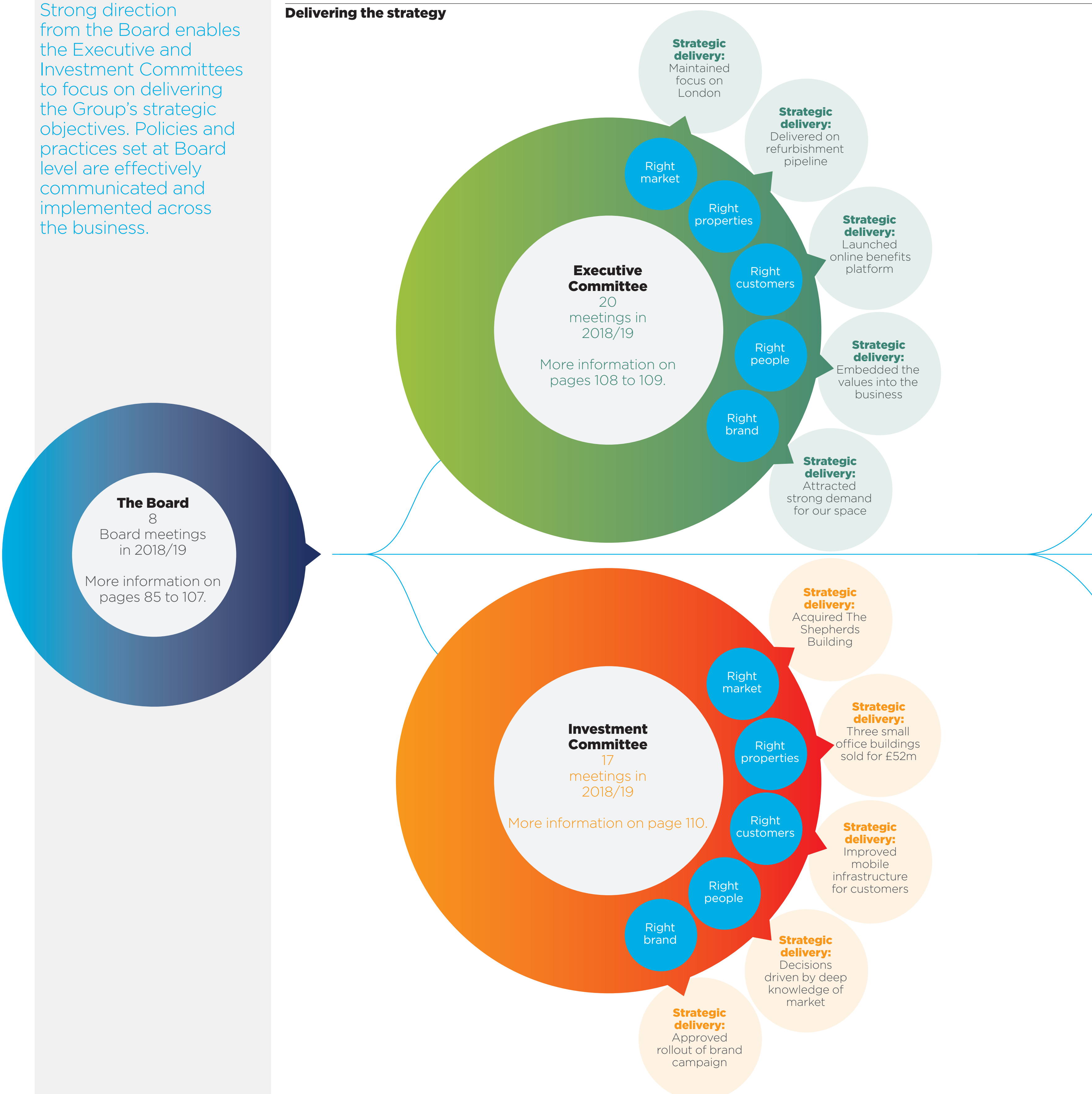
We continue to have a strong mix of experienced individuals on the Board who are not only able to offer an external perspective on the business but they also provide constructive challenge, to review the Group's strategy.

Daniel Kitchen
Non-Executive Chairman

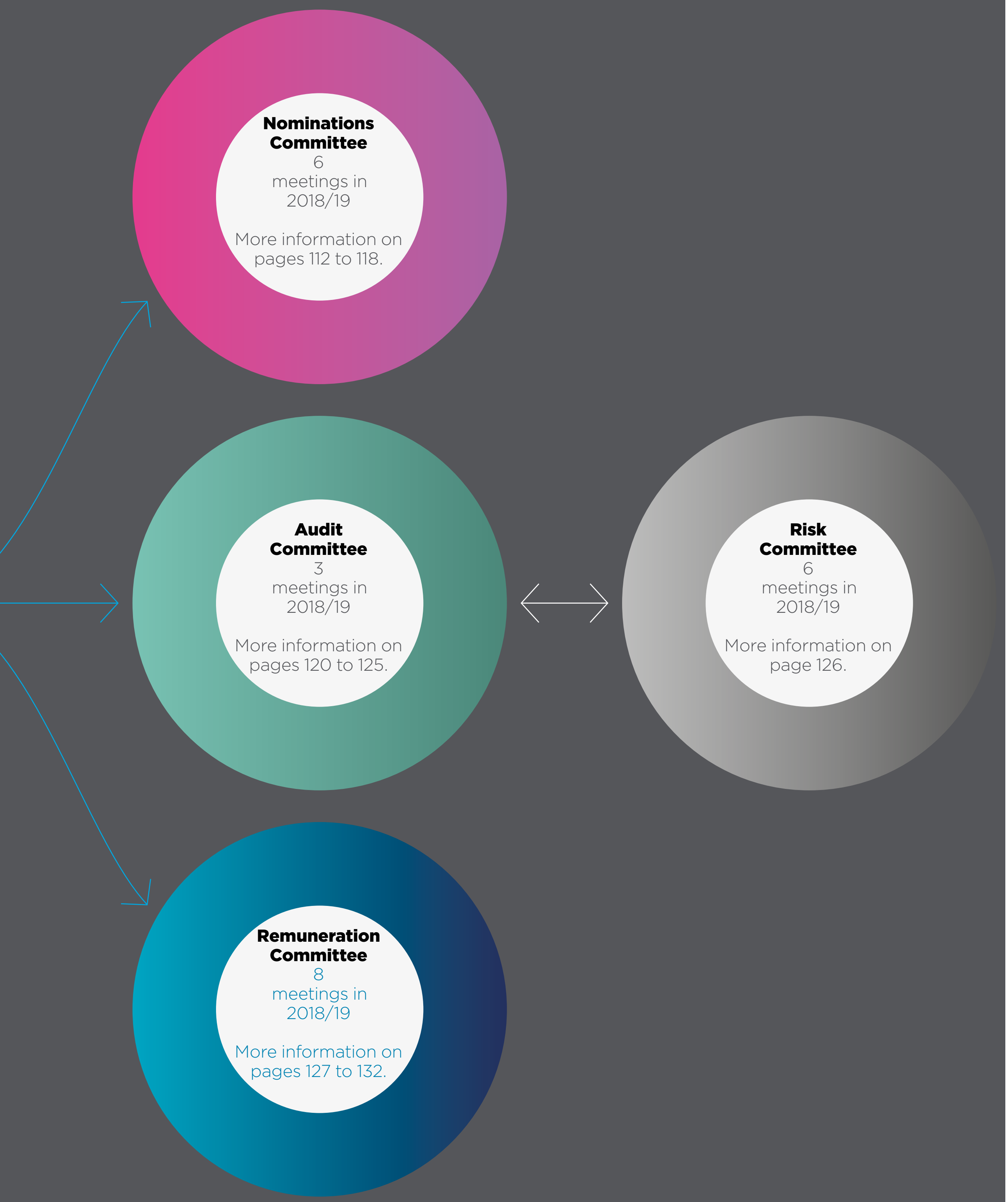
Leadership that delivers

Strong direction from the Board enables the Executive and Investment Committees to focus on delivering the Group's strategic objectives. Policies and practices set at Board level are effectively communicated and implemented across the business.

Delivering the strategy



Supporting the delivery of the strategy



Board Committees
The Board has a number of standing Committees, namely the Nominations, Audit, and Remuneration Committees, to which specific responsibilities have been delegated. These Committees enable the Board to operate effectively within a strong governance framework.

Key activities in 2018/19

Nominations Committee
Reviewed Board composition, succession and diversity.

Considered the re-election of both Chris Girling and Damon Russell.

Approved the appointment of Ishbel Macpherson who joined the Board in January 2019.

Audit Committee
Met with Auditors to discuss the external audit.

Reviewed the full year and interim reporting.

Monitored the effectiveness of the Group's risk management systems.

Performed annual auditor assessment.

Risk Committee
The ongoing review of the Group's principal and emerging risks.

Remuneration Committee
Termination arrangements for Jamie Hopkins, CEO, who left the Company on 31 May 2019.

Agreed the changes in remuneration for Graham Clemett as Interim CEO.

Employee remuneration and reward framework.

Regulation, Corporate Governance and best practice.

Board Committees

Each Committee has Terms of Reference which were reviewed by each of the Committees and the Board during the year. The Terms of Reference for the Nominations, Audit and Remuneration Committees are available for inspection on the Company'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 112 to 154.

Board and Committee membership in 2018/19

	Profile and experience	Board	Nominations Committee	Audit Committee	Remuneration Committee	Risk Committee*	Executive Committee	Investment Committee*	Disclosure Committee
Non-Executive Directors									
Daniel Kitchen Non-Executive Chairman	p.97	○	○		●				
Chris Girling Senior Independent Non-Executive Director	p.98	●	●	○	●				
Maria Moloney Non-Executive Director	p.99	●	●	●	○				
Damon Russell Non-Executive Director	p.102	●	●	●	●				
Stephen Hubbard Non-Executive Director	p.101	●	●	●	●				
Ishbel Macpherson Non-Executive Director	p.100	●	●	●	●				
Executive Directors									
Graham Clemett Chief Financial Officer and Interim CEO from 31 May 2019	p.96	●					●	●	●
Jamie Hopkins Chief Executive Officer until 31 May 2019	p.109	●				○	○	○	○
Members of the Executive and Investment Committee									
Angus Boag Development Director	p.109						●	●	
Chris Pieroni Operations Director	p.109					●	●	●	
John Robson Asset Management Director	p.109						●	●	

○ Chair
● Member

* Additional members of the senior management team sit on these committees as set out on pages 110 and 126.

Until he left the Company on 31 May 2019, Jamie Hopkins was Chairman of the Risk, Executive, Investment and Disclosure Committees. From that date, Graham Clemett took on the role of Interim CEO and will chair these committees until a permanent CEO is appointed.

Board in action

In delivering The Workspace Advantage for the long term, the Board has six areas of focus:

1. Strategy
2. Trading performance
3. Property valuation and investment
4. Risk management and internal controls
5. Succession planning and Board performance
6. Stakeholder engagement

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, standards, control and management. An internal Board evaluation was performed during the year.

– More details can be found on page 114.

1. Strategy

The Board regularly debates the relevance and effectiveness of the strategy in the context of current and future market conditions. The Board also holds an annual deep dive strategy day, together with the Executive Committee.

The Board will invite external advisers, as well as internal Workspace teams, into the Boardroom to share insights and knowledge.

Activities in 2018/19

- Held a Board strategy day in September 2018. The meeting covered, amongst other things, the five-year plan and the potential impact of external changes in our market. An overview of selected property initiatives was provided by both Angus Boag, Development Director and John Robson, Asset Management Director.
- Considered financing options for the Group.
- Approved the completion of the placing of 16,320,062 new ordinary shares, raising gross proceeds of approximately £179.5m. See page 75.
- Agreed the placing of £100m of ten-year private placement notes. See page 75.
- Approved the redemption of outstanding Bonds.

Board engagement with the business

In the interests of good quality decision making and oversight, all Directors stay up-to-date with events and developments in the business (through meetings with senior management and regular site visits) and with external factors such as the changing governance landscape, regulation and shareholder views.

In 2018/19 the Board met eight times. They also attended the annual Board Strategy Day in September 2018.

2. Trading performance

The Board regularly monitors performance to assess whether the business model is effective in driving enquiries, continuing to meet customer needs and adapting to overall trends and conditions in the London property market.

Activities in 2018/19

- Reviewed progress against the five-year business plan, updating the plan as required.
- Reviewed monthly financial performance against budget and other finance matters, including budgets and business plans.
- Considered in detail the annual and interim results and dividends.
- Discussed treasury and cash management matters.
- Discussed Group tax matters.
- Received updates on market and broker reports.
- Held meetings throughout the year between the Auditors and the Audit Committee.
- Conducted a review of the Company's viability over the next five-year period.

The Board continues to review the business model that drives customer demand, for instance at Grand Union, Ladbroke Grove.

Centro 1 & 2, Camden Town
The Board approved the acquisition of Centro 1 & 2 in April 2018.

3. Property valuation and investment

The Board reviews and challenges the valuation of the portfolio and reviews and approves major development projects and acquisitions and disposals.

Activities in 2018/19

- Considered and approved the independent valuation of the Group's property portfolio performed by CBRE.
- Approval of redevelopment activity and major refurbishments.
- Received updates from the Development Director on the status of planning consents.
- In line with our strategic priority 'Right property':
  - Disposal of three properties, Belgravia Workshops, N19, The Ivories, N1, and Spectrum House, NW5, comprising 106,000 sq. ft. of net lettable space, for a total of £51.9m.
  - Disposal of Bow Office Exchange, E3 in January 2019 for £11m.
  - Subsequent to the acquisition of five Centro buildings on January 2018, approval was granted to acquire Centro 1 & 2 in Camden for £76.5m in April 2018.
  - Acquisition of The Shepherds Building, in Shepherd's Bush, W14, for £125.3m in September 2018.

4. Risk management, internal controls and governance

Robust governance and risk management are crucial to the Board's role in protecting the business, along with maximising opportunities for growth and returns. The Board regularly reviews governance requirements and assesses the adequacy of risk management, including the effectiveness of internal controls and risk reporting.

Activities in 2018/19

- Received updates from the Risk Committee on the principal risks of the business.
- The Board has debated the Group's key risks, along with external market risks, including the implications of Brexit and mitigating actions based on our understanding of the potential impact on the market, our customers, our people and communities and our suppliers.
- Received reports on Health and Safety and activities undertaken in terms of staff training and ongoing audits.
- Received reports on governance issues, including legal and regulatory updates on governance and reporting.
- Reviewed the Group's plans for the implementation of GDPR, including regular updates on activities facilitating compliance.
- Reviewed the provisions of the 2018 Corporate Governance Code and developed an action plan which is monitored by the Board. More details can be found on page 78.
- Considered plans to develop our cyber security strategy and policy.
- Approved the Company's Modern Slavery Statement for publication on the corporate website.
- Approved the schedule of matters reserved for the Board.

Risk Committee
The Risk Committee invested time to discuss emerging issues such as GDPR, cyber security and the Criminal Finance Act.

5. Succession planning and Board performance

The Board understands that the strength of its governance relies on having the right mix of skills and experience around the boardroom table and ensuring there is continuity in Board membership. The Board conducts a rigorous evaluation of its performance each year and the evaluation is externally facilitated every three years.

Activities in 2018/19

- Evaluated the performance of the Board, its Committees and the Directors. Further details can be found on page 114.
- Conducted a review of succession planning for the Board and Senior Managers.
- Considered and approved the reappointment of Chris Girling as Senior Independent Non-Executive Director and Chair of the Audit Committee.
- Considered and approved the reappointment of Damon Russell as Independent Non-Executive Director.
- Approved the appointment of Ishbel Macpherson to the Board of the Company on 23 January 2019. More details can be found in the Nominations Committee Report on page 117.
- In March 2019, considered CEO succession arrangements, with Graham Clemett, Chief Financial Officer, taking on the role of Interim Chief Executive Officer while a full and formal search for a permanent successor is carried out.

New Non-Executive Director
The Board welcomed Ishbel Macpherson to the Board in January 2019.

6. Stakeholder engagement

The Board is committed to an open dialogue with all stakeholders and takes into account their views on relevant matters.

Activities in 2018/19

- Received updates on the investor engagement programme and reviewed reports from the Company's brokers and advisers, outlining shareholder views and providing feedback on company presentations and events.
- Reviewed the 2018 AGM Shareholder Circular and proxy voting figures.
- Met shareholders at the Annual General Meeting held on 13 July 2018.
- Oversaw the roll out of our values process across the business with a focus on ways to enhance employee engagement.
- Initiated the discovery phase of our programme to engage more closely with stakeholders, particularly around our company purpose.
- Received regular updates on social initiatives and activities of the 'Doing the Right Thing' Committee.

Our culture and values
The Board oversaw the roll out of our values throughout the business. They now form part of our daily lives, directing how we behave and the decisions we make.

Stakeholder engagement

An expanded stakeholder engagement programme
Workspace's ongoing success depends on its ability to engage effectively and work constructively with our key stakeholder groups, as described in the Strategic Report.

In support of responsible and effective governance and decision-making, the Board recognises the importance of engaging with all stakeholders at different levels and in different ways. At the same time, the Board understands its duty to promote the success of the Company as a whole, as set out in Section 172 of the Companies Act.

Engagement is important to the Board because it means they understand stakeholder views and are able to respond in a meaningful and impactful way.

Our centre staff gather feedback through continuous dialogue with our customers, from the moment they move in to their unit. In addition, we carry out formal customer satisfaction surveys on a biannual basis, which are reviewed and discussed by the Board and form part of the remuneration evaluation process.

This year, we asked all stakeholders one question: What value does Workspace provide to you? See pages 28 to 33.

	What we heard in 2018/19	Our response
Our customers	Superfast, resilient and secure Wi-Fi connections are key to the success of businesses of all sizes. Customers also value relaxed and sociable environments that act as a springboard to meet new businesses.	We maintain a continual dialogue with our customers to gather feedback. 83% of our portfolio is committed to WiredScore Certification, the international connectivity rating scheme. Fostering collaboration is also a top priority – we facilitate more than 300 networking events per year – and we introduced a new online benefits platform, WorkspacePerks, that allows customers to trade with one another.
Our people	At workshops designed to gather staff insights on Workspace's internal values, employees agreed that the Company has a strong culture and that staff feel well motivated. They asked for an increase in internal communication around company news.	We launched three new internal communications channels, through which we maintain a consistent flow of engaging Company news. A selection of operational improvements suggested by staff during the workshops are being implemented. We will also launch our first employee survey in 2019/20.
Our suppliers and partners	Our partners and suppliers would like to operate more sustainably, both in terms of recycling and procurement.	We have long-term relationships with our partners and suppliers, built on mutual values and trust. Currently, we are working closely with our cafes on a portfolio-wide campaign to reduce single-use plastics. See page 48.
Our communities	Local businesses value the revenue provided by our business centres, and appreciate it when we listen to and support their longer-term plans. Read more from Bermondsey's Blue Market Manager on page 32.	We arrange community consultations throughout the year to gather and respond to local views on our development plans. We also host events focused on wider local issues. For example, we hosted a drop-in session at Grand Union for residents to discuss new housing and job opportunities in nearby Kensal Canalside.
Our investors	Our shareholders would like more opportunities to view our properties to experience the look and feel of the business centres and understand how they operate.	We have increased the number of regular tours of our buildings, providing shareholders with valuable insight into Workspace and its customer base. The 2018/19 Capital Markets Day involved a tour of three properties: Salisbury House, The Frames and The Chocolate Factory.

Engaging with investors

Engaging with our shareholders is of primary importance in creating a productive and regular dialogue on our strategy and business activities. We aim to ensure frequent engagement that is not solely limited to financial calendar events.

The Company has a comprehensive investor relations programme, including regular meetings and calls with investors, comprising major institutions, retail investors and private client fund managers.

Throughout the year, meetings are arranged, both proactively and on request, for the Chief Executive Officer, Chief Financial Officer and Head of Corporate Communications with institutional shareholders and sell-side analysts to discuss the Company's business model, strategy and marketplace, as well as to update on performance. This engagement often includes site visits which provide shareholders with valuable insight into the business and its customer base. The Chairman and the Chairs of each of the Board Committees are also available to meet with major shareholders, independently of the Executive Directors, as required.

The Group's investor website, www.workspace.co.uk/investors, holds all presentations made to analysts and investors for interim and Full Year Results, as well as webcast replays, and is also used as a means of providing additional sources of information for shareholders. The website is kept up-to-date with RNS announcements, share price performance and other news, as well as details of the Group's sustainability strategy and achievements in this area.

The Annual Report and Accounts is sent to all shareholders who wish to receive a copy. It is also available in the investor section of the Company's website at www.workspace.co.uk/investors.

During the year, the Chief Executive Officer, Chief Financial Officer and Head of Corporate Communications held over 114 meetings or calls with UK and overseas institutional investors, comprising both current and potential shareholders. Meetings involved either group or individual presentations and, in some cases, tours of the portfolio. The tours provide a good opportunity to see the Group's properties, better understand our strategy, and to meet customers, members of our management team and centre staff.

Twice a year, following the results roadshows, a detailed report is collated for the Board, including feedback from investors and sell-side analysts. This highlights shareholders' views on the Company's performance, strategy and any concerns they have raised.

Annual General Meeting (AGM)

The AGM provides an opportunity for shareholders to meet and ask questions of the Chairman, members of the Board Committees and other Directors. As well as during the meeting itself, shareholders have a chance to engage with Directors informally after the meeting.

Our ongoing investor relations calendar of events

		Regular programme	
	Calendar of events	Investor meetings	Investor tours
2019			
July	AGM Q1 Business Update	✓	✓
August		✓	✓
September	US and UK investor conferences	✓	✓
October		✓	✓
November	Half Year Results Investor roadshow	✓	✓
December		✓	✓
January	Investor conference Q3 Business Update	✓	✓
February	Capital Markets Day	✓	✓
March	Year end US and UK investor conferences	✓	✓
April		✓	✓
May		✓	✓
June	Full Year Results Investor roadshow	✓	✓

The Workspace investor relations programme includes the following activities:

1. Analyst engagement

The Executive Committee engages with sell-side analysts formally at the Full and Half Year results presentations and at the annual Capital Markets Day. All RNS announcements, including quarterly trading updates, are sent to analysts throughout the year. In addition, the Chief Executive Officer, the Chief Financial Officer and Head of Corporate Communications are in regular dialogue with analysts as they update their models and publish research on the Company.

Why it is important

Sell-side analysts write independent research on the Company, which is sent to existing and prospective investors. It is therefore important that analysts have up-to-date and accurate information on the business and its strategy in order to present a fair view.

Frequency

Three formal meetings per year, plus regular ongoing dialogue.

2. Investor roadshows

In addition to the results presentations, which investors and analysts attend, management carry out investor roadshows in the UK immediately after the Full and Half Year results, generally spending four to five days on the road in London and Scotland. Additional roadshows are arranged during the year to regional cities in the UK, Continental Europe and the US.

Why they are important

The roadshows give Shareholders an opportunity to meet with management one-on-one or in small groups to discuss the results, business model and strategy, and raise any questions they may have about the Company and its performance.

Frequency

Two formal roadshows per year, plus at least two further roadshows arranged as necessary.

3. Webcasts

The Full and Half Year Results presentations are streamed on the Company's website via a live webcast and made available for replays following the event.

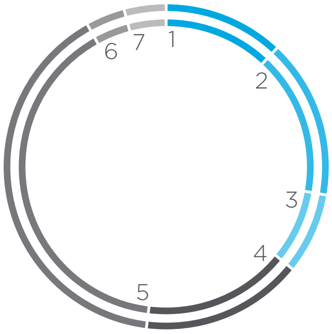
Why they are important

The webcasts allow analysts and investors to hear the management team present the results if they cannot attend the event in person, and broaden the Company's reach to investors based overseas.

Frequency

Twice per year.

Overall balance of investor relations activities 2018/19



1. Analyst engagement **3**
2. Investor roadshows **4**
3. Webcasts **2**
4. Bank and industry conferences **4**
5. Investor tours **10**
6. The Annual General Meeting **1**
7. Capital Markets Day **1**

4. Bank and industry conferences

The Executive Directors and Senior Management team regularly attend and present at Real Estate Conferences held by banks and industry bodies, e.g. EPRA, in the UK, Europe and the US.

Why they are important

Conferences provide a good opportunity to meet a large number of investors and industry associates in one place. They often include presentations or panel discussions on industry trends and allow the Executive Directors to build relationships with key players in the sector, as well as demonstrate the strength and depth of the management team. Additionally, they often provide an opportunity to hold one-on-one and group meetings with investors outside of the formal roadshow schedule.

Frequency

Four conferences attended this year.

5. Investor tours

Tours of the Group's assets are organised regularly, both proactively and on request, for existing and prospective investors. These are carried out by the Executive Directors and the Head of Corporate Communications, with Asset Managers, Centre Managers and other team members often present.

Why they are important

The tours showcase the properties within the portfolio and demonstrate the operational model Workspace has adopted, as well as the high levels of activity ongoing across the Group. They allow investors to see the space being used by customers and demonstrate the business model and strategy in action.

Frequency

Ten tours conducted this year.

6. The Annual General Meeting

The AGM will be held at the Company's business centre at 160 Fleet Street, London EC4A 2DQ and is attended by the full Board of Directors. Details of the resolutions to be proposed at the AGM on 11 July 2019 can be found in the Notice of AGM, which is available at www.workspace.co.uk, and will be dispatched to Shareholders who have requested a hard copy of the documentation from the Company. All Shareholders are invited to vote on the Resolutions, and the results are made available after the meeting and published on our investor website.

Why it is important

The AGM provides Shareholders with a forum to put questions to the Board of Directors, and to vote on important issues within the business.

Frequency

Once per year.

7. Capital Markets Day

The Capital Markets Day is held once a year and includes either a tour of the Group's properties or management presentations. The Executive Directors are all present, as well as a group of Centre Managers and other members of the management team.

Why it is important

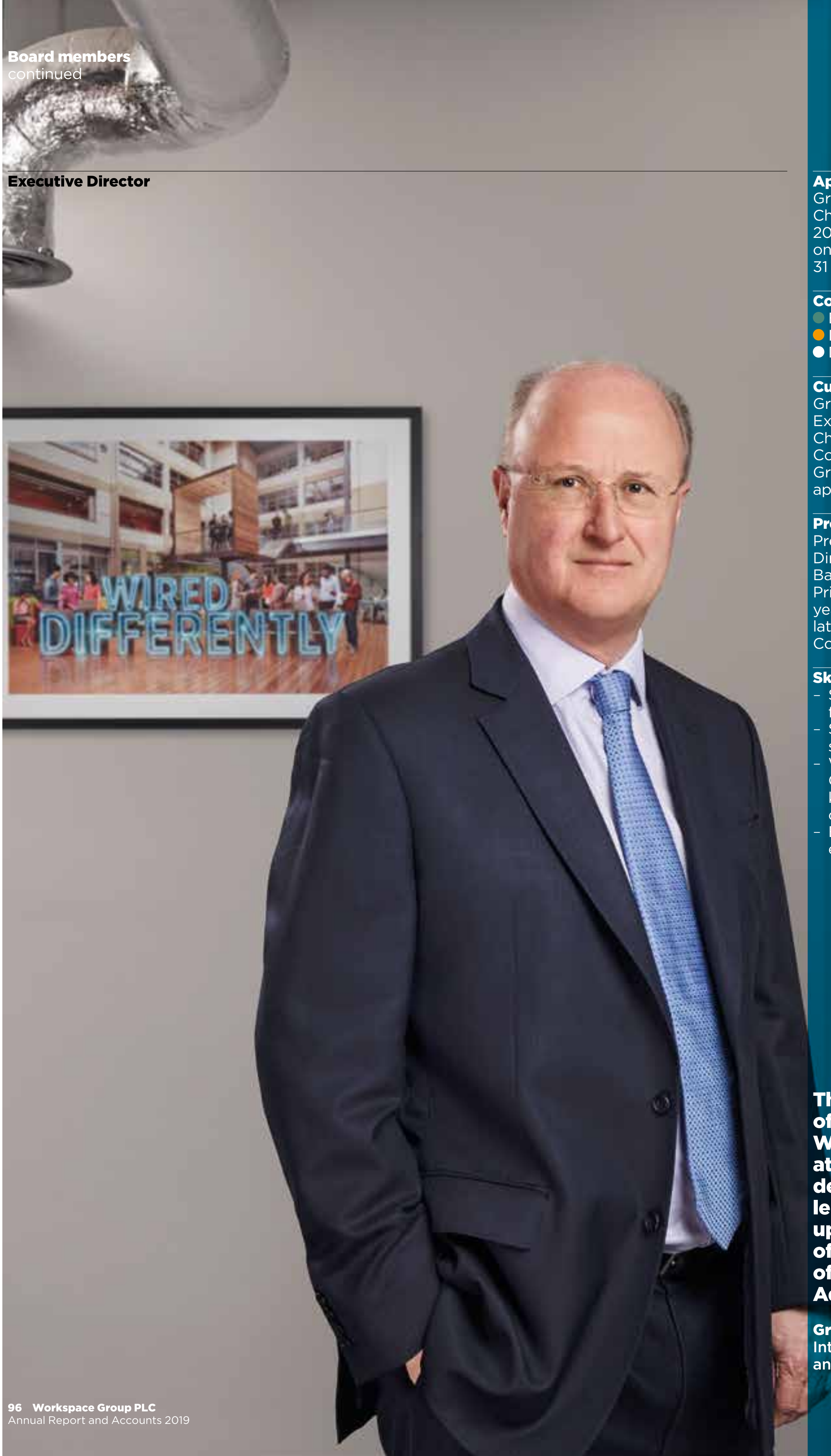
As well as showcasing the Group's properties, the Capital Markets Day allows Workspace to inform analysts and investors on different aspects of the business and demonstrate how it is driving value and growth from its real estate and customer proposition. We will likely hold the next Capital Markets Day in February 2020.

Frequency

Once per year.

Board members

This year we asked each Board member to give an example of how the business has successfully delivered The Workspace Advantage.



Executive Director

Appointment to the Board
Graham joined the Board as Chief Financial Officer in July 2007. In addition, Graham took on the role of Interim CEO on 31 May 2019.

Committee memberships
- Executive Committee.
- Investment Committee.
- Disclosure Committee.

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.

Skills and business experience
- Significant experience of financing and capital raising.
- Strong commercial and strategic skills.
- With over 10 years in the Group, he has a detailed knowledge of Workspace operations.
- Extensive investor relations experience.

The achievement of Gold or Platinum WiredScore ratings at 33 business centres demonstrates the lengths we go to in upgrading our customer offer – a clear example of The Workspace Advantage.

Graham Clemett
Interim Chief Executive Officer and Chief Financial Officer

Non-Executive Directors

Appointment 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. On the recommendation of the Nominations Committee, the Board agreed to extend his appointment for a further three years from June 2017.

Independent
Yes.

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

Current external appointments
Daniel is currently 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 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.

Skills and business experience
- Detailed knowledge of the Group.
- Strong leadership skills.
- Strategy development and execution.
- Strong financial skills, previously a CFO for eight years for a property development and investment company.
- Experience of acquisitions and disposals.

Our values are the all-important behaviours that allow us to deliver our customer offer.

Daniel Kitchen
Non-Executive Chairman and Chairman of the Nominations Committee

Non-Executive Directors
continued

Appointment to the Board
Chris was appointed to the Board in February 2013. On the recommendation of the Nominations Committee, the Board agreed to extend his appointment for a further three years from February 2019.

Independent
Yes.

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

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.

Skills and business experience
- CFO of FTSE 250 Companies for 17 years.
- Strong financial skills.
- Detailed knowledge of risk assessment and management systems.
- Experience of infrastructure and development projects.

The teams are constantly monitoring competition and adapting our offer to allow us to stay ahead of the curve.

Chris Girling
Senior Independent Non-Executive Director and Chairman of the Audit Committee

Appointment to the Board
Maria was appointed to the Board in May 2012. On the recommendation of the Nominations Committee, the Board agreed to extend her appointment for a further three years from May 2018.

Independent
Yes.

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

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).

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.

The Workspace Advantage calls for a focus on operational excellence. This, combined with close attention to detail and the ability to look at each building and see its benefits, are core elements of our success in delivering greater value for shareholders.

Maria Moloney
Non-Executive Director and Chairman of the Remuneration Committee

Non-Executive Directors
continued

Appointment to the Board
On the recommendation of the Nominations Committee, Ishbel was appointed to the Board in January 2019.

Independent
Yes.

Committee memberships
- Remuneration Committee.
- Audit Committee.
- Nominations Committee.

Current external appointments
Ishbel is currently Senior Independent Director at Dechra Pharmaceuticals PLC and Bonmarché Holdings 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 and Fidessa Group PLC and prior to that, held several senior roles in the finance sector.

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.

One of the first things I noted about Workspace is that every part of the business works together seamlessly for the benefit of our customers – that to me is The Workspace Advantage.

Ishbel Macpherson
Non-Executive Director

Appointment to the Board
Stephen was appointed to the Board in July 2014. On the recommendation of the Nominations Committee, the Board agreed to extend his appointment for a further three years from July 2017.

Independent
Yes.

Committee memberships
- Remuneration Committee.
- Audit Committee.
- Nominations Committee.

Current external appointments
Stephen is currently Chairman of CBRE UK. He joined Richard Ellis in 1976 and held the position of Head of EMEA and UK Capital Markets from 1998 to 2012. He is Non-Executive Chairman of LXI REIT PLC and a member of the advisory board of Redevco, a pan-European property holding company.

Skills and business experience
- Many years' experience of operating within the property sector.
- Experience of regeneration and development projects.
- Investment and transactions.
- Detailed knowledge of risk assessment and management systems.
- Strong financial skills.

The scale of our portfolio and the flexibility that Workspace offers its customers, allowing them to grow, demonstrate The Workspace Advantage in action.

Stephen Hubbard
Non-Executive Director

Non-Executive Directors
continued

Appointment to the Board
Damon was appointed to the Board in May 2013. On the recommendation of the Nominations Committee, the Board agreed to extend his appointment for a further three years from May 2019.

Independent
Yes.

Committee memberships
- Remuneration Committee
- Audit Committee
- Nominations Committee.

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 that 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.

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.

The communities we build in our centres that allow businesses to thrive are an example of The Workspace Advantage at work.

Damon Russell
Non-Executive Director

Company Secretary

Date appointed
Carmelina was appointed Company Secretary in March 2010.

Responsibilities
Carmelina 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.

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

Background and relevant experience
Carmelina was previously Group Company Secretary of Electrocomponents plc. She has also worked in the construction industry and for a consultancy firm offering company secretarial services.

The Workspace Advantage is driven by our people and it has been fantastic to watch how our employees have embraced the values over the year to better deliver that advantage.

Carmelina Carfora
Company Secretary

Effective division of responsibilities and Board operation

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.

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. The Board comprises the Chairman; five Non-Executive Directors (all of whom are independent); and, with effect from 31 May 2019, one Executive Director, Graham Clemett, who is the CFO and Interim CEO. This meets the requirement of the Code for at least half the Board, excluding the Chairman, to be independent Non-Executive Directors.

Independence of Non-Executive Directors

During the year, the Board considered the independence of all of the Non-Executive Directors, save for the Chairman who was deemed independent by the Board at the date of his appointment.

The Board considers 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.

Stephen Hubbard

As in previous years, the independence of Stephen Hubbard was specifically considered during the year. Stephen is Chairman of CBRE UK and is a member of their Management Board. CBRE are the Group's external independent valuers. Stephen does not take part in any considerations of the valuation of the Group's property portfolio at either Board or Committee level. Furthermore, he has no involvement in any discussions or decisions regarding the appointment of CBRE or the fees paid to them.

CBRE have confirmed that Stephen has no involvement in relation to the conduct of the valuations that they carry out 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 has no access to the data or calculations, is not involved in the process and they do not discuss the valuations with him.

The Board is satisfied and continues to conclude that Stephen remains independent both in character and judgement.

Other external appointments

Non-Executive Directors are advised on appointment of the expected time required to fulfil the role effectively (including the possibility of additional requirements at certain times) and asked to confirm that they can make the necessary commitment. The Board is satisfied that each of the Non-Executive Directors is able to devote sufficient time to the Company's business to discharge their responsibilities effectively.

Prior to accepting any additional appointments, Non-Executive Directors will discuss the details with 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.

On 24 September 2018, Daniel Kitchen became Chairman of Sirius Real Estate Limited and Chris Girling became a Non-Executive Director of Johnson Service Group PLC, with effect from 29 August 2018. The Board has confirmed that it does not believe that these additional directorships will affect either Daniel or Chris's commitment to, or involvement with, the Workspace Group PLC Board nor will they give rise to a potential conflict of interest.

Further details of their Directorships can be found on pages 97 to 98.

Executive Directors external appointments

In order to broaden their skills and experience, Executive Directors may accept a non-executive role at another Company with the approval of the Board.

On 1 June 2016, Graham Clemett was appointed as a Non-Executive Director and Chairman of the Audit Committee for The Restaurant Group Plc.

On 1 March 2018, Jamie Hopkins became a Non-Executive Director of St. Modwen Properties PLC.

Division of responsibility

Chairman	
Chief Executive Officer	
Senior Independent Director	
Non-Executive Directors (NEDs)	

The Chairman, is primarily responsible for the operation, leadership and overall effectiveness of the Board. The Chairman 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. The Chairman facilitates the effective contribution of the Non-Executive Directors and monitors that all Directors receive accurate, timely and clear information.

Other responsibilities include:
– with the Nominations Committee, monitoring that the Board remains appropriately balanced to deliver the Group's strategic objectives and to meet the requirements of good corporate governance; and
– promoting effective engagement with the Group's shareholders.

The Chairman is not involved in an executive capacity in any of the Group's activities.

The Chief Executive Officer is responsible for leading and managing the business and is accountable to the Board for the financial and operational performance of the Group, the achievement of the strategic objectives set by the Board and delivery of The Workspace Advantage to all stakeholders.

The Senior Independent Director provides an alternative communication channel for shareholders, if required, and is available to meet with investors on request. He can also deputise for the Chairman in his absence and counsel all Board colleagues.

The Senior Independent Director chairs an annual meeting of the Executive and 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.

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 our executives, help to develop proposals on strategy and to monitor performance.

Board composition

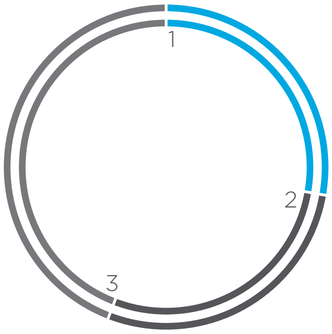
The Board has carefully considered the guidance criteria regarding the composition of the Board under the UK Corporate Governance Code. In the opinion of the Board, the Chairman and all the Non-Executive Directors bring independence of judgement and character, a wealth of experience and knowledge, the appropriate balance of skills, and assign sufficient time to enable them to effectively carry out 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 96 to 102 which show the breadth of their skills and experience and membership of the Committees. All of our Directors have significant experience and knowledge of the sector in which we operate.

Chairman tenure

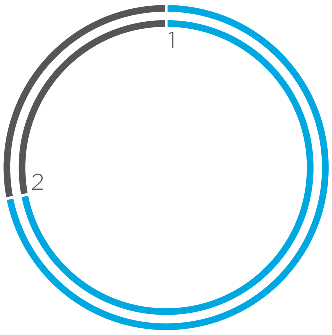
In light of Jamie Hopkin's decision to step down as CEO, it is anticipated that Daniel Kitchen will remain in post beyond June 2020, in order to lead the Board through this period of change and facilitate orderly CEO succession.

Board tenure



1. 0–5 years **28%**
2. 5–7 years **28%**
3. 7+ years **44%**

Board diversity



1. Male **72%**
2. Female **28%**

Re-election of Directors

In accordance with the UK Corporate Governance Code, each of the Directors will submit themselves for re-election at the AGM on 11 July 2019. Following the Board evaluation review during the year, the Board concluded that each of the Directors continue to operate as an effective member of the Board and has the skills, knowledge and experience that enables them to discharge their duties effectively, as members of the Board and the Board Committees.

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.

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. Chris is also a Chartered Accountant.

Mr Clemett has a service contract and details can be found on page 152.

The appointment of Daniel Kitchen may be terminated by either him or the Company giving six months' notice in writing.

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, Stephen Hubbard and Ishbel Macpherson may be terminated by either the Company or any one of them giving three 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.

Governance Framework

Our governance framework, which is illustrated in the chart on pages 82 to 83, supports the development of good governance practices across the Group. The Executive Committee has the responsibility for ensuring that the policies and practices set at Board level are effectively communicated and implemented across the business. All our policies are easily accessible on the Company intranet and we communicate key developments through our internal communications channels. For example we use the monthly internal newsletter called The Workspace Wrap so that everyone is kept up-to-date on the latest news and changes to processes.

The Board operates through a robust risk management and internal control system, details of which can be found on pages 92 to 93.

Attendance at meetings

	Board	Audit	Remuneration	Nominations
Daniel Kitchen	8/8	–	8/8	6/6
Jamie Hopkins	8/8	–	–	–
Graham Clemett	8/8	–	–	–
Chris Girling	8/8	3/3	8/8	6/6
Damon Russell	8/8	3/3	8/8	6/6
Maria Moloney	8/8	3/3	8/8	6/6
Stephen Hubbard	8/8	3/3	8/8	6/6
Ishbel Macpherson[1]	2/2	1/1	4/4	1/1

1. Ishbel Macpherson was appointed to the Board with effect from 23 January 2019; consequently, Ms Macpherson attended her first Board and Committee meetings from this date.

8

The Board meets as scheduled and did so on eight occasions during the year ended 31 March 2019

Meetings

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 Company'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 2019 the Board met formally on eight occasions, including a strategy day in September 2018. 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 April and July 2018. The Group's valuer, CBRE, presented to the Audit Committee meeting in May 2018 and circulated a report to the meeting in November 2018. The CBRE presentation covered the valuation of the property portfolio and the wider market in which the Company operates.

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.

The table on page 106 sets out the number of meetings of the Board, the Audit, Remuneration and Nominations Committees held during the year and the individual attendance by the relevant members at these meetings.

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.

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 103. At the direction of the Chairman, Carmelina is responsible for advising the Board on matters of corporate governance and, compliance with Board procedures.

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 Executive Directors 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 and investors.

The Company Secretary and external advisers periodically update the Board on regulatory changes. In particular, the Board considered the implications of the General Data Protection Regulation and the Data Protection Act 2018 which came into force in May 2018 and the requirements of the new UK Corporate Governance Code 2018.

Employees below Board level are invited to present to the Board on operational topics from time to time. During the year, our Head of Corporate Communications provided an update on how our values are being embedded into the business and how they are being adopted by employees at all levels. This is following a project that was initiated during 2018.

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.

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.

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 Company 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 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.

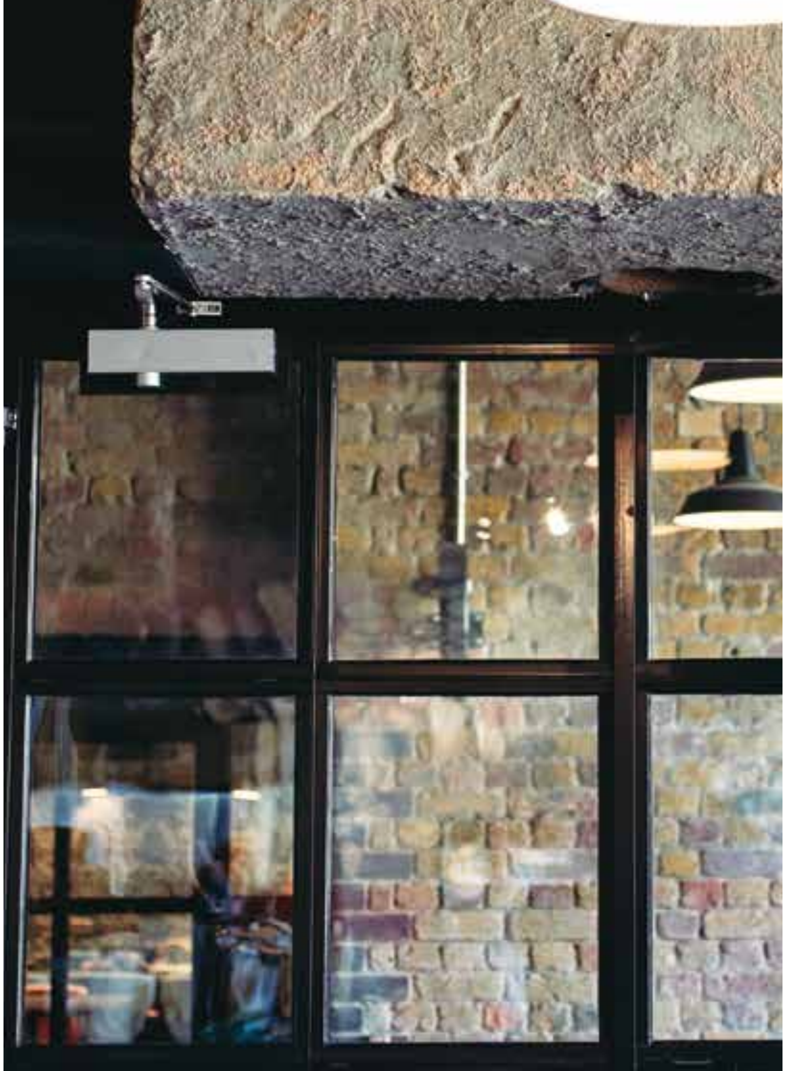
Executive Committee

Helping to deliver The Workspace Advantage

The Executive Committee is responsible for the successful implementation of the Company's strategy and for the operational performance of the Group. It reviews the effectiveness of our governance, financial and risk management processes to check that they are embedded within the Group.

20

The Committee met 20 times during the year ended 31 March 2019



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4

5

Activities in 2018/19

- 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.
- Focussing on the effectiveness of risk management and control procedures.

Composition of the Executive Committee (as at 31 March 2019)

1. Jamie Hopkins (not pictured)
Chief Executive Officer
Specific responsibilities
Strategic management; investor relations; day-to-day operations; acquisitions and disposals; health and safety; staff; equal opportunities; remuneration; training and development; Chairman of the Executive, Investment and Risk Committees; and development of the brand.

Jamie left the business on 31 May 2019.

2. Graham Clemett
Chief Financial Officer
Specific responsibilities
Finance; treasury; tax; company secretarial, governance and compliance; investor relations; and information technology.

From 31 May 2019, Graham took on the role of Interim CEO as well as his existing role as CFO.

– Full biography on page 96.

3. Chris Pieroni
Operations Director
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; joint ventures; valuations; sustainability and environmental strategy.

Background and relevant experience
Angus joined the Group in June 2007 as Development Director. He has expertise 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, refurbishments and facilities management.

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.

Investment Committee

Helping to deliver The Workspace Advantage

In order to deliver The Workspace Advantage, we need to own the right properties and ensure that our product remains cutting-edge and attractive to customers. The Investment Committee's work in driving forward our extensive pipeline of refurbishment and redevelopment projects and acquiring new sites is critical to achieving this.

17
The Investment Committee met 17 times during the year ended 31 March 2019

100%
Attendance

Activities in 2018/19

- Signed off significant refurbishment and redevelopment activity, including monitoring progress of ongoing projects, See page 74.
- Approved the acquisitions of The Shepherds Building in Shepherd's Bush, W14 for a cash consideration of £125.3m and Centro 1 & 2 in Camden for £76.5m.
- Agreed the disposal of Bow Office Exchange in Bow E3, in January 2019 for £11m, the disposal of three properties, Belgravia Workshops, N19, The Ivories, N1, and Spectrum House, NW5, in July 2018 for a total of £51.9m and the disposal of the mixed-use redevelopment of Marshgate Business Centre in Stratford, E15. This redevelopment, comprising 200 residential units, was sold for £15m in cash and the return of a new 39,000 sq. ft. business centre.
- Received updates from the development team on planning consents awarded for a significant mixed use redevelopment scheme in Limehouse E1 in March 2019, the refurbishment of 12-13 and 14 Greville Street in Farringdon and for additional space at The Biscuit Factory in Bermondsey.

Role of the Investment Committee

- Review and approve disposals and acquisitions of investment property assets which will also be approved by the Board; in particular, those with a value of more than £2m.
- Approve and monitor asset management initiatives greater than £0.1m.
- Approve and monitor progress on all refurbishment and redevelopment projects and check that they are progressing in line with budget and are on target to meet completion dates.
- Review and approve additional business development projects.

Composition of the Committee during the financial year ended 31 March 2019

- Jamie Hopkins[1], Chief Executive Officer to 31 May 2019.
- Graham Clemett, Chief Financial Officer and Interim CEO from 31 May 2019.
- Chris Pieroni, Operations Director.
- Angus Boag, Development Director.
- John Robson, Asset Management Director
- Richard Swayne, Head of Investment.
- Clare Marland, Head of Corporate Communications
- Mike Webber, Head of Financial Planning and Analysis.
- Simon Webb, Head of Professional Services
- Carmelina Carfora, Company Secretary.

The Investment Committee is chaired by the Chief Executive Officer.

1. Jamie Hopkins left Workspace on 31 May 2019. From that date, Graham Clemett took on the role of Interim CEO, including chairing the Investment Committee, until a permanent successor is appointed.

Effectiveness

The Directors bring a diverse set of skills and experience which allows them to provide sound independent advice.

Daniel Kitchen
Chairman of the Nominations Committee

Nominations Committee Report

Effective succession planning has and continues to be a priority for the Nominations Committee to ensure that the Board is effective in carrying out its responsibilities.

How the Nominations Committee supports The Workspace Advantage

Nominations Committee areas of focus	Activities in 2018/19	
Board and executive succession planning	July 2018	Expertise and skills required for new Non-Executive Director and scoping of search consultants
	Sep 2018	Appointment of Heidrick and Struggles as executive search agent
	Sep 2018	Compilation of long-list of candidates
	Sep 2018	Selection and candidate specification
	Nov 2018	Meeting held with short list of candidates
	Jan 2019	Recommended the appointment of Ishbel Macpherson to the Board as a new Non-Executive Director
Board composition	Nov 2018	Chris Girling reappointed as a Non-Executive Director
	Mar 2019	Damon Russell reappointed as a Non-Executive Director
	Apr 2019	Independence of Non-Executive Directors reviewed
Committee governance	Jan 2019	Terms of reference updated for the new 2018 Corporate Governance Code
	Mar 2019	Committee effectiveness review

6

The Committee meets as required and did so on six occasions during the year ended 31 March 2019

Daniel Kitchen
Chairman of the Nominations Committee

Attendance

	Meetings attended
Daniel Kitchen (Chairman)	6/6
Stephen Hubbard	6/6
Maria Moloney	6/6
Chris Girling	6/6
Damon Russell	6/6
Ishbel Macpherson[1]	1/1

1. Ishbel Macpherson was appointed on 23 January 2019 and so she attended one meeting during the year.

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.

Dear Shareholder

I am pleased to present to you the report of the work of the Nominations Committee for the financial year ended March 2019.

The Committee's role and responsibilities are set out in its Terms of Reference, which are reviewed annually and approved by the Board. These are available on the Company's website at www.workspace.co.uk.

Chief Executive Officer

We announced on 2 April 2019, that Jamie Hopkins would be stepping down as CEO with effect from 31 May 2019, due to extenuating personal circumstances. We are very sorry to see Jamie leave, and he does so with our thanks and very best wishes for the future.

Graham Clemett, the Company's Chief Financial Officer, has assumed the role of Interim Chief Executive Officer while a full and formal search for a permanent successor is carried out.

New Non-Executive Director

In January 2019, we welcomed Ishbel Macpherson as a Non-Executive Director of the Company. On page 117 we set out the process we used to recruit Ishbel and a detailed summary of the induction process is contained in this report.

Reappointment review

Two of our Non-Executive Directors, Chris Girling and Damon Russell have completed a second third-year term with the Company. The Committee performed a review of Chris and Damon's appointments and further details can be found on page 115.

Board effectiveness

On an annual basis, an evaluation process is undertaken which considers the effectiveness of the Board, its Committees and Directors. The effectiveness reviews continue to provide a valuable opportunity for the Board to reflect on how it operates and to propose any improvements. The performance evaluation process for this year was led by me and assisted by the Company Secretary. Further information can be found on page 114.

Performance of the Nominations Committee

The performance of the Nominations Committee was considered through the annual Board evaluation process, in which members were requested to provide specific feedback using a tailored questionnaire. From the responses provided, it was confirmed that the Committee continued to operate effectively.

Looking forward

Looking forward to 2019, the Committee will focus on finding a successor for Jamie and it will continue with its review of succession plans in the context of the Group's strategy to ensure a progressive evolution of the Board's membership.

Daniel Kitchen
Chairman of the Nominations Committee
4 June 2019

Board evaluation

The annual Board and Committee effectiveness reviews 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.

Non-Executive appointments and time commitments

Following the appraisal 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.

2018/19 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, having undertaken an externally facilitated evaluation last year. 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 continued evolution of the Board.
- Composition of the Board and its Committees.
- Knowledge, skills and experience of the Committees.
- The quantity, quality and timeliness of Board papers.
- The Company's strategic objectives.
- Shareholder communications and broader stakeholder engagement.

3

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.

4

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 2019 evaluation, the Board will continue to look for opportunities to improve its effectiveness.

2017/18 External review

In line with the results of the external evaluation conducted in 2018, the Board has agreed that it will continue to reinforce its commitment to the following:

Progress against the 2017/18 external evaluation

Objectives	Outcomes
Strategy should continue to feature on the Board's agenda.	Strategy has remained a key feature on board agendas in the year, with a separate strategy day held in September 2018.
Continue with the focus on succession planning for both Executive and Non-Executive Directors and for senior roles across the business.	Last year we stated that succession planning would remain a key focus. We are pleased with our progress this year, with the appointment of Ishbel Macpherson as a Non-Executive Director. More information can be found on page 117.
In line with the UK Corporate Governance Code 2018, consider how the Board will engage with its stakeholders more generally, and how it might further develop the structure of its engagement with the business.	We have continued to focus on our broader stakeholder engagement activity. Whilst work in this area will continue, we are pleased to say that the Chairman was nominated as the designated Non-Executive Director for employee engagement.

Chairman's evaluation for 2018/19

The Senior Independent Director chaired a meeting of Executive and Non-Executive Directors, without the Chairman present, to appraise the Chairman's performance and to address any other matters which the Directors might wish to raise. The outcome of these discussions were conveyed by the Senior Independent Director to the Chairman. During the year under review, it was concluded that the Chairman is highly respected and is valued for his industry knowledge and experience.

The Board is satisfied that the Chairman continues to be effective and shows a high level of commitment in discharging his responsibilities.

Role and responsibilities of the Nominations Committee

The Nominations Committee considers the structure, size and composition of the Board, its Committees and members of the Executive Committee. It is responsible for ensuring that there exists the correct balance of skills, knowledge and experience to effectively lead the Company and support the Group strategy. The Nominations Committee also receives a detailed oversight from the Chief Executive Officer, on the senior leadership roles (which includes the direct reports to the members of the Executive Committee) within the business.

The Committee's responsibilities include:

- Leading the process for new Board appointments and review succession for Directors and senior management. The Nominations Committee identifies and nominates candidates to fill Board vacancies, for Board approval, identifying the skills required for the role, appointing a search firm, and in the case of the Non-Executive Directors, establishing that they will have sufficient time for the role. More information on our approach to succession planning and induction process is available on page 117.
- Regularly reviewing the structure, size and composition of the Board and its Committees (including skills, independence, knowledge and diversity) and make recommendations to the Board accordingly. More information on Board composition is available on page 105.
- Facilitating an effectiveness review of the Board, its Committees and Directors is conducted annually. More information on this year's Board evaluation is available on pages 114.
- Reviewing the time commitment expected from the Chairman and Non-Executive Directors.
- Recommending the election and re-election by shareholders of the Directors, having due regard to their performance and ability to continue to contribute to the Board, taking into consideration the skill, experience and knowledge required along with the need for progressive refreshing of the Board.

Details of the skills and experience each Director brings to the Board, are set out on pages 96 to 102.

Independent advice

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.

How the Committee operates

The Committee met formally on six occasions, primarily to progress the appointment of a new Non-Executive Director, to discuss the annual re-election of Directors and the reappointment of Chris Girling and Damon Russell, approval of which was granted by the Board in January and March 2019, respectively.

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.

Terms of reference

During the year, the Committee reviewed the Terms of Reference for the Nominations Committee in light of the new 2018 Corporate Governance Code. There were no significant changes made to the existing Terms of Reference. These can be found on our website at www.workspace.co.uk.

Reviewing Board composition

As part of the Board's annual effectiveness review, described on page 114, 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 2019, the Board comprised the Chairman, two Executive Directors and five Non-Executive Directors.

The Committee conducted a review of the independence and contribution of Chris Girling and Damon Russell, in the year as they reached the end of their current three-year term in January and May 2019, respectively. Neither Chris nor Damon were present during the Committee's discussion. Having conducted its review, the Committee was satisfied that it was appropriate to recommend to the Board that the appointments for both Chris and Damon should be extended for a further three years.

Further details on the independence of Directors and their re-election can be found on pages 96 to 102 and on page 3 of the 2019 AGM Notice of Meeting.

In accordance with the Code, all the Directors will retire and offer themselves for election or re-election by shareholders at the 2019 Annual General Meeting.

The biographies of all members of the Board outlining the experience they bring to their roles are set out on pages 96 to 102.

Succession planning

Succession planning is a core area of focus for the Nominations Committee and the tenure of all Directors, particularly the Chairman, is continually kept under review by the Committee. In light of Jamie Hopkins's decision to step down as CEO, it is anticipated that Daniel Kitchen will remain in post as Chairman for a period beyond the nine years recommended by the UK Corporate Governance Code 2018. This is deemed appropriate in order for the Chairman to lead the Board through this period of change, maintain consistency of leadership and to facilitate effective succession planning. The Board is satisfied that the Chairman continues to demonstrate objective judgement and promote constructive challenge amongst other board members.

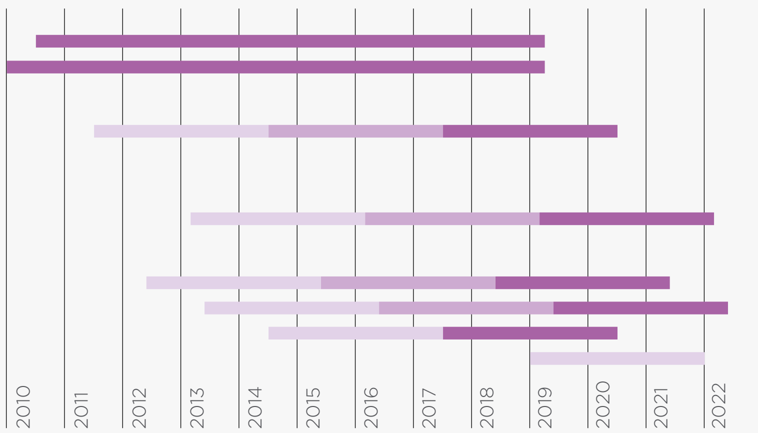
Directors' tenure as at 31 March 2019

Executive Directors
Jamie Hopkins*
Graham Clement*‡

Non-Executive Chairman
Daniel Kitchen

Senior Independent Director
Chris Girling[1]

Non-Executive Directors
Maria Moloney
Damon Russell[1]
Stephen Hubbard
Ishbel Macpherson



Initial term Second term Duration of current term

* 12-month rolling contract.
‡ Appointed Chief Financial Officer in July 2007.

1. Chris Girling and Damon Russell's second terms expired in February and May 2019 respectively. On the recommendation of the Nominations Committee, the Board agreed to extend the terms to 2022.

– For dates of letters of appointment and unexpired terms for Non-Executive Directors and for details of Executive Directors' service contracts, see page 152.

Ishbel Macpherson on her Board induction programme.

Appointment of Ishbel Macpherson

As mentioned on page 112, the Committee made a decision during the year to start the process to recruit a new Non-Executive Director to ensure orderly succession planning. The Committee agreed the role specification and identified the required skills and attributes. Heidrick & Struggles was retained to assist the Committee with the search. They are an independent search agency, and perform no other work for the Group. They are signatories to the voluntary code of conduct for executive search firms.

A list of candidates was circulated to members of the Nominations Committee. The Chairman conducted the first round of interviews. Members of the Nominations Committee then met with a short list of three candidates. The Committee met to discuss their conclusions and were pleased to recommend Ishbel's appointment to the Board. The Chief Executive Officer and Chief Financial Officer and members of the Executive Committee also met with Ishbel prior to her being appointed as a Director of the Company.

Induction of Non Executive Directors

All new Non-Executive Directors joining the Board undertake a formal and personalised induction programme which is designed to give him or her an understanding of the Company's business, governance and stakeholders. 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.

Ishbel's induction began shortly after the announcement of her appointment on 23 January 2019.

Ishbel held various one-to-one meetings with advisers and employees. Accompanied by members of our asset management team, Ishbel visited a number of properties within the portfolio and met with centre staff.

Training and development

We recognise that our Directors have a diverse range of experience, and so we encourage them to attend external seminars and briefings, at the Company's expense, in areas considered appropriate for their professional development.

As appropriate, we invite professional advisers to provide updates and training, not only on legislative developments, but on a range of issues. These include, but are not limited to, market trends, the economic and political environment, technology and cyber security.

Our Company Secretary provides regular updates to the Board and its Committees on changes in legal, regulatory and corporate governance matters.

During the year, we organised presentations for the Board and its Committees on the following areas:

- Changes to the 2018 UK Corporate Governance Code.
- Requirements of the General Data Protection Regulation.
- Managing cyber risk and security.
- Executive remuneration trends and best practice.
- Considered culture and Company values.
- Market Abuse Regulation.

Diversity

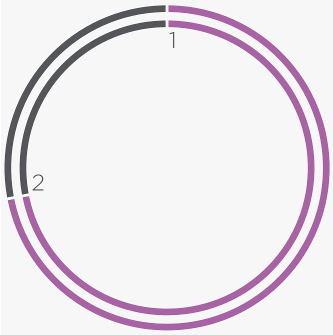
The Board is committed to diversity and inclusion, including gender, ethnicity, age, disability, education and social background, both in its membership and in the Group's employees. The Board's policy is to promote a diverse composition of both the Board and the workforce to maintain an appropriate balance of skills, experience and knowledge to successfully deliver the Group's strategy. The Board is aware of changes to the new UK Corporate Governance Code 2018 which applies to the Company from 1 April 2019 and of the recommendations of the Hampton-Alexander Review and Parker Review. The Board will keep its diversity policy under review.

The Board understands the rationale for, and has followed the discourse on, quotas to achieve diversity. Its policy on diversity 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. The Group 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.

The benefits of diversity, including gender and ethnic diversity, will continue to be an active consideration whenever changes to the Board's composition are contemplated.

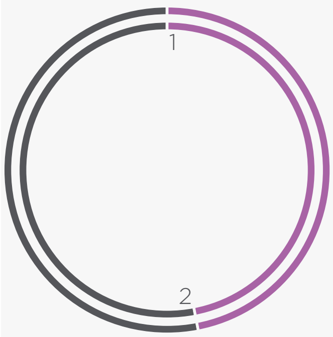
The gender diversity of the Board and Company is set out to the right.

The Board



1. Male **72%**
2. Female **28%**

All employees

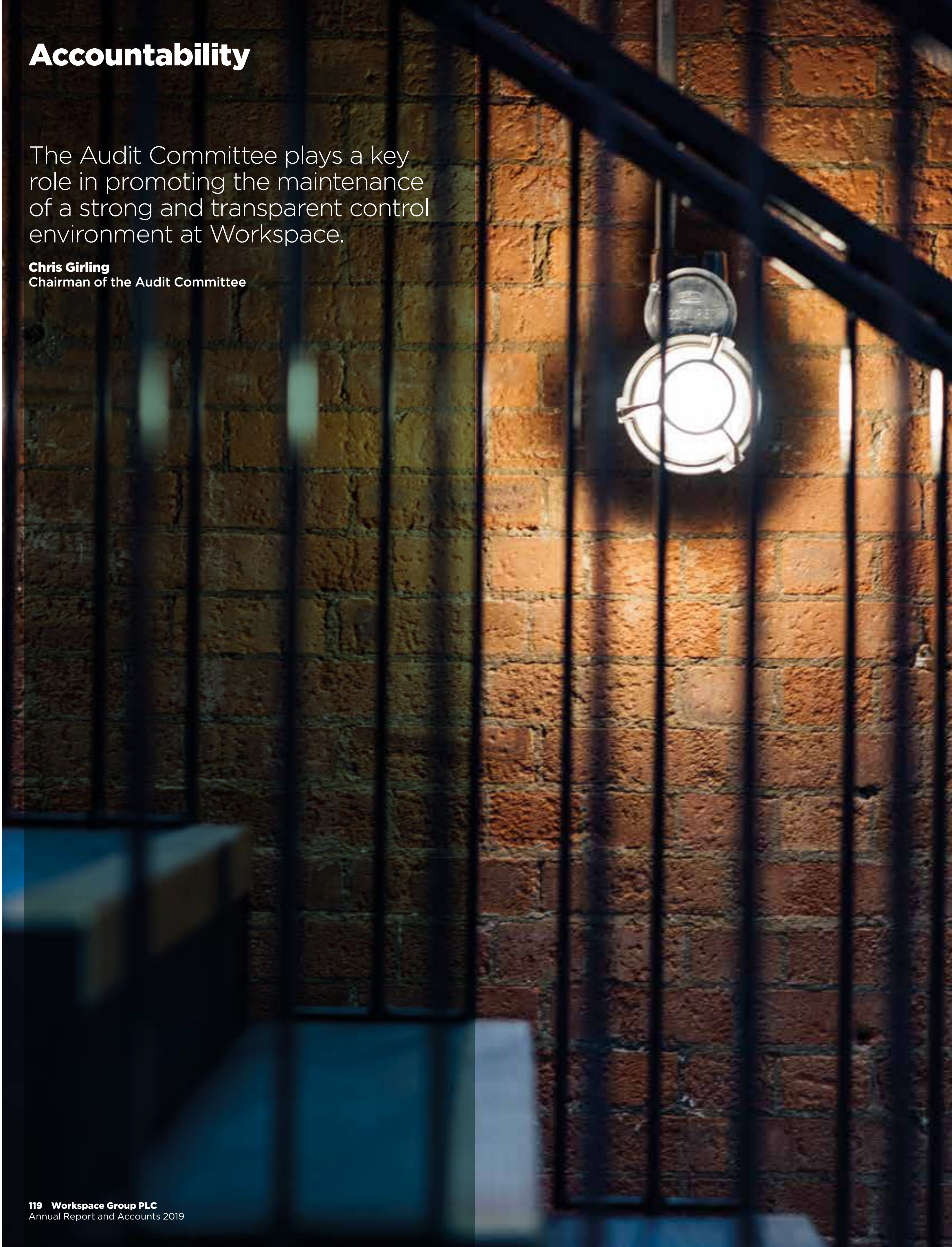


1. Male **47%**
2. Female **53%**

Accountability

The Audit Committee plays a key role in promoting the maintenance of a strong and transparent control environment at Workspace.

Chris Girling
Chairman of the Audit Committee



Audit Committee Report

The Audit Committee is responsible for overseeing internal risk management and effective internal controls, financial reporting and appropriate external audit arrangements.

How the Audit Committee supports The Workspace Advantage

Audit Committee areas of focus	Activities in 2018/19	
Financial reporting	May 2018	Reviewed 2018 Annual Report
	May 2018	Viability and going concern assessments
	May and Nov 2018	Reviewed portfolio valuation
	May and Nov 2018	Dividend proposal
	Nov 2018	Interim results
Internal controls and risks management	May 2018	Principal risks reviewed
	May 2018	Governance, legal, taxation and REIT regulatory updates and monitoring
	May 2018	Received Health and Safety update
	Nov 2018	Received an update on Cyber Security
	Nov 2018	Reviewed whistleblowing policy
External audit	May 2018	Auditor independence review
	May and Nov 2018	Auditor reported on Annual and Interim Report
	Nov 2018	Audit plan and strategy for year ending 31 March 2019
	Mar 2019	External auditor assessment
Committee governance	Nov 2018	Terms of reference updated for the UK Corporate Governance Code 2018
	Mar 2019	Committee effectiveness reviewed

3

The Audit Committee met three times during the year ended 31 March 2019

Membership and Attendance

	Meetings attended
Chris Girling (Chairman)	3/3
Maria Moloney	3/3
Damon Russell	3/3
Stephen Hubbard	3/3
Ishbel Macpherson[1]	1/1

1. Ishbel Macpherson was appointed in January 2019 and has attended one meeting during the year.

In accordance with the UK Corporate Governance Code, the Board considers that Chris Girling has significant, recent and relevant financial experience. Biographies of Committee members, including a summary of their experience, appear on pages 96 to 102. The Company Secretary acts as the Secretary to the Committee and attends all meetings.

Chris Girling
Chairman of the Audit Committee

Dear Shareholder

I am pleased to present the Committee's report for the financial year ended 31 March 2019.

The Report of the Audit Committee details the key activities of the Committee during the year under review, alongside its principal responsibilities. The Audit Committee, reporting to the Board, oversees the financial reporting process and monitors the effectiveness of internal control, risk management and the statutory audit.

Review of material issues

The Audit Committee has a key role in reviewing the narrative reporting and checking that the financial statements provide a true and fair view of the Group's financial affairs. As part of this review process, we considered the significant financial judgements made during the year, along with other key financial reporting issues. In this context, we considered the valuation of the investment portfolio as a significant issue, for which further details are provided on page 123.

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.

A description of the main activities and information on the other significant issues that the Committee considered during the year can be found on page 123.

Audit Committee effectiveness

As a Committee, we are regularly looking at opportunities to improve our 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 it 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.

External Monitoring and Risk Management

The Committee monitors the broader market and uses a risk management framework with a view to identifying and categorising any prevailing or emerging risks with their potential impact on the Group assessed, understood and mitigating actions taken. During the year, the Committee also considered potential risks arising from the uncertainty surrounding Brexit. Further details are provided on page 62.

Viability assessment

The Audit Committee and the Board have continued to assess the long-term viability of the Company, as required by the UK Corporate Governance Code. Further information can be found on page 123 and our Viability Statement is located on page 66.

Committee terms of reference

In order to maintain ongoing compliance with regulatory developments, the Committee's Terms of Reference were reviewed in November 2018. It was concluded that no significant changes were required and they are available on the Company's website at www.workspace.co.uk.

Outlook

Looking forward to the coming year, the Committee will continue to focus on monitoring the principal risks identified by the Board. We are continually aware of the need to make sure that new and emerging risks are considered where appropriate to the business, including the wider economic and political environment.

Chris Girling
Chairman of the Audit Committee
4 June 2019

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 Company's internal controls and risk management systems and the effectiveness of its external auditors.

Key responsibilities

The Committee discharges its responsibilities through Committee meetings during the year at which detailed reports are presented for review. The Committee's responsibilities include:

- Reviewing the Full and Half Year Financial Statements and monitoring the reporting process. Information on significant issues in relation to the financial statements that were considered by the Committee can be found on pages 123.
- Advising the Board on the Company's viability and going concern status. More information on the Committee's assessment of the Company's viability and going concern status can be found on page 123.
- Advising the Board that the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess performance, the business model and strategy. The Company's business model and strategy is explained on pages 40 to 41.
- Reviewing the adequacy of the Company's internal financial controls and the internal control and risk management framework, looking to monitor that risks are carefully identified and assessed, and that systems are in place and effective. More information on the Company's internal controls and risk management process is available on page 125 and the work of the Risk Committee is available on page 126.
- Assessing the work of the external auditor and any significant financial judgements made by management. More information is available on page 124 to 125.
- Considering the appointment of the external auditor, reviewing their performance, objectivity, independence, reviewing the provision of non-audit services they provide and approve their remuneration. More information on our process of safeguarding auditor independence is available on page 125.
- Reviewing whistleblowing arrangements whereby employees may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, to ensure there are proportionate and independent procedures in place and review the operational effectiveness of the Company's policies and procedures for detecting fraud or illegal acts.
- Considering any other matter that is brought to its attention by the Board or external auditor.

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 2018 and in March 2019. In addition, the Committee met in May 2019 to discuss the Annual Report, the property valuations and the findings of the external auditor. Meetings of the Committee generally take place just prior to the Board meeting.

Meetings are attended by the External Auditor and members of the Group's senior management team. Those people and advisers listed in the table above attended meetings, during the year, at the request of the Committee Chairman.

Attendee	Position
Daniel Kitchen	Chairman
Jamie Hopkins	Chief Executive Officer
Graham Clemett	Chief Financial Officer
Vivienne Frankham	Head of Finance
Angus Boag	Development Director
Chris Pieroni	Operations Director
KPMG LLP	External Auditor
Grant Thornton	Tax Advisers
CBRE	Valuers

The Committee Chairman reports the outcome of meetings to the Board.

The Committee has a rolling agenda such that it gives thorough consideration to matters of particular importance to the Company, identifying key areas of focus and emerging topics as appropriate. The Committee receives appropriate information far enough in advance to enable it to fulfil its responsibilities. This includes not only information from management but also detailed reports from the External Auditor.

External Auditor

This is the second audit for KPMG. The Committee has worked with KPMG to enable the external audit, a key area of oversight to operate effectively. The Committee periodically meets privately with the lead partner, Richard Kelly at least once a year, usually following a Committee meeting, to discuss their work, their observations on the Company, and the quality of interaction with management. Richard has been the lead partner since the appointment of KPMG, as the external auditor in 2017.

No areas of concern have been raised. In addition, the Committee Chairman occasionally has meetings and telephone calls with Richard or his colleagues in order to discuss key issues relevant to the Committee's work. These lines of communication are open and working well and are vital to the success of the Committee in carrying out its work and to enable that sufficient time is devoted to matters at the subsequent meetings.

Meetings with CBRE

In addition, the Committee Chairman will also meet with the Group's independent property valuers (CBRE) to consider the valuation of our property portfolio.

2019 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 Company'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 160.

Significant issues considered by the Committee

The Audit Committee considers all financial information published in the annual and Half Year 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 area of focus during the year is 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. The valuation is conducted externally by independent valuers. The valuers presented the year-end valuation to the Audit Committee. The Audit Committee reviewed the methodology and outcomes of the valuation, challenging the key assumptions and judgements. The objectivity and independence of the valuers is monitored by the Audit Committee. KPMG also 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. Based on the above, the Committee 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.

In addition, the Audit Committee reviewed a number of other key matters which have been considered by management and discussed with KPMG, as follows.

- Brexit: the Audit Committee considered potential risks from the uncertainty of leaving the EU. Further information can be found in the risk section (page 62). The potential impact of Brexit has been stress tested in our five-year plan. Details of this can be found in the Viability Statement on page 66.
- Going Concern status: The Going Concern Statement can be found on page 66.

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 Viability Statement can be found on page 66.

The process we undertook

Stage 1 **Risk identification**	**Stage 2** **Risk assessment**	**Stage 3** **Scenario sensitivity analysis**	**Stage 4** **Conclusions**
			The Board
			Audit Committee
Executive Committee	Executive Committee	Executive Committee	Executive Committee
Risk Committee	Risk Committee		
Senior Management[1]	Senior Management[1]	Senior Management[1]	Senior Management[1]
			External Auditor
We reviewed both strategic and operational risks to identify the principal risks to viability over the period under consideration. We considered the risks that would impact solvency and liquidity, either individually or in combination with other risks.	For each risk, we 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.	For those risks identified as being severe enough to impact the viability of the Group, we performed sensitivity analysis to understand the potential impact on liquidity and financial ratios.	The Board was presented with the findings from this analysis and given the opportunity to question the process and findings.

1. Heads of Department.

Safeguarding auditor independence

Non-audit services

The Audit Committee Terms of Reference establish a process for monitoring and approving the nature and the level of related fees for non-audit services (e.g. accounting, tax or due diligence work) paid to the Group's External Auditor.

The Audit Committee has implemented a formal policy specifying the types of non-audit service for which use of the External Auditor is pre-approved. This is in response to the "Guidance on Audit Committees" issued by the Financial Reporting Council in April 2016.

The Group may use the External Auditor for relevant financial work for a variety of reasons, including their knowledge of the Group and understanding of our sector, the audit-related nature of the work and the need to maintain confidentiality.

All non-audit work and fees must be reported to the Audit Committee on an annual basis. The Committee must consider in detail the nature and level of non-audit services provided by KPMG. The Committee may challenge and in some instances refuse proposals.

During the year, KPMG announced that they would be discontinuing 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 contained to a more limited scope of work than that permitted by the Audit Committee Terms of Reference.

In addition, the Audit Committee will assess the threats of self-review by the External Auditor, self-interest, advocacy, familiarity and management.

These are set out below and considered in relation to KPMG's services:

A self-review threat

This is where, in providing a service, the KPMG audit team could potentially evaluate the results of a previous KPMG service.

A self-interest threat

Where a financial or other interest (of an individual or KPMG) 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.

An advocacy threat

This is where KPMG or KPMG personnel promote an audit client's position to the extent where KPMG's objectivity as External Auditor is compromised.

- The Group will not use KPMG in an advocacy role.

A familiarity threat

This is where, because of a too 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 caught by this policy. There have been no instances of this occurring.
- 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 threat

This occurs when the audit firm performs non-audit services and management make judgements based on that work.

- The Group will not use KPMG for any services which would be considered management responsibility.

Internal audit

Due to its size and structure, the Group does not have an internal audit function, a matter which is kept under review by the Audit Committee. However, management mandates a programme of financial, operational and health and safety internal audits at its properties. These are 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.

Audit fees

Fees payable to the auditor for audit and non-audit services are set out in note 1 on page 176.

The only non-audit service performed by KPMG in the year was the review of the Group's Half Year Results.

Annual Auditor assessment

Annually, the Committee assesses the qualifications, expertise, resources, and independence of the Group's External Auditors, as well as the effectiveness of the audit process. It does this through discussion with the Chief Financial Officer and confirmations from the External Auditor.

This is the second financial year in which the Annual Report and Financial Statements have been audited by KPMG following its appointment as the Company's External Auditor in January 2017. Their appointment was subsequently approved by Shareholders at the 2017 AGM. The appointment is subject to ongoing monitoring and the Committee considered the effectiveness of KPMG as part of the 2018 year end process. The Committee took a number of factors into account when considering the effectiveness of the external audit including the quality and scope of the audit plan and reporting, KPMG's experience and expertise and the quality and experience of the audit partner engaged in the audit.

The Committee also sought the views of key members of the finance team and senior management.

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 auditors' qualifications, expertise and resources.

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 are satisfied that the Auditors are independent.

The Audit Committee will continue to review the effectiveness and independence of the external auditor each year.

The Company complies with the Competition and Market Authority Order 2014 relating to audit tendering and the provision of non-audit services and it is the Company'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 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.

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 organisation 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.
- A Risk Committee, which is chaired by the Chief Executive Officer and is 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.

Further information on the Group's risks is detailed on pages 53 to 65.

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.

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.

Risk Committee

How the Risk Committee supports The Workspace Advantage

By assessing and managing the risks to our operations and strategy, the Risk Committee plays a major part in delivering The Workspace Advantage.

6

The Risk Committee met six times during the year ended 31 March 2019

100%

Attendance

Activities in 2018/19

- Reviewed and discussed the strategic risks for circulation to the Audit Committee and for inclusion in the Annual Report.
- Considered the operational risk registers for each functional area and agreed any changes.
- Received presentations from Senior Management concerning controls over certain parts of the business or specific risks.
- Agreed an annual programme of site audits, which is also circulated to the Audit Committee.
- Discussed cyber security risks and included this as a distinct item in the risk register.
- Discussed changes in the regulatory environment and likely impact on the Company.
- Discussed the implications of the GDPR and the ongoing compliance programme.

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

- Chris Pieroni, Operations Director.
- Carmelina Carfora, Company Secretary.
- Viv Frankham, Head of Finance.
- Kate Ankers, Chief Accountant.
- David Rees, Finance Manager.
- Claire Dracup, Head of Support Services.
- Tomjedur Rahman, Head of IT Operations.

The Risk Committee is chaired by the Chief Executive Officer.

In addition, employees from across the business, specifically centre managers, attend meetings of the Committee, by invitation, where they are asked to share any information which they feel is relevant, in order to assist the Committee in evaluating possible risks to the Company.

The following also attended meetings of the Committee during the year, again by invitation, in order to discuss their risk registers and to contribute to the discussions relating to their respective areas of expertise:

- Chief Financial Officer.
- Development Director.
- Other senior staff.

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. While we consider the risk of modern slavery and human trafficking to be very low in our business, the process we have taken to prevent them is an evolving one. We continue to monitor and review our risk profile and the actions being taken 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.

Data privacy

The General Data Protection Regulation (GDPR) came into force on 25 May 2018. Workspace commenced a GDPR compliance programme well in advance, and this has continued past May 2018 to reflect developing guidance and practice in this area and to continue to embed data privacy into the heart of the business.

Our programme of work has included creation of new or updating of existing policies and procedures relating to use of data processors, data privacy impact assessments, marketing, data breaches, subject rights requests, data security and access, data retention, data minimisation and privacy notices. Our privacy notices can be found here www.workspace.co.uk/privacy-policy. Mandatory training was and will continue to be provided to all staff. An Information Governance Group, whose membership includes all key function heads across the organisation, regularly meets and regular reports are provided to the Executive Committee and the Board.

We are constantly monitoring and developing guidance and practice in data privacy and will continually adjust and improve our practices and procedures as appropriate.

Anti-Bribery

It is our policy to conduct all of our business in an honest and ethical manner, and we take a zero-tolerance approach to bribery and corruption. We are committed to implementing and enforcing effective systems to counter bribery. All of our staff are reminded of our Anti-Bribery Policy and their responsibilities for the prevention, detection and reporting of bribery and other forms of corruption.

Amongst other things, our Anti-Bribery Policy provides that the giving and receiving of 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). We make suppliers aware of our zero-tolerance approach to bribery and undertake due diligence on suppliers to confirm their own commitment to, and policies on, the prevention of bribery. We do not make political donations and we only make charitable donations that are legal and ethical, and made with the prior approval of the Company Secretary.

Remuneration

We are committed to a performance culture which delivers strong and consistent shareholder returns and rewards performance fairly and competitively.

Maria Moloney
Chairman of the Remuneration Committee

Where is the information?

Committee members and attendance

Maria Moloney Chairman	8/8
Daniel Kitchen	8/8
Chris Girling	8/8
Stephen Hubbard	8/8
Damon Russell	8/8
Ishbel Macpherson	4/4

Ishbel Macpherson was appointed as a Non Executive Director on 23 January 2019.

The work of the Committee

We met as a Committee eight 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. Below we set out the key activities the Committee undertook during the year.

Delivering The Workspace Advantage for the long term is the driver of our remuneration agenda

Remuneration framework and agenda items

Committee governance

April 2018
- Update on the current executive pay environment.

January 2019
- Incentive operating guidelines for Executive Directors.
- Results of internal performance evaluation of the Remuneration Committee.
- Updates to Committee Terms of Reference.

March 2019
- First draft of Directors' Remuneration Report for 2019.
- Operation of policy 2018/19.
- Corporate governance update and matters requiring further action in the context of the UK Corporate Governance Code 2018.

Regulation and best practice

November 2018
- Requirements of the UK Corporate Governance Code 2018.

March 2019
- Corporate Governance reforms update.
- Investment Association Principles of Remuneration for 2019.

Remuneration framework for employees

April 2018
- TSR update for 2015, 2016 and 2017 LTIP awards.

May 2018
- All staff remuneration review.

November 2018
- TSR performance update.

Executive and senior management remuneration framework

April 2018
- Shareholding guidelines for Executive Directors and members of the Executive Committee.

May 2018
- Executive Directors' remuneration review.
- Annual bonus outcomes for 2017/18.
- Bonus targets and objectives for the Executive Directors for 2018/19.
- Vesting criteria for 2015 LTIP.
- Review of fees for Company Chairman.
- Proposed awards under the 2018 Long Term Incentive Plan.

March 2019
- CEO leaver arrangements
- Agreed Interim CEO remuneration.

These activities drive a performance culture that delivers value for all our stakeholders.

Who supports 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 are shown on page 153.

Remuneration Committee Chairman's statement

REMCO commitment to shareholders

"The Workspace REMCO is very committed to its role in promoting the delivery of long-term value across the Group. It seeks to align remuneration closely to the Company's purpose, culture and values, as well as fulfilling its duty to customers, employees' communities and our shareholders."

"The key priorities of the Workspace REMCO 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; and
- the remuneration received by Executive Directors is proportionate to the levels of performance achieved and the returns received by you as shareholders."

Maria Moloney
Chairman of the Remuneration Committee

Dear Shareholders,

In this section of the Annual Report we seek to communicate clearly what remuneration means to Workspace as a company, how it relates to employee pay and how it is used as a tool for delivering long-term corporate success.

Over recent years, we have sought to demonstrate that the elements of **clear communication, trust, transparency and simplicity** are enshrined in the core elements of our Policy (details of which are outlined on page 138), fostering alignment between executive and employee remuneration and the long-term success of the Group.

As such we were delighted that our 2017/18 Remuneration Report was **Highly Commended for Executive Remuneration Reporting**, **within the FTSE100 and FTSE 350 alike**, **at the 2018 Building Public Trust Awards.**

Workspace was commended for: **"An honest and engaging remuneration report which is enlivened by schematics showing at a glance how the Company's incentive performance metrics align with the corporate strategy."**

The judges praised the open discussion of the link between executive pay and that of other staff and the inclusion of the ratio of the CEO single figure against average worker pay over the previous nine-year period.

"We are committed to a performance culture which delivers strong and consistent shareholder returns and rewards performance fairly and competitively".

In the following section we aim to explain why executive pay is appropriate in terms of:
- the delivery of the key performance measures over the past year;
- wider employee pay; and
- value creation for shareholders.

The core elements of our Policy, which have guided the REMCO in decision making throughout the year, seek to ensure that remuneration structures are designed in a way which enables the continued delivery of sustainable value and performance for the business, in line with the long-term strategy, making sure that we have the best people in place to deliver the strategy and that executive pay is appropriate in the wider context in which the business operates.

In devising the Policy, the REMCO seeks to ensure that it:

- is tightly aligned to strategy and to achieving stretching targets which demonstrate delivery of Workspace's strategy;
- is based on pay for performance and linked 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 Group, 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; and
- is risk assessed to ensure that shareholder interests are guarded, and that excessive or inappropriate risk is avoided.

To allow alignment with Workspace's intent to be a sustainable investment, the REMCO was gratified that our remuneration policy presented to you as shareholders at the 2017 AGM, received 99.7% votes in favour. In 2018, the figure was 99.3% for the Annual Report on Remuneration. This reassures us that you join us in our belief that the policy and pay outcomes are fair, responsibly delivered and genuinely reflective of individual and business performance.

On pages 36 to 39 we have produced a summary of the key points of the strategy.

Aligning pay and performance across Workspace

"Sustainability and long-term thinking are central to our aim to deliver positive outcomes for all our stakeholders."

As enshrined in our Policy (see pages 138–139), the Committee's aim is to reward sustainable performance with competitive levels of remuneration with respect to both other companies considered to be comparable in terms of business and size, and to the levels of remuneration within the organisation, in full compliance with the principles of equal opportunity, equality and non-discrimination, staff development and integrity.

This is achieved through a pay for performance compensation package (outlined in detail on page 138), consisting of interlinking variable and fixed components, i.e. fixed pay, annual bonus and a long term incentive plan ('LTIP'), which are linked to the complexity of roles and levels of performance, both of the business and of the individual.

The long-term focus in our strategy is supported through our LTIP under which our performance is tested over three years and, as a minimum, the net number of vested shares must be held for a further period of two years. This holding period, together with the bonus deferral period and shareholding ownership guidelines we operate, means our executives are heavily exposed to our share price. Given that these periods extend beyond the point an individual leaves, management continue to have this "skin in the game" even after they have left.

The annual bonus plan rewards Executive Directors for delivering our short-term financial and operational goals, with part of any bonus earned deferred into company shares for a period of three years.

Incentive outturns are then linked to share ownership guidelines. Our Executive Directors are encouraged to hold a minimum shareholding requirement equal to 200% of salary. We will be reviewing our shareholding requirement and newly adopted post-cessation shareholding requirement, described on page 140, both in terms of level and period, as part of our Policy review later this year.

Annual performance is assessed against a scorecard of financial and non-financial key performance indicators (these are outlined on page 134).

The performance metrics used in our incentive programmes include shareholder return metrics alongside earnings growth and strategic targets. These are reviewed periodically in order that they continue to support our strategy and, in particular, that the range of targets set remains appropriate for current commercial circumstances.

- More on our policy – page 138

Leadership changes

The Board announced on 2 April 2019 that Jamie Hopkins would be leaving the Company on 31 May 2019 due to extenuating personal circumstances. Jamie served as CEO for more than seven years, and the Board agreed that Graham Clemett would assume the role of Interim Chief Executive Officer until the appointment of a permanent successor. Details of Mr Clemett's remuneration as Interim Chief Executive Officer is set out on page 150.

In respect of Mr Hopkins' termination arrangements, as detailed on page 152 all payments are in line with the Shareholder approved Policy. The Committee has, in its discretion and taking into account that extenuating personal circumstances were behind his decision to leave the Company, determined that Mr Hopkins should be treated as a good leaver in relation to the annual bonus for the year ended 31 March 2019 and outstanding LTIP awards.

The Committee has also, prior to formalising the post-employment requirement detailed on page 140, applied a post-employment shareholding requirement to Jamie, following his departure. This requires him to hold shares worth 150% of salary for the year following departure and 100% of salary for the subsequent year.

Company performance 2018/9 – another strong year of financial results
As is outlined in detail on pages 67 to 76 we are happy to report another very good year. We have continued to enhance the portfolio in terms of scale and quality and this is matched by a strong balance sheet and financial stability.

Supported by a positive culture, our leadership team and highly motivated employees have generated strong and consistent shareholder returns, and their organisational expertise and customer knowledge has driven enduring demand for our space. In the face of market uncertainty, our extensive refurbishment and redevelopment pipeline further provides growth opportunities, and we are able to take advantage of new acquisition opportunities as and when they arise.

The key decisions taken by the REMCO in the past year in relation to pay outcomes are highlighted in the At a Glance section, together with an explanation of how each element of pay supports the business strategy. The key highlights from this are as follows.
- Under the annual bonus, strong achievements against corporate, operational and personal objectives led to an outcome of 96% of maximum (115% of salary).
- The 2016 LTIP vested at 50.7% of maximum, reflecting the shareholder return and asset value growth over the three-year performance period.
- No discretion was exercised in respect of incentive outcomes.
- Performance conditions for our annual bonus in 2019/20 and the 2019 LTIP remain unchanged from last year and continue to be fully aligned to our strategy.

An all employee remuneration report. Alignment with wider workforce considerations and our approach to fairness:

"To engender a shared culture and a consistent focus on achieving Workspace's purpose, delivering our strategy and adhering to our company values, the REMCO is committed to creating an inclusive working environment and to rewarding employees throughout the organisation in a fair manner."

- More on cascading remuneration through the Company – page 137
- More on pay ratios – pages 142 to 143

As part of our commitment to fairness, we have included sections in the report which set out more information on:
- the pay conditions of the wider workforce;
- the cascade of incentives throughout the business;
- the CEO to employee pay ratio; and
- our diversity policy.

We anticipate that these sections will evolve and develop over time and will align with the UK Corporate Governance Code 2018. Whilst we recognise that there is still much work to do, we are committed to transparency in relation to developments on these important issues.

In making decisions on executive pay, the REMCO considers wider workforce remuneration and conditions. We recognise the central importance of all our teams in delivering success, and as you will have seen above, this is included as one of the key aspects of our report.

We aim to provide a remuneration package for our employees, who embody our core values and demonstrate excellence, innovation, passion, integrity and genuine care for our customers, for our communities and for each other. Our remuneration for employees is market competitive and operates the same core structure as for Executive Directors. This includes employee share and variable pay plans, with pension provision for all Directors and employees (page 142).

Each year, prior to reviewing the remuneration outcomes, the REMCO considers a report provided by the CEO on base pay and share scheme practice across the Group.

Gender Pay Gap
The Board recognises the value of the gender pay gap reporting requirements that came into effect on 6 April 2017 and the opportunity this brings to focus even more on gender diversity. While Workspace is not of the size required to formally report on its gender pay gap data, 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. The Board and leadership team recognise that inclusion and diversity in all its forms are vital in achieving diversity of thought, experience and skills within the Group. The Board is committed to promoting diversity throughout the business and is continuing to find effective ways of doing this.

Pensions
The Committee is very aware of the focus on Director pensions and we shall be reviewing pension rates of both existing Directors and future recruits as part of the next policy review in 2020. If any new Executive Director is appointed between now and when the Policy is put to shareholders in July 2020, the pension rates will be aligned to the wider workforce.

Aligning strategy and corporate governance reform – governance strategy and long-term value creation

As outlined on pages 78 to 79, the Board remains committed to achieving the highest standards of corporate governance and integrity. Our governance operates from the Board across the Group and the REMCO is highly conscious of its critical role in underpinning the Company's ability to develop long-term value for all stakeholders. Performance and remuneration are important tools to reinforce the expected culture, values and standards of behaviour in our workforce.

We are delighted that the high commendation we received last year for our executive remuneration reporting, as noted earlier, demonstrates that the key words emanating from recent corporate governance reform proposals – **Transparency**, **Simplicity**, **Alignment**, and **Fairness** – are embedded in the core elements of our Policy. We continue to take close interest in the UK Government's package of legislative and best practice measures and we support initiatives which raise the bar on corporate governance effectiveness. We also support the FRC's inclusion of new measures to align strategy and culture and promote effective engagement with the workforce and wider stakeholders.

- Chairman's governance statement – page 78
- Our strategy – page 36
- Leadership and value creation – page 82

UK Corporate Governance Code 2018

In relation to the new Corporate Governance Code, whilst noting that the new disclosure requirements become effective for companies with financial years commencing on or after 1 January 2019, we are pleased to note that we already comply with several of the new recommendations. For example, as noted above:

- One area of immediate change is that in the interest of fairness, the Committee has agreed that pension provision for any new Directors appointed to the Board from 2019, will be aligned to the wider workforce.
- The Committee's terms of reference have been updated to reflect the recommendations of the new Code and are available on the corporate website.
- The Committee welcomes all developments which aim to improve transparency in governance which is why we have again chosen to voluntarily disclose our CEO pay ratio (see page 143) for the second year.
- A two year post-vesting holding period was introduced in the LTIP rules in 2017.

Terms of reference can be found at www.workspace.co.uk/investors/about-us/governance/committee-terms-of-reference

In conclusion

In line with another very strong year of performance, with notable successes for the Company, in which management has responded vigorously to the challenges presented by the uncertain political and economic environment, the REMCO is happy that our current Remuneration Policy remains fit for purpose of delivering sustainable growth.

In the coming year, as part of our constant drive to incentivise our highly engaged employees towards sustainable performance and industry leading growth, we will:

- Continue to review incentive schemes for Executive Directors and their direct reports to check they remain aligned with strategy and performance, as well as latest best practice.
- Continue our efforts to determine how the wider reward strategy can play an even stronger role in supporting new behaviours and culture.
- Continue to drive the application of our Remuneration Policy and resulting packages in support of the Group's initiatives and strategy towards diversity and the strengthening of values and culture.

As noted above, the three-year approval of our policy by you, our shareholders, expires in 2020 and we will be seeking approval for a new Policy at the AGM in July 2020. Meanwhile, in a rapidly evolving remuneration landscape, we attach great importance to a continuous dialogue with all investors and their representative bodies and in the event that there are any proposed changes to our Policy, we will consult with shareholders for feedback.

We look forward to welcoming you and to receiving your support once again at the AGM in July 2019.

Maria Moloney
Chairman of the Remuneration Committee
4 June 2019

Our Remuneration Policy and what we aim to achieve

We aim to help promote the long-term success of the Company by supporting an effective pay-for-performance culture which allows us to retain, motivate and attract highly skilled Executives to execute the Company's strategy.

The core elements of our policy

Maximum bonus opportunity of 120% of salary and maximum LTIP opportunity of 200% of salary.	Bonus deferral in shares of 33% of any bonus earned.	Holding period on the LTIP of two years.	Malus and clawback provisions apply to both the annual bonus and the LTIP.	Shareholding guidelines of 200% of salary.	Maximum pension provision of 16.5% p.a.

How our policy addresses the key factors set out in the UK Corporate Governance Code 2018:

Alignment to culture
Workspace has worked hard to articulate and define our purpose, alongside our established values and corporate strategy. The results of this work are set out on page 46 of the Annual Report. Our incentives are aligned to our strategy, as shown on page 134, supporting delivery of The Workspace Advantage, and underpinning our strong performance culture and core values backed by expertise and innovation.

Simplicity and clarity
The Committee seeks to embed simplicity and transparency in the design and delivery of executive reward. The remuneration structure is simple to understand for both participants and shareholders and is aligned to the strategic priorities of the business.

Risk
Malus and clawback is operated across our incentives. The rules of the LTIP give the Remuneration Committee the necessary discretion to adjust vesting outcomes if it considers that they are inconsistent with the underlying performance of the Group.

As a result of ongoing developments in market practice, specifically in relation to the operation of malus and clawback and the use of Committee discretion, a review of the Company's annual bonus and LTIP documentation was completed during the year.

Predictability
The range of possible rewards to individual Executive Directors are set out in the scenario chart on page 141, where we also demonstrate the impact of the potential scenario of our share price growing by 50% over the three-year performance period of the LTIP.

Proportionality
A significant part of an Executive's reward is linked to performance with a clear line of sight between business performance and the delivery of Shareholder value. Performance measures are reviewed regularly and stretching targets are set relative to the Group's growth plans and peer group performance.

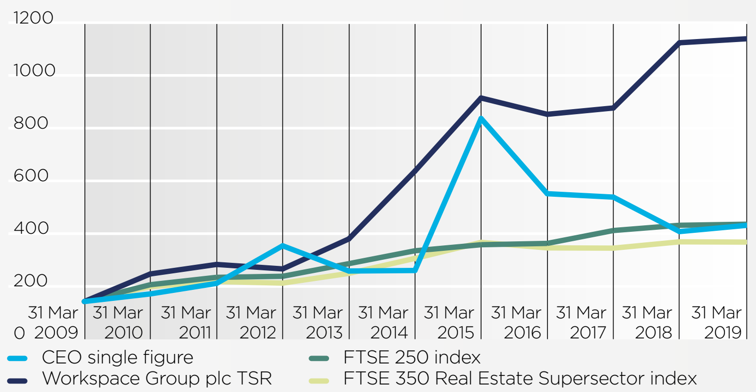
Short and long-term incentive plans reward the delivery of the business strategy and performance ambition. A high percentage of rewards are delivered in the form of equity, meaning Executives are strongly aligned with Shareholders.

Executives are required to build significant shareholdings in Workspace, encouraging leaders to think and act like owners. Under our current policy, shares from long term incentive awards are held for two years following vesting. This term provides further focus on sustainable share price growth.

How does our CEO pay match up to our Total Shareholder Return (TSR) performance?
The chart to the right demonstrates the strong long-term alignment of our CEO pay and the returns to our Shareholders. We achieved this through the CEO receiving a high proportion of his remuneration in shares and through our performance compensation which is based on measures which directly support the implementation of our strategy.

This chart compares the TSR performance of the Company against the FTSE 250 and the FTSE 350 Real Estate indices since 2009. These have been chosen as appropriate comparisons as Workspace is a constituent of the FTSE 250 and measures performance under the LTIP against constituents of the FTSE 350 Real Estate index.

Single figure against our long-term performance



Overview | Strategic Report | Our Governance | Financial Statements | Additional Information

Remuneration Report at a glance

Workspace Executive pay
The components of remuneration

The Remuneration Report is colour coded as follows:

Fixed elements
- Salary
- Pension
- Benefits

Variable elements
- Annual bonus
- Long Term Incentive Plan (LTIP)

Shareholding
- Shareholding guidelines

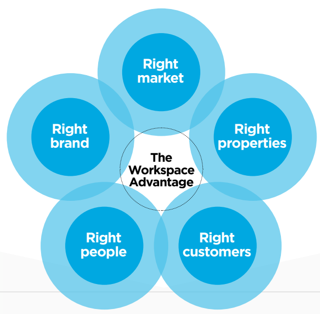
Fixed

Variable

Salary + **Pension** + **Benefits** + **Annual bonus** + **LTIP** = **Total remuneration**

How do our incentive performance measures align to our strategy?
In executing our strategy, based on The Workspace Advantage, we aim to create value and positive outcomes for our Shareholders and all other stakeholders. We frequently consider the performance measures we use for our incentives to check that they support the delivery of our strategy.

The diagram below demonstrates how our incentive measures align to our strategy which has The Workspace Advantage at its heart.



Variable components

Annual bonus

Link to strategy
The component measures provide a good balance of rewarding operational excellence, customer relationships and building deep market knowledge, which are the foundations of Workspace's future growth.

For the annual bonus, weightings are shown as a percentage of salary.

- **60%** Trading profit after interest — Right brand, Right market
- **24%** Personal performance — Right people
- **24%** Total Property Return (TPR) versus IPD — Right brand, Right properties
- **12%** Customer satisfaction — Right brand, Right customers

LTIP (2017 onwards)

Link to strategy
The balance of the two measures is well aligned to our strategy of driving income growth and enhancing Shareholder value over the longer term.

- **50%** Total Shareholder Return (TSR). Relative to FTSE 350 property companies — Right market, Right properties
- **50%** Total Property Return (TPR) versus IPD — Right brand, Right properties

For the LTIP, weightings are shown as a percentage of the Awards.

"Everyone at Workspace – from centre managers to Non-Executive Directors – is focused on delivering The Workspace Advantage for the long-term success of the Group.

Our staff make our business work and drive the success of the Group, and we are committed to seeing that everyone shares in that success, through fair and competitive reward and recognition schemes.

The Remuneration Committee has a responsibility to review the alignment of workforce reward policies and practices, including those of the Executive Directors, with the Company's values. This means that our incentives support the right culture, and that all of our staff are working in the best interests of the Company and all its stakeholders, together."

Maria Moloney
Chairman of the Remuneration Committee
4 June 2019

Business context
2018/19 out-turns against KPIs

£72.4m	+2.2%	91.55%	£10.86	22.26p	9.1% p.a.
Trading profit after interest (2017/18: £60.7m)	Total Property Return outperformance of IPD benchmark (2017/18: 4.2%)	Customer satisfaction (2017/18: 89.3%)	Net Asset Value per share (2017/18: £10.37)	Dividend per share (2017/18: 18.55p)	Absolute TSR over the three financial years to 31 March 2019 (which is the performance period of the 2016 LTIP)

Remuneration in respect of 2018/19

What did our Executive Directors earn during the year?

Fixed components

Jamie Hopkins, CEO	Graham Clemett, CFO
Salary: £494,090 (effective from 1 April 2018)	**Salary:** £302,000 (effective from 1 April 2018)
Pension: 16.5% of base salary	**Pension:** 16.5% of base salary
Benefits: include car allowance, private health insurance and other benefits	**Benefits:** include car allowance, private health insurance and other benefits

Variable components

Annual bonus 2018/19 out-turn

The following table sets out outcomes under the annual bonus.

	Threshold (0% payable)	Maximum (100% payable)	Outcome (% salary)	CEO Actual £000	CFO Actual £000
Trading profit after interest	Threshold: £69.1m Target: £70.6m	Max: £72.1m **Actual: £72.4m**	60%/60%	£296.4	£181.2
Total Property Return	Threshold: Benchmark	Max: Benchmark+2% **Actual: Benchmark +2.2%**	24%/24%	£118.6	£72.5
Customer satisfaction	Threshold: 70%	Max: 80% **Actual: 91.55%**	12%/12%	£59.3	£36.2
Personal performance	Threshold: 0%	Max: 100% **Actual: 79%**	19%/24%	£93.9	£57.4
Total			**115%/120%**	**£568.2**	**£347.3**

More detail on the outcomes against personal objectives are set out on pages 146 to 147. It should be noted that trading profit after interest exceeded the maximum trading profit before tax target of £72.1m.

2016 LTIP outturn

The following table sets out outcomes under the 2016 LTIP performance measures, over the period 1 April 2016 to 31 March 2019.

	Threshold (0% payable)	Maximum (100% payable)	Outcome (% award)	CEO % vesting and outcome £000	CFO % vesting and outcome £000
Growth in NAV relative to the constituents of the FTSE 350 Real Estate Index excluding agencies.	Threshold: 51st **Actual: 61st**	Max: 75th	17.3%/33.3%	Performance Shares: Outcome: £263.4 Of which share price: £31.0	Performance Shares: Outcome: £164.4 Of which share price: £19.4
TSR relative to the constituents of the FTSE 350 Real Estate Index excluding agencies.	Threshold: 51st **Actual: 66th**	Max: 75th	23.4%/33.3%	Matching Shares: Outcome: £263.4 Of which share price: £31.0	Matching Shares: Outcome: £164.4 Of which share price: £19.4
Absolute TSR	Threshold: 8% p.a. **Actual: 9.1% p.a.**	Max: 17% p.a.	10.0%/33.3%	Dividend equivalent of £38.6	Dividend equivalent of £24.1
Total			**50.7%/100%**		

The share price used is the three month average to 31 March 2019 of £9.39.

Single figure for 2018/19 (£000) Jamie Hopkins, CEO **£1,728.2**	**Single figure for 2018/19** (£000) Graham Clemett, CFO **£1,075.5**

How we cascade remuneration through the Company

All staff in the Group are eligible to participate in:
- The Company's bonus scheme.
- All-employee share schemes.
- 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 Company's shareholding guidelines.

The following diagram demonstrates how Workspace's key objectives are reflected in plans operating at all levels within the Group.

Eligibility/Number of people this applies to[1] (as at 31 March 2019)	Element	
Executive Committee 5	**Shareholding guidelines**	Supports alignment of Executives' interests with Shareholders.
Executive Committee and Senior Management 52	**LTIP**	Reinforces delivery of long-term sector outperformance.
All employees 224	**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.

1. Subject to requirements on timing of awards as detailed in the relevant plan rules and/or completion of probationary periods.

Broader stakeholder value
See the types of value we create for all of our stakeholders.

Go to page 28.

What is our Remuneration Policy?

In this section we provide a summary of the key elements of the Remuneration Policy for Executive Directors which was approved by Shareholders at our 2017 AGM on 14 July. In addition, we have set out how the Policy was operated in 2018/19 and how it is intended to be operated in 2019/20. You can find the full Policy at www.workspace.co.uk.

What is our objective?

Our main objective is to help promote the long-term success of the Company, by:

- Supporting 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.
- Promoting the long-term ownership culture by encouraging the acquisition and retention of shares amongst the Executive Directors.
- Achieving a strong alignment between Executive and Shareholder interests.
- Monitoring that we remain up to date with the constantly changing regulatory and governance environment.

How do we take into account Shareholder views?

We have an ongoing dialogue with Shareholders and welcome feedback on Directors' remuneration. As part of the Policy review carried out in 2017, the Committee consulted with major Shareholders representing 70% of the share capital and the main investor bodies. We will be seeking approval for a new Policy at the AGM in July 2020. In a rapidly evolving remuneration landscape, we attach great importance to a regular dialogue with investors and their representative bodies. The policy will take into account pay in the wider workforce, requirements under the UK Corporate Governance Code 2018 and, where relevant, market practice.

Malus and clawback

The diagram below shows how our Executives' variable pay is 'Pay at risk', given the operation of malus and clawback. Malus is the withholding of any incentive that has not been paid or has not vested. Clawback refers to the recovery of any incentive paid or shares vested.

Summary table for Executive Directors

		Pay at risk			
Total pay	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Annual bonus – cash		Subject to clawback			
Annual bonus – shares		Subject to malus			
LTIP	Subject to malus			Subject to clawback	

Element	2018/19	2019/20	2020/21	2021/22	2022/23	Operation	Opportunity	Operation in the year ended 31 March 2019 2018/19	Operation in the year ending 31 March 2020 2019/20
Base Salary To reflect market value of the role and an individual's experience, performance and contribution.						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.	Increases are applied in line with the outcome of the review. There is no prescribed maximum. Increases for Executive Directors will typically be in line with those of the wider workforce.	Jamie Hopkins (CEO) – £494,090. Graham Clemett (CFO) – £302,000.	Jamie Hopkins (CEO) – £494,090 p.a. up to 31 May 2019 when his employment ended. Graham Clemett (CFO) – £309,550 p.a. As Interim CEO, Graham will be paid £409,550 p.a. from 1 April 2019 until he ceases to be Interim CEO. This increase in salary was determined with reference to the outgoing CEO's salary.
Pension To provide market competitive pensions.						Directors participate in a defined contribution pension scheme or may receive a cash allowance in lieu of pension contribution.	Up to 16.5% of salary.	Jamie Hopkins (CEO) – 16.5% of salary. Graham Clemett (CFO) – 16.5% of salary.	No change. For Graham Clemett, this will be based on his CFO salary.
Benefits To provide market competitive benefits						Benefits typically include car allowance, private health insurance, and death in service cover. In addition, Directors are eligible to participate in all-employee share plans, currently the SAYE and Share Incentive Plan.	Benefits may vary by role and individual circumstance, and are reviewed periodically. There is no overall maximum.	Include car allowance, private health insurance and other benefits.	No change.

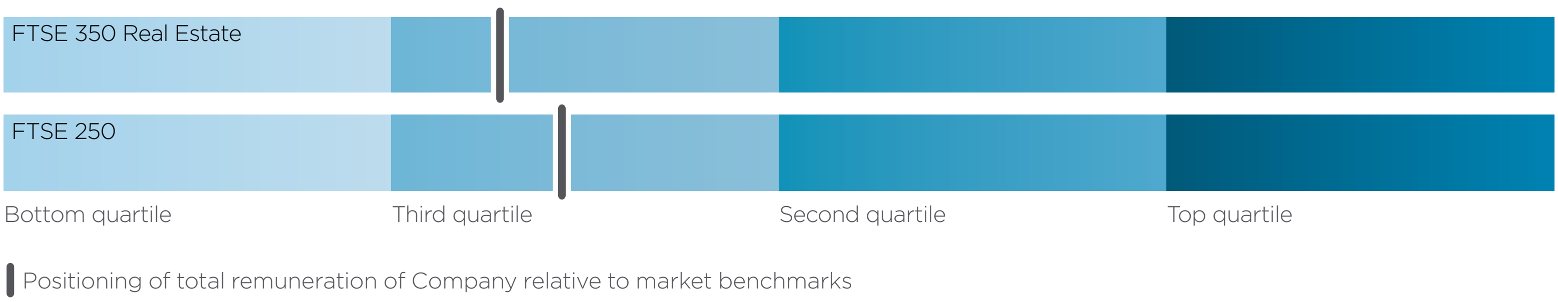
Element	2018/19	2019/20	2020/21	2021/22	2022/23	Operation	Opportunity	Operation in the year ended 31 March 2019 2018/19	Operation in the year ending 31 March 2020 2019/20
Annual bonus To reinforce and reward delivery of annual strategic business priorities, based on performance measures relating to both Group and individual performance. Bonus deferral provides alignment with Shareholder interests.						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, or an error in calculation, up to the end of the deferral period.	The maximum bonus potential for Executive Directors is 120% of salary p.a.	Maximum opportunity: Jamie Hopkins (CEO) – Up to 120% of salary. Graham Clemett (CFO) – Up to 120% of salary. Performance conditions and weightings (as % of salary): – Trading profit (60%). – Total Property Return (TPR) (24%). – Customer satisfaction (12%). – Personal performance (24%). Executive Directors awarded bonuses of: Jamie Hopkins (CEO): – 115% of salary. Graham Clemett (CFO): – 115% of salary. Deferral of 33% of bonus earned. See page 145 for further details on outcomes	No change to type of performance condition or the respective weightings or maximum bonus potential. For Graham Clemett, his 2019/20 annual bonus will reflect the temporary increase in his salary as Interim CEO. The Committee is of the opinion that, given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the Annual Bonus Plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the financial year so Shareholders can fully assess the basis for any pay-outs under the annual bonus.
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.						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 (see above for reasons) up to the end of the holding period. Dividend equivalents may be accrued on shares in respect of the performance and holding period.	Normal maximum award of up to 200% of salary per annum.	Grant sizes for: Jamie Hopkins (CEO) – 200% of salary Graham Clemett (CFO) – 200% of salary. Performance conditions are: – 50% Total Shareholder Return (TSR) relative to FTSE 350 property companies. – 50% Total Property Return (TPR) versus IPD. – A performance underpin will apply which allows the Committee to reduce vesting if performance is inconsistent with the overall performance of the business. The 2016 LTIP vested in the year at 50.7% of the award. See page 148 for further details on outcomes.	No change to maximum LTIP opportunities or the performance conditions. For Graham Clemett, future LTIP grants will continue to be based on his CFO salary.
Shareholding requirement						Shareholding guideline for Executive Directors of 200% of salary.		Current shareholdings* are: – CEO: 276% of salary – CFO: 442% of salary	No change. Jamie Hopkins is subject to a post-employment shareholding requirement. See page 140 for details.

* Based on a share price of £9.97 being the average share price over the year to 31 March 2019 and salaries of £494,100 and £302,000 for Jamie Hopkins and Graham Clemett respectively.

How does our target total compensation compare to our peers?

The following chart shows the relative position of target total compensation for our CFO package compared to our peers.

Chief Financial Officer

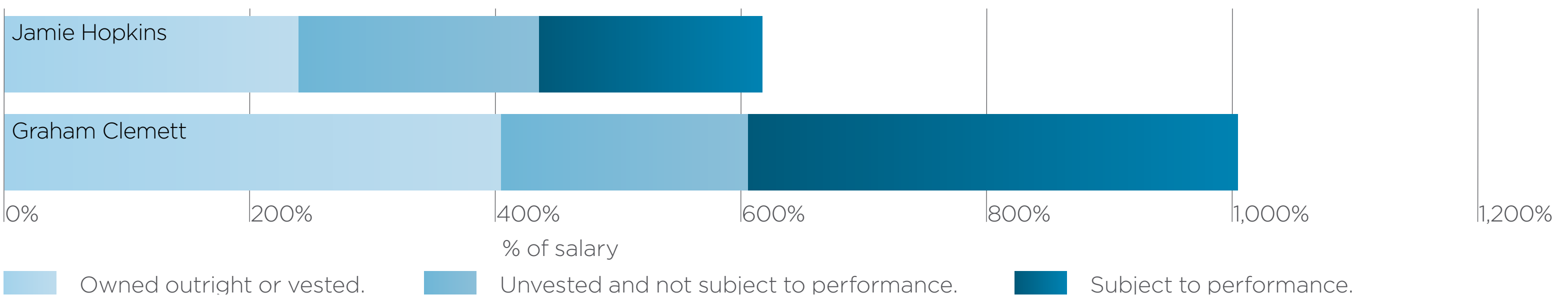


When we set the target total compensation for the Executive Directors, one of the factors the Committee considers is the competitive market for our Executive Directors, which we believe is the FTSE 250 and FTSE 350 Real Estate Sector, and the size of the Company compared to these peers. The Committee hopes the Executives will deliver above target performance, and this has been the case over recent years.

The above chart shows only the relative position of our CFO based on his CFO package (not his package as Interim CEO). We have not included equivalent information for the CEO role as we do not feel it is possible to present a fair comparison at this time.

What is our minimum shareholding requirement and has it been met?

The following chart shows that in the year our Executive Directors met their minimum shareholding requirements of 200% of salary, and therefore already have strong alignment with our Shareholders. In addition, the table shows the substantial amount of equity which can potentially be earned over the next period, further increasing exposure to the share price performance of the Company.



– See page 149 for more details

Calculated using annual average share price to 31 March 2019 of £9.97. Shareholding is as at 31 March 2019.

Post-employment shareholding requirement

We have introduced a post-employment shareholding requirement for our Executive Directors. This applies to our CEO in respect of his departure and requires him to hold shares worth 150% of salary for the year following departure and 100% of salary for the subsequent year. We will further review this requirement, both in terms of level and period, as part of our Policy review later this year.

The Committee will require shares subject to the post-employment shareholding requirement to be held by a nominee for the duration of the period.

Overall link to remuneration and equity of the Executive Directors

Our Executive Directors are encouraged to hold a high number of shares in order to ensure their interests align to those of the Shareholders, and that they take a long-term view of the sustainable performance of the Company. As such, our Directors were impacted by the share price over the year in the same way as our Shareholders.

The table below sets out the single figure for 2018/19, 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.

	Jamie Hopkins	Graham Clemett
2018/19 single figure	£1,728.2	£1,075.5
Shares held at start of year	133,082	142,627
Shares held at end of year	118,308	122,432
Value of shares at start of year (£000s)[1]	£1,320	£1,415
Value of shares at end of year (£000s)[2]	£1,155	£1,195
Difference (£000)	-£165	-£220

1. Based on a closing share price on 31 March 2018 of £9.92.
2. Based on a closing share price on 31 March 2019 of £9.76.

Additional context on our Executive Directors' pay

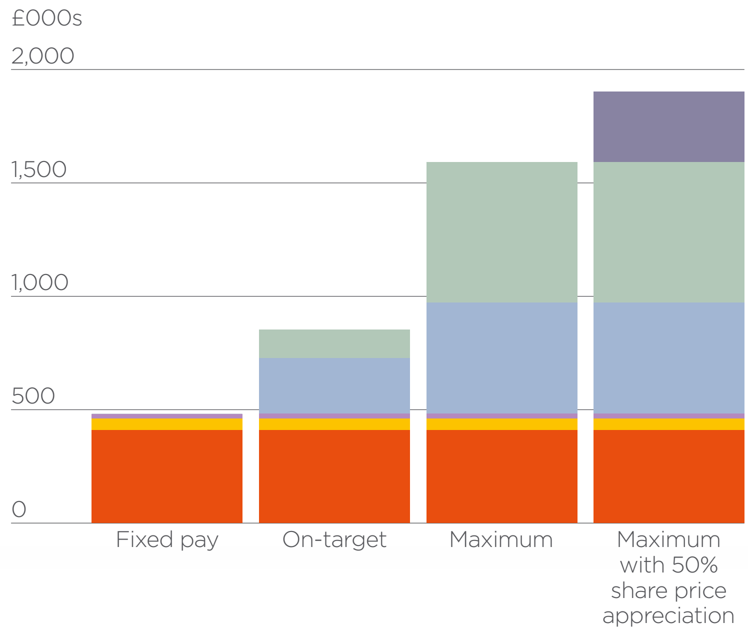
What are the possible payouts under our Policy?
Based on our Remuneration Policy approved by shareholders in 2017, along with his salary as Interim CEO, we set out scenarios for the potential remuneration to be earned by Graham Clemett under the Policy for various performance assumptions. In line with the 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 Mr Clemett's package is 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 scenarios
Graham Clemett, Interim CEO

Salary	Salary as Interim CEO.
Pension	Current contribution rate of 16.5% of salary. (Based on his CFO salary).
Benefits	As provided in the single figure table on page 144.
Annual bonus	Minimum – no bonus payable; on-target – 50% of maximum potential bonus; maximum – maximum potential bonus. (Based on his Interim CEO salary).
LTIP	Minimum – no LTIP vesting; on-target – 20% of maximum (threshold vesting); maximum – maximum LTIP vesting. (Based on his CFO salary).
Share price growth	Impact of 50% share price appreciation over three years (on the LTIP).
Total	



Our approach to fairness and wider workforce considerations

When making remuneration decisions for the Executive Directors, we consider pay, policies and practices elsewhere in the Group.

The Committee receives regular updates from the Executive Directors on employee feedback. The Committee also monitors bonus payout and share award data.

In this section, we provide context to our Director pay 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 ensuring there is an open dialogue with our employees over various decisions. This year, our Chairman Daniel Kitchen has been designated the Non-Executive Director responsible for overseeing employee engagement. Mr Kitchen, along with other Board members, will attend various formal and informal staff events, and meet directly with staff through briefings at key points during the year. At these briefings, employees are able to ask questions about the Group. Employees will be kept informed of Group activities and performance through these briefings and the circulation of corporate announcements and other relevant information to staff. This is 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
The Company 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. The Company is responsive to the needs of its employees, customers and the community.

We are an organisation which uses everyone's talents and abilities, and where diversity is valued. The Company ensures its promotion and recruitment practices are fair and objective, and encourages the continuous development and training of its employees, as well as the provision of equal opportunities for the training and career development of all employees. Further details of this are shown on pages 46 and 47.

Retirement benefit provision
The Group provides retirement benefits for the majority of its employees. The Group's commitment with regards to pension contributions, consistent with the prior year, ranges from 6% to 10% of an employee's salary, excluding Executive Directors.

The pension scheme is open to every employee in accordance with the new Government auto-enrolment rules.

Pay comparisons
The chart to the right shows the single figure of remuneration for our CEO over time, and the pay of our average employee, each rebased to 2009. 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 (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 the table to the right. For the 2019 figures, this is based on the regulations. For the historic figures, this is based on our own methodology. In all cases, the entire UK workforce is included.

What does the chart show?
The chart demonstrates that there continues to be a strong correlation between our CEO pay and the Total Shareholder Return of the Company. We have achieved this through the CEO receiving a high proportion of his remuneration in shares and through the variable pay within his package being 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 show?
We have set out the ratio of CEO pay (based on the single figure) to that of the workforce, for the last 6 years, at the bottom of the table to the right. 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 the expectations of our Shareholders, which 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.

Where the structure of remuneration is similar, as for the Executive Committee and the CEO, the ratio is much more stable over time.

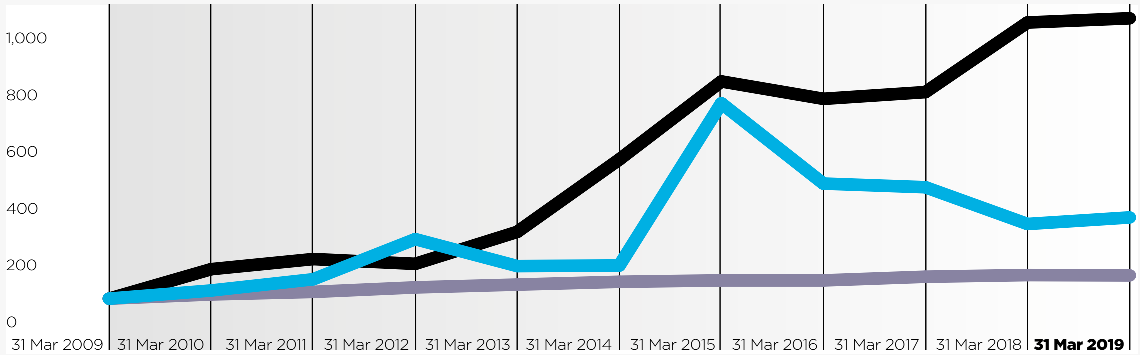
What is the year-on-year change in our CEO remuneration?
The Committee monitors the changes year-on-year between our CEO pay and average employee pay, shown in the table to the right. As per our Policy, salary increases applied to Executive Directors will typically be in line with those of the wider workforce.

The table to the right 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 Group during the year was 221 (2018: 217). All employees are eligible for consideration for an annual bonus.

- CEO single figure
- Average worker pay
- Workspace Group plc TSR

The table below sets out the single figure and CEO pay ratio on various bases over the past nine years.

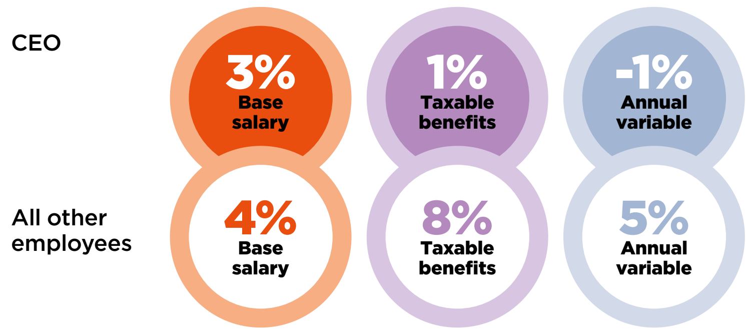
1. Mr Hopkins was appointed as an Executive Director on 12 March 2012.
2. Mr Platt retired as an Executive Director of the Company on 31 March 2012.
3. See below for details on calculation.



CEO single figure of total remuneration £000		31 Mar 2010	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
Jamie Hopkins[1]		–	–	27.4	960.3	966.9	3,533.1	2,262.7	2,205.6	1,674.2	1,728.2
Harry Platt[2]		573.7	748.7	1,359.6	–	–	–	–	–	–	–
Annual bonus pay-out											
Jamie Hopkins (% of maximum opportunity)		–	–	–	100%	97.8%	97.2%	95.3%	100%	100%	95.8%
Harry Platt (% of maximum opportunity)		41.7%	85.5%	75%	–	–	–	–	–	–	–
LTIP vesting											
Jamie Hopkins (% of maximum opportunity)		–	–	–	–	–	100%	100%	88.7%	62.7%	50.7%
Harry Platt (% of maximum opportunity)		0%	0%	66.5%	–	–	–	–	–	–	–
Ratio of single total remuneration figure shown to employees as a whole	to employee lower quartile[3]	–	–	–	–	–	–	–	–	–	53x
	to employee median	–	–	–	–	34x	128x	79x	72x	48x	33x
	to employee upper quartile	–	–	–	–	–	–	–	–	–	23x
Ratio of single total remuneration figure shown to mean of Executive Committee members		–	–	–	–	0.8x	1.6x	1.1x	1.4x	1.2x	1.7x

The 2019 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 the table above. Given the broad consistency of employee pay structures across the business, the Company was satisfied that use of the gender pay data in this exercise is a true and fair representation of workforce pay.

	CEO			All other employees
	2019 £000	2018 £000	% change	% change
Salary	**494.1**	479.7	3.0%	4.1%
Taxable benefits	**19.0**	18.8	1.1%	7.7%
Annual variable	**568.2**	575.6	-1.2%	4.6%
Total	**1,081.3**	1,074.1	0.7%	4.4%

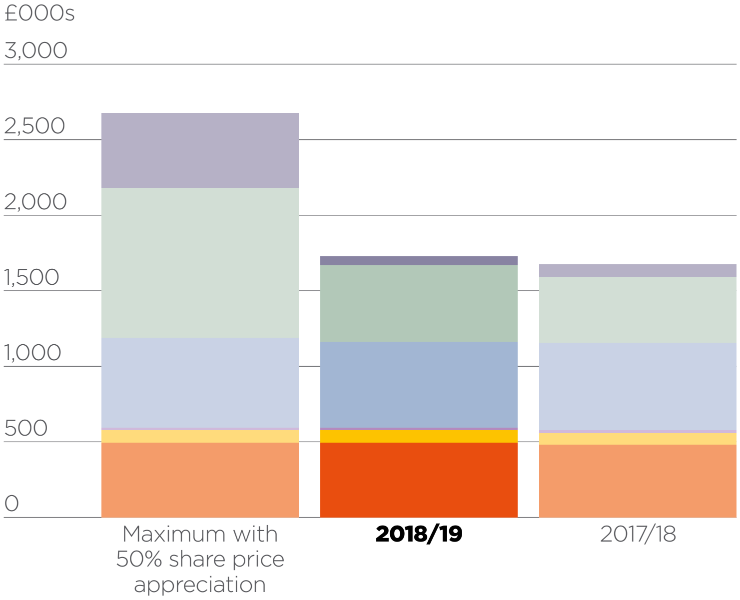


How did we implement the Policy in 2018/19?

Single figure of Executive Directors (audited)
The tables and charts below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 March 2019 and the prior year. We show these alongside the maximum pay scenario, as described on page 141.

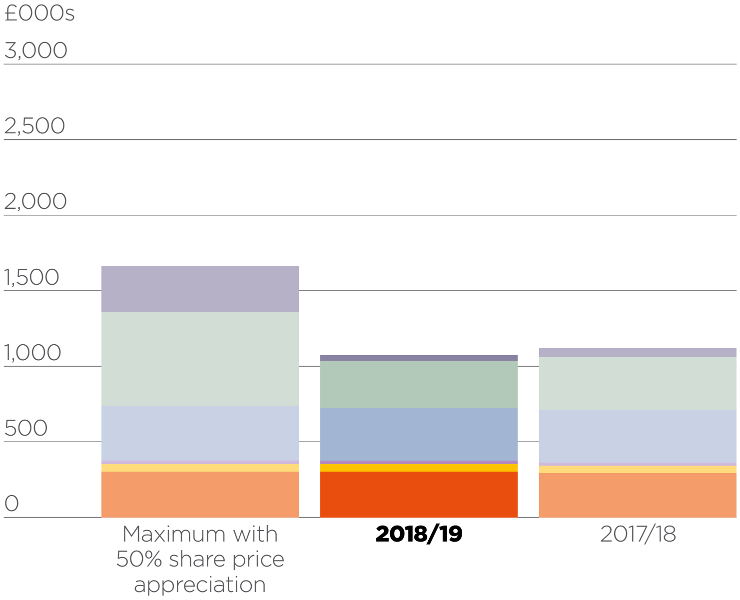
Single figure
Jamie Hopkins, CEO

	2018/19 £000	2017/18 £000
Salary	494.1	479.7
Pension[1]	81.5	79.2
Benefits[2]	19.0	18.8
Annual bonus[3]	568.2	575.6
LTIP[4]	565.3	518.9
Other – SAYE, SIP	–	2.0
Total	**1,728.2**	1,674.2
Of which share price growth	*62.2*	*79.7*



Single figure
Graham Clemett, CFO

	2018/19 £000	2017/18 £000
Salary	302.0	293.2
Pension[1]	49.8	48.4
Benefits[2]	21.3	19.9
Annual bonus[3]	347.3	351.8
LTIP[4]	352.9	407.4
Other – SAYE, SIP	2.2	2.0
Total	**1,075.5**	1,122.7
Of which share price growth	*38.8*	*62.6*



1. Pension: During 2018/19 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 2017/18 and 2018/19, the Committee set a minimum deferral requirement of 33% of the bonus earned. For 2018/19, this deferral was equivalent to £187,507 for Mr Hopkins and £114,609 for Mr Clemett.
4. LTIP: The 2018/19 figure includes the estimated value of 50.7% of the 2016 LTIP shares that vested based on performance to 31 March 2019. The share price used is the three-month average to 31 March 2019 of £9.39. This will be updated in next year's report to reflect the share price on the date of vesting. The 2017/18 figures have been updated to reflect the share price on the date of vesting of £10.80. As allowable under the relevant plan rules and approved Policy, the Committee determined that dividend equivalents are payable under the 2016 LTIP award - this figure includes accrued dividends on vested shares.

Annual bonus payout in respect of 2018/19

For 2018/19 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. Both Jamie Hopkins and Graham Clemett are required to defer 33% of their bonus into Company shares for three years. The targets are set based on the Company's 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:

			Achieved		Opportunity and outcome as a % of salary	
	Weighting as a % of salary	Measure	Threshold	Maximum	Jamie Hopkins	Graham Clemett
Corporate	60%	Trading profit after interest	£69.1m	£72.1m	60%	60%
				£72.4m	**60%**	**60%**
	24%	Total property return from portfolio versus a defined comparator Benchmark compiled by IPD	Benchmark	Benchmark+2%	24%	24%
				Benchmark +2.2%	**24%**	**24%**
	12%	Customer satisfaction	70%	80%	12%	12%
				91.55%	**12%**	**12%**
Individual performance	24%	Personal performance (see below for full details of targets and assessment)			24%	24%
			See overleaf for full details		**19%**	**19%**

Annual bonus	Opportunity	120%	120%
	Outcome (% of salary)	**115%**	**115%**
	Outcome (£000)	**£568.2**	**£347.3**

As a result the following cash bonus and deferred bonus shares will be awarded:

000s	Cash bonus	Deferred bonus shares
CEO	£380.7	£187.5
CFO	£232.7	£114.6

Personal objectives 2018/19

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 Jamie Hopkins and Graham Clemett 19% of salary under this element.

24%
Personal performance

Objective	Target
Active property portfolio management	– Identify scale acquisition opportunities across London and look to acquire where return criteria can be met. – Continue to identify and progress opportunities for refurbishment and redevelopment across the portfolio.
Maintain a low risk business profile	– Preparation for, and compliance with, evolving regulatory requirements. – Monitor and update IT systems and processes as appropriate to optimise efficiency and security. – The Company and its staff are aware of, and protected from existing and emerging cyber security threats.
Investor engagement programme	– Comprehensive timetable of visits, site tours and presentation to both existing and potential investors. – Delivery of high quality, added value presentations and briefings to investors and analysts.
People engagement – Doing The Right Thing	– Encourage staff engagement with local communities and potential charity opportunities. – Develop and launch a values-based staff engagement programme.
Financing	– Appropriate funding to support the growth of the Company.

Achievements in year

- Centro (second part) acquired for £76.5m.
- The Shepherds Building acquired for £125.3m.
- Acute disposal completed for £51.9m.

- 8 projects completed and launched.
- 13 projects in progress.
- 2 redevelopments exchanged for sale for £26.5m in cash and the delivery back of 1 new business centre.
- New planning permissions obtained for 4 refurbishments and 1 redevelopment.

Achievements in year

- Continued with the roll out of activity connected with the GDPR compliance programme.
- Implemented action plan for compliance with the UK Corporate Governance Code 2018.

- Enhanced CRM functionality developed to streamline operational processes.
- First phase of Workspace app development completed.
- System specification and supplier selection completed for Finance system replacement.

- Ongoing Cyber security testing and training for all staff.
- Independent Cyber Security review undertaken and action plan agreed.

Achievements in year

- 95 institutional investor meetings held.
- 10 property tours conducted.
- 5 PCB regional and London events undertaken.
- 4 conferences attended in the UK and the US.

- Presentations made and investor roadshows undertaken for both the interim and year end results.

Achievements in year

- Staff committed to 1,217 volunteering hours in activities through the year supporting 5 separate charities.
- £26,000 raised by staff from various fundraising events.

- Developed and then launched our new values to the business in Summer 2018.
- Following the launch, rolled out workshops for all teams across the Company to discuss the values and how they should be reflected in individuals' day-to-day behaviour.
- Values incorporated in the 2018/19 staff appraisal process.

Achievements in year

- Additional funds raised from £176m equity raise and £100m private placement.
- 'BBB' rating obtained from S&P.

Outcome:
19%
Personal performance

LTIP award vesting in respect of 2018/19

The 2016 LTIP awards measured performance over the period 1 April 2016 to 31 March 2019. Details of the performance targets and achievement against them are set out in the table below:

Weighting	Measure	Threshold	Maximum	Payout as % maximum
1/3 of award	Growth in Net Asset Value relative to comparators	51st percentile	75th percentile	
		Actual: 61st		17.3%
1/3 of award	TSR (share price growth plus reinvested dividends) relative to comparators	51st percentile	75th percentile	
		Actual: 66th		23.4%
1/3 of award	Absolute TSR	8.0% p.a.	17.0% p.a.	
		Actual: 9.1% p.a.		10.0%
LTIP (% maximum) vesting				50.7%

	CEO	CFO
Number of shares vesting (audited)		
– Performance share award	28,048	17,508
– Matching share award	28,048	17,508
Value of shares vesting*		
– Performance share award	£263,370	£164,400
– Matching share award	£263,370	£164,400
Date vesting	23 June 2019	

* Given the vesting date share price of £9.39, which is the three-month average price to 31 March 2019.

The Committee considered performance set out in the table above together with the underlying business performance of Workspace and concluded that 50.7% of the 2016 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 one-year holding period and malus and clawback provisions. The 2017 LTIP awards are based on the same targets and weightings as the 2018 LTIP award shown below, measured over the period 1 April 2017 to 31 March 2020.

LTIP awards made during the 2018/19 financial year

Under the current Policy conditional share awards under the LTIP are granted to a maximum of 200% of salary. Awards under the 2018 LTIP are subject to the performance conditions detailed in the table below measured over the period 1 April 2018 to 31 March 2021.

	Relative TSR vs. sector group[1] (1/2 of award)	Total Property Return versus London IPD index (1/2 of award)
Threshold[3] (20% vesting)	Median	Median
Maximum[3] (100% vesting)	Upper Quartile	Upper Quartile

1. The comparator group for the 2018 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 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 2018 LTIP:

			Performance Share award		
				Face value	
	Date of grant	Market price at date of award[1]	Number of shares	£	% of salary
CEO	22 June 2018	£11.0033	89,809	988,195	200%
CFO	22 June 2018	£11.0033	54,892	603,993	200%

1. The share price for calculating the levels of awards was £11.0033 the average mid-market closing price over the three dealing days 19, 20 and 21 June 2018, in accordance with the LTIP plan rules.

Deferred shares were granted (as conditional share awards) under the 2017/18 bonus of 17,423 shares to Mr Hopkins and 10,649 shares to Mr Clemett on 26 June 2018 based on a share price of £10.8162.

Single figure for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2019 and the prior year:

	Daniel Kitchen		Maria Moloney		Chris Girling		Damon Russell		Stephen Hubbard		Ishbel Macpherson	
Non-Executive Director	**2018/19 £000**	2017/18 £000	**2018/19 £000**	2017/18 £000	**2018/19 £000**	2017/18 £000	**2018/19 £000**	2017/18 £000	**2018/19 £000**	2017/18 £000	**2018/19 £000**	2017/18 £000
Base fee	**183.5**	178.5	**49.6**	48.2	**49.6**	48.2	**49.6**	48.2	**49.6**	48.2	**9.6**	–
Additional fees	**-**	–	**10.5**	10.5	**10.5**	10.5	**-**	–	**-**	–	**-**	–
Total	**183.5**	178.5	**60.1**	58.7	**60.1**	58.7	**49.6**	48.2	**49.6**	48.2	**9.6**	–

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 2018/19, Daniel Kitchen, Maria Moloney and Chris Girling were reimbursed for out of pocket expenses, incurred in attending meetings in connection with the discharge of their duties, of £11,010, £14,732 and £2,201 respectively.
3. Ishbel Macpherson joined the Board as a Non-Executive Director of the Company, with effect from 23 January 2019.

Share ownership and share interests (audited)

The shareholding guideline for Executive Directors is 200% of salary. The table 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 2019 and 4 June 2019. Both Jamie Hopkins and Graham Clemett exceed the shareholding guidelines.

	31 March 2019	31 March 2018
Chairman		
Daniel Kitchen	**44,700**	44,700
Executive Directors		
Jamie Hopkins	**118,308**	133,082
Graham Clemett	**122,432**	142,627
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[1]	**3,150**	N/A

1. Ishbel Macpherson joined the Board as a Non-Executive Director of the Company, with effect from 23 January 2019. Ishbel Macpherson acquired 3,150 shares on 1 February 2019 at a price of 950.298p.

The table below shows the Executive Directors' interests in shares.

Executive Director	Type	Owned outright or vested[2]	Unvested and not subject to performance[3]	Subject to performance[4]	Total
Jamie Hopkins	Shares	118,308	93,638	90,050	301,996
	Market value options[1]	Nil	3,474	Nil	3,474
Graham Clemett	Shares	122,432	57,960	120,755	301,147
	Market value options[1]	Nil	2,783	Nil	2,783

1. Market value options include SAYE options outstanding not yet matured as at 31 March 2019. 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 154 for further details.
2. Total shares owned outright or vested shares.
3. The interests in shares comprise those LTIP awards granted in 2016 which are no longer subject to performance but are due to vest on 23 June 2019, of 35,016 shares for Mr Clemett and 56,096 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 and 2018 of 17,423 for Mr Hopkins and 12,295 and 10,649 for Mr Clemett are also included in this figure.
4. The interest in shares of 120,755 for Mr Clemett and the interest in shares of 90,050 for Mr Hopkins consist of the total LTIP awards made in 2017 and 2018, details of which can be found on page 153 of this Report. The interest in shares for Mr Hopkins reflect the pro-rating of these awards following his departure on 31 May 2019.

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 £61,200. Mr Hopkins was appointed a Non-Executive Director of St. Modwen Properties PLC, effective from 1 March 2018, and is paid an annual fee of £47,069.

Relative importance of spend on pay
The chart 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 2018 and ended 31 March 2019.

Employee remuneration

Distribution to shareholders

* The estimated total dividend as reported in the financial statements for the year to 31 March 2018 was £44.9m. The actual amount paid was £47.9m due to the additional shares issued following the equity placing in June 2018.

How will we apply the Policy in 2019/20?

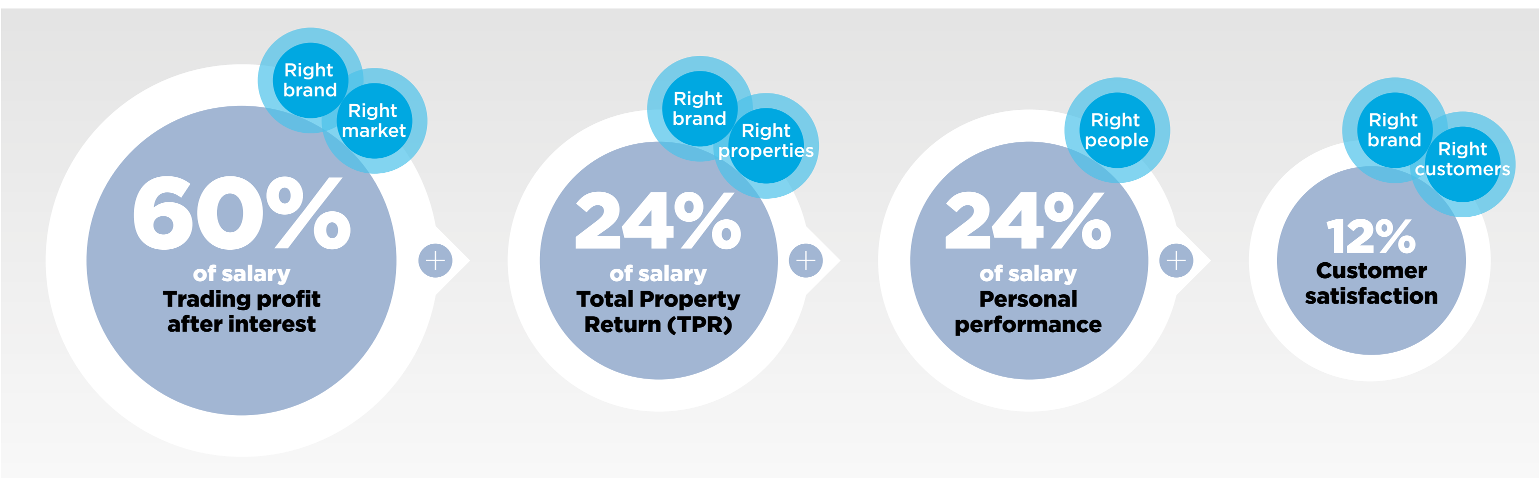
We believe that the Policy continues to be fit for purpose going forward, and therefore the Committee is not proposing to make any changes for 2019/2020.

Base salary
The Committee agreed that, in accordance with the Remuneration Policy, Mr Clemett's salary will be temporarily increased to £409,500 p.a. from 1 April 2019 until the end of his appointment as Interim Chief Executive Officer, in recognition of his additional responsibilities during this period. This increase in salary was determined with reference to the outgoing CEO's salary. Mr Clemett's salary will be reviewed in October 2019 if a permanent successor for Mr Hopkins has not been found and Mr Clemett remains in this role.

Benefits and pension
No change. For Graham Clemett, these will be based on his CFO salary.

Annual bonus
There is no change to the annual bonus maximum potential in 2019/20, and this will continue to be 120% of salary. For Graham Clemett, this will reflect the temporary increase in his salary as Interim CEO.

No changes are being made to the performance measures and they will be:



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 2019/20 will be provided in next year's report.

Personal objectives 2019/20

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 acquisition 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 and 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.

Long-Term Incentive Plan (LTIP)

Maximum award 200% of salary. For Graham Clemett, this will be based on his CFO 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 ensure any payouts are 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 2019, are set out in the table below.

	2019 fee	2018 fee	% change
Chairman	£188,451	£183,855	2.5%
NED base fee	£50,881	£49,640	2.5%
Chair of Audit Committee fee	£10,500	£10,500	0%
Chair of Remuneration Committee fee	£10,500	£10,500	0%

Mr Hopkins' termination arrangements

Mr Hopkins received salary, benefits and pension allowance in the normal way up until 31 May 2019 when his employment ended.

The Committee has, in its discretion, determined that Mr Hopkins should be treated as a good leaver in relation to annual bonus and outstanding LTIP awards. As a result he will be paid his annual bonus of £568.2k in respect of the year ended 31 March 2019 which he served in full. In accordance with the Remuneration Policy, 33% of the bonus will be deferred into shares for three years and the remainder will be paid on the normal bonus payment date.

Mr Hopkins' outstanding LTIP awards will vest on the normal vesting dates, subject to satisfaction of the relevant performance conditions (measured over the full performance periods) and subject to time pro-rating. In accordance with the rules of the LTIP, the net number of any vested shares will be subject to holding periods which end on the second anniversary of vesting (or 31 May 2021, if earlier). Mr Hopkins' outstanding deferred bonus share awards will vest in full on the normal vesting dates in accordance with the plan rules and the Remuneration Policy. Malus and clawback provisions will continue to apply to annual bonus, deferred bonus and LTIP awards.

Outstanding SAYE options and shares held under the SIP will be treated in accordance with the terms of the plan rules. Mr Hopkins will be paid £1,000 as consideration for the extension of his post-termination non-compete restrictive covenant from 6 months to 12 months. The Company has contributed £2,000 towards legal costs incurred by Mr Hopkins in connection with his departure.

Mr Hopkins will be subject to a post-employment shareholding requirement of 150% of salary for the year following departure and 100% for the subsequent year. Shares subject to these requirements will be held by a nominee until the end of the applicable holding periods.

Additional information

Payments for loss of office (audited)

None within the financial year. Details of the termination arrangements of the CEO (applicable to 2019/20) are shown above.

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	Chief Financial Officer	31 July 2007	12 months	12 months

1. Jamie Hopkins' employment with the Company ended on 31 May 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 (6 June 2017)	2018	6 months
Maria Moloney	22 May 2012 (22 May 2018)	2018	3 months
Chris Girling	7 February 2013 (7 February 2019)	2018	3 months
Damon Russell	29 May 2013 (29 May 2019)	2018	3 months
Stephen Hubbard	16 July 2014 (16 July 2017)	2018	3 months
Ishbel Macpherson[1]	23 January 2019 (N/A)	N/A	3 months

1. Ishbel Macpherson joined the Board as a Non-Executive Director of the Company, with effect from 23 January 2019. Ishbel Macpherson is being proposed for election by shareholders at the forthcoming AGM on 11 July 2019.

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.

Who are the Committee's 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 £51,950.

Other than in relation to advice on remuneration, PwC LLP did not provide any other services to the Company.

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 2017/18 Annual Report on Remuneration at the 2018 AGM on 13 July 2018. 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 (2018 AGM)	99.27	0.73	161,725,502	1,192,808	198,173

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 2019 is detailed on the next page.

As of 31 March 2019, around 4.2% and 3.6% 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

Executive Share Plans

Limit Actual

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 2018			Lapsed during the year		Vested during the year			At 31 March 2019		
Name	Performance[2]	Invested[3]	Matching[4]	Performance	Matching	Performance	Invested	Matching	Performance	Invested	Matching
Jamie Hopkins											
26/06/2015	49,229	7,263	27,407	(18,363)	(10,223)	30,866	7,263	17,184	–	–	–
23/06/2016	56,510	14,975	56,510	–	–	–	–	–	56,510	14,975	56,510
20/07/2017[1,5]	107,757	–	–	–	–	–	–	–	107,757	–	–
22/06/2018[1,5]	–	–	–	–	–	–	–	–	89,809	–	–
Graham Clemett											
26/06/2015[1]	30,084	7,972	30,084	(11,222)	(11,222)	18,862	7,972	18,862	–	–	–
23/06/2016[1]	34,534	9,151	34,534	–	–	–	–	–	34,534	9,151	34,534
20/07/2017[1,5]	65,863	–	–	–	–	–	–	–	65,863	–	–
22/06/2018[1,5]	–	–	–	–	–	–	–	–	54,892	–	–

1. Awards will vest subject to the satisfaction of performance conditions detailed on page 148 over the three-year performance period.
2. LTIP Awards made to the Executive Directors: In June 2015 awards were in respect of 100% of salary based on a share price at date of award of £9.1408, in July 2017 awards were in respect of 200% of salary based on a share price at date of award of £8.9033 and in June 2018, awards were in respect of 200% of salary based on a share price at date of award of £11.0033. 62.7% of the 2015 Awards vested on 26 June 2018.
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 149 of this Report.
4. Matching Awards were granted to participants who purchased Invested Shares. In 2015 matching shares granted were up to 100% of salary for Mr Clemett and 56% of salary for Mr Hopkins and 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 and June 2018 were made under the new 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.

	At 01/04/2018	Granted during the year	Lapsed during the year	Vested in year	At 31/03/2019	Exercise price	Normal exercise date From	Normal exercise date To
Jamie Hopkins	107[1]	–	–	–	107	–	18.09.2018	–
	228	–	–	–	228	–	30.08.2020	–
	3,474[2]	–	–	–	3,474	£5.18	–	–
Graham Clemett	1,737	–	–	–	1,737	£5.18	01.09.2019	01.03.2020
	–				1,046	£8.60	01.09.2021	01.03.2022
	107	–	–	–	107	–	18.09.2018	
	228	–	–	–	228	–	30.08.2020	

1. Each of Messrs Hopkins and Clemett were granted awards under the Share Incentive Plan in September 2015 and August 2017.
2. In accordance with the rules of the SAYE scheme, the awards granted to Mr Hopkins will lapse on the date that he left the Company on 31 May 2019.

There have been no changes in Directors' interests over options in the period between the balance sheet date and 4 June 2019. 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 2019

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 2019.

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 by the Company 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 36 to 39, and a description of the Company's business model on pages 40 to 41. It also includes our report on our 'Doing the Right Thing' programme, principal risks and uncertainties and the Going Concern and Viability Statement.

The Corporate Governance Report and Chairman's Governance Report for the year ended 31 March 2019 on pages 78 to 160, are incorporated by reference into this Directors' Report.

Post Balance Sheet events

Details of post Balance Sheet events can be found in page 200.

Principal activities and business review

The Group is engaged in property investment and letting business space to London businesses. As at 31 March 2019, the Company had nine active subsidiaries, five of which are property investment companies owning properties in Greater London. The other four companies are: Workspace Management Limited; LI Property Services Limited; Workspace 17 (Jersey) Limited; and Workspace Newco 1 Limited. A full list of the Company's subsidiaries and other related undertakings appears on page 199.

Significant events which occurred during the year are detailed in the Chairman's statement on page 16, the Interim Chief Executive Officer's Statement on pages 34 to 35 and the Business Review on page 67.

A description of the principal risks and uncertainties facing the Group can be found on pages 55 to 65. Details of the Group's health and safety policies can be found on page 61 and information on its environmental and community engagement activities can be found on pages 42 to 48.

Profit and dividends

The Group's profit after tax for the year attributable to shareholders amounted to £137.3m (2018: £171.4m).

The interim dividend of 10.61 pence (2018: 8.84 pence) was paid in February 2019 and the Board is proposing to recommend the payment of a final dividend of 22.26 pence (2018: 18.55 pence) per share to be paid on 2 August 2019 to shareholders whose names are on the Register of Members at the close of business on 5 July 2019. This makes a total dividend of 32.87 pence (2018: 27.39 pence) for the year.

Going Concern and the Viability Statement

The Company's Going Concern and Viability Statements can be found on page 66.

The Group's activities, strategy and performance are explained in the Strategic Report on pages 16 to 76.

Further detail on the financial performance and financial position of the Group are provided in the financial statements on pages 168 to 200.

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 Corporate Governance section of this report on page 89.

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 auditors are 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 auditors are aware of that information.

Share capital and control

As at 31 March 2019, the Company's issued share capital comprised a single class of 180,385,498 Ordinary Shares of £1.00 each. Details of the Company's issued share capital are set out on page 194.

Full details of share options and awards under the terms of the Company's share incentive plans can be found on pages 195 to 197.

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.

Equity placing

On 8 June 2018, the Company issued an additional 16,320,062 new Ordinary Shares at a price of 1,100 pence per share by way of a placing, raising gross proceeds of approximately £179.5 million. Unlike a rights issue, a placing of shares does not involve an offer to all existing shareholders, but an issue of shares directly to certain shareholders, most usually institutions. There are regulatory restrictions on placings which are designed to protect the rights of existing shareholders and to which the Company adhered. The Company also complied with the Pre-Emption Group's 2015 Statement of Principles.

At the 2017 AGM, shareholders gave the Company authority to: (i) allot shares up to a maximum nominal amount of £54,400,210, which represented approximately one-third of the Company's issued share capital as at 8 June 2017, being the latest practicable date prior to the publication of the Notice of Annual General Meeting for 2017; and (ii) allot shares up to a maximum nominal value of £16,320,062, which represented approximately 10 per cent of the Company's issued share capital as at that date, without having to first offer any of those shares to existing shareholders, provided that those shares were issued in connection with the funding of acquisitions and other specified capital investments.

The Company used the authorities given to it at the 2017 AGM to issue the additional 16,320,062 new Ordinary Shares, which represented an approximately 9.96 per cent increase to the Company's issued share capital prior to the placing. This was the only increase in issued share capital due to a non-pre-emptive issuance for cash over the three-year period preceding the issue.

The placing raised net proceeds of £176,419,870, which are being used to finance the Company's ongoing project pipeline and acquisition strategy, including the acquisition of the Centro buildings in Camden announced in January and April 2018. The placing price of 1,100 pence per share reflected a 0.9 per cent discount to the middle market share price at the time at which the Company agreed the placing price with the joint bookrunners. The net placing price of approximately 1,081 pence per share received by the Company after expenses directly attributable to the placing represented a discount of approximately 2.8 per cent to the middle market price at the time at which the Company agreed the placing price.

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 2018 Annual General Meeting to make market purchases of its own Ordinary Shares. This authority will expire at the conclusion of the 2019 Annual General Meeting and a resolution will be proposed to renew this authority. No Ordinary Shares were purchased under this authority during the year.

2018 Annual General Meeting

At the Company's Annual General Meeting on 13 July 2018, a significant number of votes were cast against resolutions 14 (Authorising political donations), 15 (Disapplying pre-emption rights) and 16 (Disapplying pre-emption rights in connection with an acquisition or specified capital investment). These votes prevented resolutions 15 and 16 from being passed, as these are special resolutions requiring at least 75% of all votes cast by shareholders to be in favour of them in order to pass.

Since the 2018 Annual General Meeting, the Company has proactively engaged with shareholders on these matters in order to fully understand their views. The Board has assessed the feedback received and as a result of this consultation, has proposed modified resolutions for the 2019 Annual General Meeting.

The proposed resolution authorising political donations specifies a lower limit (of £20,000 in aggregate) on political donations over the year. This resolution is proposed as a precaution to ensure that the Company's normal business activities are not 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, the Directors are proposing a single resolution disapplying pre-emption rights for the 2019 Annual General Meeting that would apply 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.

The Board respects and values the views of shareholders and continues to take its responsibility to engage with shareholders seriously.

Substantial shareholdings in the Company

As at 29 March 2019, 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	52,485,818	29.10
TA Associates	20,502,513	11.37
BlackRock Inc	15,066,605	8.35
Standard Life Aberdeen	12,386,604	6.87

As at 24 May 2019 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	52,485,818	29.10
TA Associates	20,487,513	11.36
BlackRock Inc	15,107,073	8.37
Standard Life Aberdeen	12,240,333	6.79

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 96 to 102 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 79. At the date of this Report there are currently seven 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 11 July 2019.

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 127 to 154. 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.

Directors' conflicts of interest

During the year, no Director had any beneficial interest in any contract significant to the Company's business, other than a contract of employment.

The Company has procedures in place for managing 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 Company, they are required to notify the Board in writing or verbally at the next Board Meeting.

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 Company.

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.

The Company 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 Company 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 Company 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 Company 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 200.

Further information on Group employees can be found on pages 46 to 47.

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 2018 we monitored and reviewed our health and safety systems to promote continued compliance with HSE standards, carried out portfolio wide fire safety training with employees and customers and reduced our accident rate across the portfolio with zero reportable incidents. Specific-to-role UKAS and IOSH accredited health and safety training was completed by 74 members of staff.

In 2019 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 undergo an external gap analysis to review the efficiency of our existing health and safety management systems.

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 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 projects and contractor safety

Redevelopment and refurbishment projects regularly take place across our portfolio, on both 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 tenant-occupied areas. For the fifth consecutive year, there have been no contractor related accidents or incidents that have affected our customers.

Greenhouse gas ('GHG') emissions

In line with the requirements of The Greenhouse Gas Emissions (Directors' Reports) Regulations 2013 we have continued to benchmark and report our emissions that result from our business activities. Emissions are calculated from the following sources:

Scope 1 emissions – direct emissions

- On-site fuel combustion:
  Gas or oil purchased for our assets. This includes tenant consumption where we procure gas on their behalf.
- Fugitive emissions:
  Refrigerant leaks from owned air-conditioning ('RAC') equipment.
- Company vehicles:
  Fuel combustion and refrigerant leakage.

Scope 2 emissions – indirect emissions

- Purchased electricity:
  Electricity purchased for our assets. This includes tenant consumption where we procure electricity on their behalf.
- Purchased heat:
  Heat purchased for our assets. This includes tenant consumption where we procure district heat on their behalf.

Carbon emissions by source (tCO_2e)

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	2013/14	2014/15	2015/16	2016/17	2017/18	**2018/19**	% Change
Scope 1 (direct emissions)	4,222	3,846	3,515	3,375	3,181	3,192	**3,113**	-26%
Workspace								
Gas	3,959	3,535	3,194	2,847	2,849	2,804	**2,707**	
Fugitive emissions	169	216	244	458	319	383	**403**	
Vehicle emissions	2	2	4	7	4	5	**3**	
Joint venture								
Gas	60	64	51	42	5	0	**0**	
Heating oil	31	28	20	20	3	0	**0**	
Fugitive emissions	0	2	2	2	0	0	**0**	
Scope 2 (indirect emissions)	10,822	11,290	12,405	12,366	10,110	8,863	**7,179**	-34%
Workspace								
Purchased electricity (location-based)	10,510	10,956	12,037	12,129	10,005	8,762	**7,026**	
Purchased electricity (market-based)	–	–	–	–	–	1,004	**50**	
Purchased heat (location-based)	0	0	0	84	92	100	**152**	
Purchased heat (market-based)	–	–	–	–	–	–	**152**	
Joint venture								
Purchased electricity	312	334	368	153	14	0	**0**	
Total	15,044	15,136	15,920	15,741	13,292	12,055	**10,292**	-32%
Net lettable area tCO_2e/m^2	0.030	0.031	0.035	0.036	0.037	0.035	**0.028**	
Occupied space area tCO_2e/m^2	0.035	0.036	0.040	0.041	0.044	0.041	**0.033**	

1. Previous data has been recalculated to account for changes and additions.
2. Emissions from vacant units have been omitted from data collection as they are considered to be immaterial.
3. Calculations based upon a 5% materiality threshold.
4. Joint venture emissions as a proportion of our equity share.
5. DEFRA Environmental Reporting Guidelines and the financial control approach applied.
6. Note that when reporting totals, the location-based emissions are used.

Performance

The 2018/19 Greenhouse Gas (GHG) emissions across the portfolio have decreased by 32% against our 2012/13 baseline and 15% compared to the previous year. The carbon intensity has also decreased compared to our 2012/13 baseline and previous year.

The reduction in our 2018/19 GHG emissions and intensity can be attributed to a number of factors including changes in the portfolio (three sales, three acquisitions), several completed development and major refurbishment projects which had a strong focus on energy efficiency and the delivery of portfolio wide energy efficiency projects. Another contributing factor to the year-on-year reduction is a decrease in the carbon dioxide emission factor for UK electricity generation, which is attributed to a significant decrease in coal generation and the rapid expansion of renewables.

Although our total emissions have reduced, our fugitive emissions have increased due to the demand for air-conditioned space. The amount of heat purchased has also risen as some of our newly developed buildings are connected to a District Heat Network (DHN) or a Combined Heat and Power (CHP) system.

We have recently started undertaking market-based reporting where we quantify the GHG emissions for our electricity consumption using the carbon dioxide emissions factor provided to us by our supplier, rather than using the UK grid average. As we have chosen to procure a significant proportion of our energy from a verifiable renewable energy contract that ensures energy is generated by a variable mix of hydro-electric, offshore and onshore wind, we are able to report that our market-based GHG emissions are 202 tCO_2e – significantly less than using the UK grid average. This figure has decreased significantly compared to last year as we have purchased more electricity from renewable sources. Where possible, we are continuing to increase the number of supplies that are included within our renewable energy contract to further reduce our GHG emissions.

Achievements
We have proactively identified and delivered a range of energy management projects across our portfolio including technology and infrastructure upgrades, improved data management and employee engagement.

One of the main initiatives was the targeted installation of the Optergy Building Management System (BMS) 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 BMS has enabled us to engage with our in-house Facility Management teams to improve energy management practices and reduce GHG emissions. Other initiatives that have been implemented include ongoing LED lighting upgrades, ongoing Automatic Meter Reading (AMR) installations, BMS and boiler optimisation, insulation improvements and refurbishment projects.

Future
To further reduce our GHG emissions, we will continue to focus on designing and implementing energy efficiency initiatives within our buildings and actively engage with both our site staff and customers to implement energy conservation measures. The recommendations from our Energy Saving Opportunity Scheme (ESOS) audits carried out in 2018 will be used to make informed decisions as to which energy efficiency measures will be most effective to implement.

Energy reduction and efficiency is one of our key focus areas within our Doing The Right Thing strategy. We have set challenging objectives and targets for the next year and will be monitoring our performance throughout the year to ensure that we achieve our goal of reducing our GHG emissions.

– For more information on our Doing The Right Thing programme go to pages 42 to 48.

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:

Section	Topic	Location in the Annual Report
1	Interest capitalised	Financial Statements, page 183 note 10
4	Details of long-term incentive schemes	Remuneration Report, pages 136, 139 and 148

All the information cross-referenced above is hereby incorporated by reference into this 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 Accounts) that could allow counterparties to terminate or alter those arrangements in the event of a change of control of the Company.

Political donations
The Company and its subsidiaries made no political donations during the year (2018: Nil).

2019 Annual General Meeting
The 33rd Annual General Meeting of the Company will be held at the Company's business centre at 160 Fleet Street, London EC4A 2DQ on Thursday 11 July 2019 at 10.00am. The Notice of the 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.

By Order of the Board

Carmelina Carfora
Company Secretary
4 June 2019

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 IFRS 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; and
- 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; and
- 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 2019 by:

Graham Clemett
Interim CEO and
Chief Financial Officer

Independent auditor's report

to the members of Workspace Group PLC

KPMG

1. Our opinion is unmodified

We have audited the financial statements of Workspace Group PLC ("the Company") for the year ended 31 March 2019 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 on pages 172–175.

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 2019 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 2 financial years ended 31 March 2019. 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.

Overview

Materiality: group financial statements as a whole	£25.4 million (2018: £22.1 million) 1% (2018: 1%) of total Group assets
Coverage	100% (2018:100%) of total Group assets

Key audit matters	vs 2018	
Event driven	**New:** The impact of uncertainties due to the UK exiting the European Union on our audit	▲
	New: Going concern	▲
Recurring risks	**Group:** Valuation of Investment property	◄►
Recurring risks	**Parent:** Valuation of derivatives	◄►

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, 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
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 62 (Principal Risks and Uncertainties), page 66 (Viability Statement) and page 123 (The Audit Committee Report).*	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in valuation of investment property, 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 at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, 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 resulting from Brexit uncertainty 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 disclosures in relation to going concern to be 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.
Going concern *Refer to page 66 (Going concern and Viability Statement) and page 172 (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. The risks most likely to adversely affect the Group's and Company's available financial resources over this period were: – increased cost of debt from interest rate rises; – tenant default impacting cash flow and earnings; 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: – **Funding assessment:** We assessed the Group has sufficient resources to repay the debt falling due in at least the 12 months from authorising the accounts by analysing the Group's financing terms and considering 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 possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively such as decrease in occupancy rates and fall in real estate prices; – **Assessing transparency:** We considered the completeness and accuracy of the matters covered in the Annual Report and assessed that 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 (2018 result: acceptable).

	The risk	Our response
Valuation of investment property (Group) (Group: £2,591.4 million; 2018: £2,288.7 million) *Refer to page 123 (Audit Committee Report), page 172 (accounting policy) and page 183 (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 97% (2018: 98%) 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, yield and capital value per square foot. 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. The effect of these matters is that, as part of our risk assessment, we determined that the investment properties value of £2,591.4 million 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. The financial statements (note 10) disclose the sensitivity estimated by the Group. 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.	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:** With the assistance of our own property valuation specialist, we held discussions with CBRE to critically assess movements in property values. For a sample of properties, we challenged the key assumptions used by the valuer upon which these valuations were based including those relating to forecast rents and yields, by making a comparison to our own understanding of the market and to industry benchmarks. – **Test of detail:** We compared a sample of key inputs used in the valuations, such as rental income, lease length and floor space 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:** We considered the adequacy of the Group's disclosures about the degree of estimation and sensitivity to key assumptions made when valuing properties. **Our results** – We found the valuation of investment properties to be acceptable (2018 result: acceptable).

	The risk	Our response
Valuation of derivatives (Parent) (Parent: £10.1million; 2018: £2.5million) *Refer to page 189 (financial disclosures).*	**Subjective estimate** The Parent Company has derivative financial instruments of £10.1 million (2018: £2.5 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 (2018: £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 (2018: acceptable).

3. 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 £25.4 million (2018: £22.1 million), determined with reference to a benchmark of total Group assets of £2,682.2 million (2018: £2,339.2 million), of which it represents 1.0% (2018: 1.0%).

In addition, we applied materiality of £3.25 million (2018: £3.0 million) to Group components of trading profit after interest (as defined by the Group on page 49) 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.

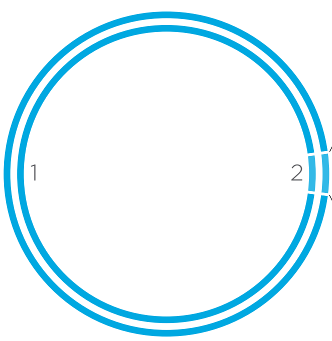
Materiality for the Parent Company financial statements as a whole was set at £15.3 million (2018: £21.0 million), determined with reference to a benchmark of company total assets, of which it represents 1% (2018: 3% of net assets).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.27 million (2018: £0.7 million) (Group), £0.8 million (2018: £0.6 million) (Parent Company) or £0.16 million (2018: £0.15 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.

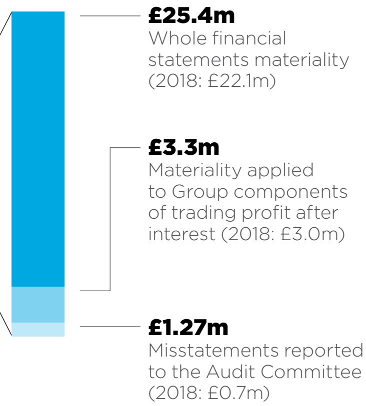
The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The Group team performed the parent company audit. The audit was performed using the materiality levels set out above.

Total Group assets
£2,682.2m (2018: £2,339.2m)



1. Total Group assets
2. Group materiality

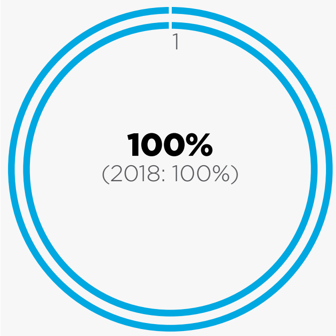
Group Materiality
£25.4m (2018: £22.1m)



Group revenue

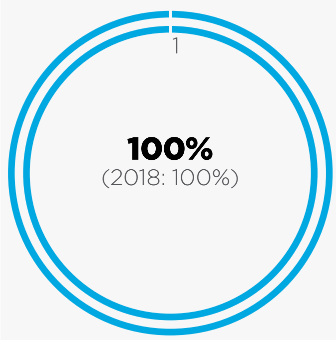
1. Full scope for Group audit purposes 2019

Group profit before tax



1. Full scope for Group audit purposes 2019

Group total assets



1. Full scope for Group audit purposes 2019

4. 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 2 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 in on page 155 to the financial statements 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 159 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. 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 principal 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 66 that they have carried out a robust assessment of the principal 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.

6. 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.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 160, 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 financial 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.

8. 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 2019

Consolidated income statement

For the year ended 31 March 2019

	Notes	2019 £m	2018 £m
Revenue	1	**149.4**	128.9
Direct costs	1	**(38.4)**	(33.3)
Net rental income	1	**111.0**	95.6
Administrative expenses	2	**(17.1)**	(16.1)
Trading profit		**93.9**	79.5
Profit on disposal of investment properties	3(a)	**8.3**	26.6
Other income	3(b)	**–**	0.6
Other expenses	3(c)	**(1.1)**	–
Change in fair value of investment properties	10	**60.8**	82.5
Operating profit	2	**161.9**	189.2
Finance costs	4	**(21.5)**	(18.8)
Exceptional finance costs	4	**(3.1)**	–
Profit before tax		**137.3**	170.4
Taxation	6	**–**	1.0
Profit for the financial year after tax		**137.3**	171.4
Basic earnings per share	8	**78.9p**	104.8p
Diluted earnings per share	8	**78.3p**	104.0p

Consolidated statement of other comprehensive income

For the year ended 31 March 2019

	2019 £m	2018 £m
Profit for the financial year	**137.3**	171.4
Other comprehensive income:		
Items that may be classified subsequently to profit or loss:		
Change in fair value of other investments	**4.0**	–
Cash flow hedge – transfer to income statement	**(5.5)**	8.5
Cash flow hedge – change in fair value	**7.6**	(9.5)
Total comprehensive income for the year	**143.4**	170.4

The notes on pages 172 to 200 form part of these financial statements.

Consolidated balance sheet

As at 31 March 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Investment properties	10	**2,591.4**	2,288.7
Intangible assets		**1.6**	1.4
Property, plant and equipment	11	**3.4**	2.9
Investment in joint ventures		**–**	0.1
Other investments	12	**9.8**	3.2
Derivative financial instruments	16(e) & (f)	**10.1**	2.5
		2,616.3	2,298.8
Current assets			
Trade and other receivables	13	**13.7**	22.4
Asset held for sale	10	**25.5**	–
Cash and cash equivalents	14	**26.7**	18.0
		65.9	40.4
Total assets		**2,682.2**	2,339.2
Current liabilities			
Trade and other payables	15	**(77.0)**	(75.5)
Deferred tax	6	**–**	–
		(77.0)	(75.5)
Non-current liabilities			
Borrowings	16(a)	**(623.2)**	(550.8)
		(623.2)	(550.8)
Total liabilities		**(700.2)**	(626.3)
Net assets		**1,982.0**	1,712.9
Shareholders' equity			
Share capital	19	**180.4**	163.8
Share premium	19	**295.1**	135.3
Investment in own shares	21	**(9.3)**	(9.3)
Other reserves	20	**27.4**	19.4
Retained earnings		**1,488.4**	1,403.7
Total shareholders' equity		**1,982.0**	1,712.9
EPRA net asset value per share	9	**£10.86**	£10.37

The notes on pages 172 to 200 form part of these financial statements.

The financial statements on pages 168 to 200 were approved and authorised for issue by the Board of Directors on 4 June 2019 and signed on its behalf by:

G Clemett
Director

Consolidated statement of changes in equity

For the year ended 31 March 2019

	Notes	Attributable to owners of the parent					Total Share-holders' equity £m
		Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	
Balance at 31 March 2017		163.2	135.4	(8.9)	18.7	1,270.1	1,578.5
Profit for the financial year		–	–	–	–	171.4	171.4
Other comprehensive income for the year	20	–	–	–	(1.0)	–	(1.0)
Total comprehensive income		–	–	–	(1.0)	171.4	170.4
Transactions with owners:							
Share issues	19	0.6	(0.1)	–	–	–	0.5
Own shares purchase (net)		–	–	(0.4)	–	–	(0.4)
Dividends paid	7	–	–	–	–	(37.8)	(37.8)
Share based payments	22	–	–	–	1.7	–	1.7
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**

The notes on pages 172 to 200 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2019

	Notes	2019 £m	2018 £m
Cash flows from operating activities			
Cash generated from operations	18	**99.8**	93.2
Interest paid		**(23.7)**	(18.8)
Tax paid		**–**	(0.2)
Net cash inflow from operating activities		**76.1**	74.2
Cash flows from investing activities			
Purchase of investment properties		**(220.8)**	(370.4)
Capital expenditure on investment properties		**(86.7)**	(73.8)
Proceeds from disposal of investment properties (net of sale costs)		**50.8**	128.1
Purchase of intangible assets		**(0.6)**	(1.1)
Purchase of property, plant and equipment		**(1.5)**	(1.0)
Other income (overage receipts)		**5.8**	8.7
Purchase of investments		**(1.5)**	(0.1)
Income distributions from joint ventures	12(a)	**0.1**	0.2
Net cash outflow from investing activities		**(254.4)**	(309.4)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	19	**176.4**	0.5
Finance costs for new/amended borrowing facilities		**(0.7)**	(1.9)
Exceptional finance costs		**(2.9)**	–
Settlement and re-couponing of derivative financial instruments		**(0.2)**	(0.1)
Repayment of bank borrowings and Retail Bond	16(b)	**(343.5)**	(294.0)
Draw down of bank borrowings and Private Placement Notes	16(b)	**410.0**	580.0
Own shares purchase (net)		**–**	(0.4)
Dividends paid	7	**(52.1)**	(37.4)
Net cash inflow from financing activities		**187.0**	246.7
Net increase in cash and cash equivalents		**8.7**	11.5
Cash and cash equivalents at start of year	18	**18.0**	6.5
Cash and cash equivalents at end of year	18	**26.7**	18.0

The notes on pages 172 to 200 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 Directors, having made reasonable enquiries have a reasonable expectation that the Group and the Company have adequate resources and sufficient loan facility headroom. The Directors believe the net current liability position at the balance sheet does not impact on their assessment of going concern. The details of the going concern assessment can be found on page 66.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and certain financial assets and liabilities (including derivative financial instruments, and other investments) at fair value through profit or loss or equity.

New accounting standards, amendments and guidance
a) During the year to 31 March 2019 the Group adopted the following accounting standards and guidance:

IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers
IAS 40 (amended)	Investment Property Transfers
IFRIC 22	Foreign currency transactions
IFRS 2 (amended)	Share-based payments

The Group had to update its accounting policies and disclosures in relation to IFRS 9 and 15, but there were no impacts from other accounting standard amendments.

IFRS 15 – Revenue from contracts with customers
This standard is based on the principle that revenue is recognised when control passes to a customer. In our case, the standard is most applicable to the recognition point for service charge income and disposals of investment properties. As the standard excludes rental income, which falls within the scope of IAS 17/IFRS 16 – Leases. There was no material impact on the Group's financial statements.

IFRS 9 – Financial Instruments
IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities.

The adoption of IFRS 9 has resulted in a change in the classification of Other Investments from financial assets at fair value through profit or loss to financial assets at fair value through other comprehensive income. A change in fair value of £4.0m has been recognised in other comprehensive income. Under IAS 39 the carrying amount would have been £5.8m with no change in fair value recognised in profit and loss.

The cross currency swap contracts in place as at 31 March 2018 qualified for hedge accounting under IAS 39. The Group has elected to continue applying hedge accounting as set out in IAS 39 to its cross currency swap contracts and as such the accounting policy has not changed for these financial assets.

Trade receivables are subject to IFRS 9's new expected credit loss model. The Group has changed its methodology for impairment of these assets to consider expected credit loss. The Group has very low levels of trade receivable impairment so the impact of this change was insignificant.

These standards or guidance had no material impact on the Group's financial statements or resulted in changes to presentation and disclosure only.

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 16	Leases

IFRS 16 – Leases
For operating leases in excess of one year, this standard requires lessees to recognise a right-of-use asset and a related lease liability representing the obligation to make lease payments. 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. Lessor accounting is substantially unchanged from current accounting. Therefore, since the Group is primarily a lessor, this standard does not significantly impact the Group's financial statements and any amendment would not be material,

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.

Details of 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 2019. 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 finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the net present value of the minimum lease payments. The investment properties acquired under finance leases are subsequently carried at fair value plus an adjustment for the carrying amount of the finance 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 probably 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 IAS 18 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.

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 where it is established there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future 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. Rental income from operating 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; and
- 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

	2019			2018		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**123.7**	**(3.8)**	**119.9**	106.1	(3.4)	102.7
Service charges	**19.3**	**(24.6)**	**(5.3)**	17.7	(21.8)	(4.1)
Empty rates and other non-recoverables	**–**	**(5.3)**	**(5.3)**	–	(5.0)	(5.0)
Services, fees, commissions and sundry income	**6.4**	**(4.7)**	**1.7**	5.1	(3.1)	2.0
	149.4	**(38.4)**	**111.0**	128.9	(33.3)	95.6

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:

	2019 £m	2018 £m
Depreciation[1]	**1.0**	1.1
Staff costs (including share based costs)[1] (note 5)	**18.8**	18.6
Repairs and maintenance expenditure on investment properties	**3.7**	2.6
Trade receivables impairment (note 13)	**0.7**	0.6
Amortisation of intangibles	**0.4**	0.3
Operating lease rentals payable	**0.1**	0.1
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	**2019 £000**	2018 £000
Audit fees:		
Audit of Parent Company and consolidated financial statements	**154**	150
Audit of subsidiary financial statements	**27**	20
	181	170
Fees for other services:		
Audit-related assurance services	**31**	30
Total fees payable to Auditor	**212**	200

	2019 £m	2018 £m
Total administrative expenses are analysed below:		
Staff costs	**9.6**	8.9
Cash settled share based costs	**0.3**	0.6
Equity settled share based costs	**1.9**	1.7
Other	**5.3**	4.9
	17.1	16.1

3(a). Profit on disposal of investment properties

	2019 £m	2018 £m
Proceeds from sale of investment properties (net of sale costs)	**50.8**	128.1
Book value at time of sale	**(42.5)**	(101.5)
Profit on disposal	**8.3**	26.6

3(b). Other income

	2019 £m	2018 £m
Change in fair value of deferred consideration	**–**	0.4
Income from investments	**–**	0.2
	–	0.6

3(c). Other expenses

	2019 £m	2018 £m
Change in fair value of deferred consideration	**1.1**	–
	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 2019 and 31 March 2018. This resulted in a reduction in the fair value of deferred consideration of £1.1m at 31 March 2019 (31 March 2018: increase of £0.4m). The amounts receivable are included in the Consolidated balance sheet under current trade and other receivables (note 13).

4. Finance costs

	2019 £m	2018 £m
Interest payable on bank loans and overdrafts	**(4.7)**	(2.8)
Interest payable on other borrowings	**(17.3)**	(16.0)
Amortisation of issue costs of borrowings	**(1.3)**	(0.7)
Interest payable on finance leases	**(0.9)**	(0.9)
Interest capitalised on property refurbishments (note 10)	**2.7**	1.6
Foreign exchange gains/(losses) on financing activities	**5.5**	(8.5)
Cash flow hedge – transfer (to)/from equity	**(5.5)**	8.5
Finance costs	**(21.5)**	(18.8)
Exceptional finance costs	**(3.1)**	–
Total finance costs	**(24.6)**	(18.8)

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:	2019 £m	2018 £m
Wages and salaries	**15.8**	15.6
Social security costs	**1.9**	1.9
Other pension costs (note 26)	**0.8**	0.8
Cash settled share based costs (note 22)	**0.3**	0.6
Equity settled share based costs (note 22)	**1.9**	1.7
	20.7	20.6
Less costs capitalised	**(1.9)**	(2.0)
	18.8	18.6

The monthly average number of people employed during the year was:	2019 Number	2018 Number
Head office staff (including Directors)	**110**	103
Estates and property management staff	**110**	114
	220	217

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 127 to 154. These form part of the financial statements.

Total Directors' emoluments for the financial year were £3.2m (2018: £4.1m), comprising of £2.2m (2018: £2.1m) of Directors' remuneration, £0.9m (2018: £1.8m) gain on exercise of share options and £0.1m (2018: £0.2m) of cash contributions in lieu of pension in respect of two Directors (2018: two).

6. Taxation

	2019 £m	2018 £m
Current tax:		
UK corporation tax	**–**	–
Adjustments to tax in respect of previous periods	**–**	(0.1)
	–	(0.1)
Deferred tax:		
On origination and reversal of temporary differences	**–**	(0.9)
	–	(0.9)
Total taxation credit	**–**	(1.0)

The tax on the Group's profit for the year differs from the standard applicable corporation tax rate in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £m	2018 £m
Profit before taxation	**137.3**	170.4
Tax at standard rate of corporation tax in the UK of 19% (2018: 19%)	**26.0**	32.4
Effects of:		
REIT exempt income	**(15.1)**	(17.1)
Changes in fair value not subject to tax as a REIT	**(11.5)**	(15.7)
Share based payment adjustments	**0.1**	(0.4)
Overage income subject to tax when received	**–**	0.6
Adjustments to tax in respect of previous periods	**–**	(0.1)
Losses carried forward previously unrecognised	**0.6**	0.1
Utilisation of losses unrecognised brought forward	**–**	(0.8)
Other non-taxable expenses	**(0.1)**	–
Total taxation credit	**–**	(1.0)

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.

Changes to the UK corporation tax rates were fully enacted on 15 September 2016 respectively as part of the Finance Bill 2016. These changes include reductions to the main rate of corporation tax from 19% to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using the rates expected to apply to the period when the asset is realised or the liability is settled.

The Group currently has an unrecognised asset in relation to tax losses carried forward of £0.8m (2018: £0.3m) calculated at a corporation tax rate of 19% (2018: 19%).

	2019 £m	2018 £m
Deferred tax assets:		
– Deferred tax to be recovered within 12 months	**0.6**	0.8
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered within 12 months	**(0.6)**	(0.8)
Deferred tax liabilities (net)	**–**	–

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 2017	1.8	1.8
Credited to income statement	(1.0)	(1.0)
At 31 March 2018	**0.8**	**0.8**
Credited to income statement	**(0.2)**	**(0.2)**
At 31 March 2019	**0.6**	**0.6**

Deferred tax assets	Expenses (share based payment) £m	Tax losses £m	Total £m
At 1 April 2017	(0.9)	–	(0.9)
Charged to income statement	0.1	–	0.1
At 31 March 2018	**(0.8)**	**–**	**(0.8)**
Charged to income statement	**0.2**	**(0.2)**	**–**
At 31 March 2019	**(0.6)**	**(0.2)**	**(0.8)**

7. Dividends

	Payment date	Per share	**2019 £m**	2018 £m
For the year ended 31 March 2017:				
Final dividend	August 2017	14.27p	**–**	23.3
For the year ended 31 March 2018:				
Interim dividend	February 2018	8.84p	**–**	14.5
Final dividend	August 2018	18.55p	**33.4**	–
For the year ended 31 March 2019:				
Interim dividend	February 2019	10.61p	**19.2**	–
Dividends for the year			**52.6**	37.8
Timing difference on payment of withholding tax			**(0.5)**	(0.4)
Dividends cash paid			**52.1**	37.4

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 March 2019 of 22.26 pence per ordinary share which will absorb an estimated £40.2m of revenue reserves and cash. If approved by the Shareholders at the AGM, it will be paid on 2 August 2019 to Shareholders who are on the register of members on 5 July 2019. 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:	**2019 £m**	2018 £m
Basic and diluted earnings	**137.3**	171.4
Change in fair value of investment properties	**(60.8)**	(82.5)
Exceptional finance costs	**3.1**	–
Profit on disposal of investment properties	**(8.3)**	(26.6)
EPRA earnings	**71.3**	62.3
Adjustment for non-trading items:		
Other income/(expenses)	**1.1**	(0.6)
Taxation	**–**	(1.0)
Trading profit after interest	**72.4**	60.7

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:	**2019 Number**	2018 Number
Weighted average number of shares (excluding own shares held in trust)	**177,138,144**	163,495,793
Dilution due to share option schemes	**1,258,651**	1,293,620
Weighted average number of shares for diluted earnings per share	**178,396,795**	164,789,413

In pence:	**2019**	2018
Basic earnings per share	**77.5p**	104.8p
Diluted earnings per share	**77.0p**	104.0p
EPRA earnings per share	**40.3p**	37.8p
Adjusted underlying earnings per share[1]	**40.6p**	36.8p

1. Adjusted underlying earnings per share is calculated on a diluted basis.

9. Net assets per share and total accounting return

Net assets used for calculating net assets per share:	2019 £m	2018 £m
Net assets at end of year (basic)	**1,982.0**	1,712.9
Derivative financial instruments at fair value	**(10.1)**	(2.5)
EPRA net assets	**1,971.9**	1,710.4

Number of shares used for calculating net assets per share:	2019 Number	2018 Number
Shares in issue at year-end	**180,385,498**	163,806,591
Less own shares held in trust at year-end	**(135,946)**	(163,874)
Dilution due to share option schemes	**1,267,169**	1,262,717
Number of shares for calculating diluted adjusted net assets per share	**181,516,721**	164,905,434

	2019	2018
EPRA net assets per share	**£10.86**	£10.37
Basic net assets per share	**£11.00**	£10.47

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	2019 £	2018 £
Opening EPRA net assets per share (A)	**10.37**	9.53
Closing EPRA net assets per share	**10.86**	10.37
Increase in EPRA net assets per share	**0.49**	0.84
Ordinary dividends paid in the year	**0.29**	0.23
Total return (B)	**0.78**	1.07
Total accounting return (B/A)	**7.5%**	11.2%

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 2019 was 7.5% (31 March 2018: 11.2%).

10. Investment properties

	2019 £m	2018 £m
Balance at 1 April	**2,288.7**	1,839.0
Purchase of investment properties	**221.8**	382.4
Capital expenditure	**88.6**	75.6
(Disposal)/acquisition of finance lease	**(0.3)**	9.1
Capitalised interest on refurbishments (note 4)	**2.7**	1.6
Disposals during the year	**(42.5)**	(101.5)
Change in fair value of investment properties	**60.8**	82.5
Less: Reclassified as deferred consideration	**(2.9)**	–
Less: Classified as assets held for sale	**(25.5)**	–
Balance at 31 March	**2,591.4**	2,288.7

Investment properties represent a single class of property being business accommodation for rent in London.

During the year the Group acquired three properties, Centro buildings 1&2, Long Lane, which is adjacent to The Leather Market, and the Shepherd's Building for a combined £221.8m, including acquisition costs.

Capitalised interest is included at a rate of capitalisation of 4.3% (2018: 4.4%). The total amount of capitalised interest included in investment properties is £12.3m (2018: £9.6m).

The change in fair value of investment properties is recognised in the consolidated income statement.

Investment properties include buildings with a carrying amount of £300m (2018: £291m) held under finance leases with a carrying amount of £15.8m (2018: £16.1m). Investment property finance lease commitment details are shown in note 16(h).

Two properties were reclassified as held for sale at year end and have been classified as current assets. These properties have exchanged for sale and will likely complete within the next 12 months. The value they have been transferred at is their year end valuation per CBRE.

Valuation

The Group's investment properties are held at fair value and were revalued at 31 March 2019 by the external valuer, CBRE Limited, a firm of independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards 2014. 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.

The Executive Committee and the Board both conduct a detailed review of each property valuation to ensure appropriate assumptions have been applied. Meetings are held with the valuers to review and challenge the valuations, ensuring they have considered all relevant information, and rigorous reviews are performed to ensure valuations are sensible.

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:

	2019 £m	2018 £m
Total per CBRE valuation report	**2,604.0**	2,279.6
Deferred consideration on sale of property	**(2.9)**	(7.0)
Head leases treated as finance leases under IAS 17	**15.8**	16.1
Less: Reclassified as assets held for sale	**(25.5)**	–
Total investment properties per balance sheet	**2,591.4**	2,288.7

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	1,266.4	A	£14-£80	£44	4.0%-7.5%	6.2%
Completed projects	520.8	A	£20-£75	£48	4.8%-7.0%	5.7%
Refurbishments	336.5	B	£18-£75	£41	4.3%-6.3%	5.1%
Redevelopments	137.8	B	£16-£33	£20	4.5%-7.6%	5.6%
Acquisitions	314.1	A	£51-£51	£51	5.3%-5.4%	5.3%
Head leases	15.8	n/a	–	–	–	–
Total	**2,591.4**					

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 12%–19% with a weighted average of 17%.

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £199–£294 per sq. ft. and a weighted average of £233 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.

	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+127/-127	-49/+53
Completed projects (refurbishments)	+52/-52	-22/+24
Refurbishments	+43/-43	-20/+26
Redevelopments	+10/-10	-5/+5
Acquisitions	+31/-31	-14/+15

11. Property, plant and equipment

Cost or valuation	Equipment and fixtures £m
1 April 2017	6.1
Additions during the year	1.1
Balance at 31 March 2018	7.2
Additions during the year	1.5
Balance at 31 March 2019	**8.7**
Accumulated depreciation	
1 April 2017	3.2
Charge for the year	1.1
Balance at 31 March 2018	4.3
Charge for the year	1.0
Balance at 31 March 2019	**5.3**
Net book amount at 31 March 2019	**3.4**
Net book amount at 31 March 2018	2.9

12. Other Investments

The Group holds the following investment:

	2019 £m	2018 £m
15% of share capital of Excell Holdings Limited (2018:10%)	**9.8**	3.2
	9.8	3.2

Excell Holdings Limited is a telecoms and data provider that works alongside the Group to provide high quality data and telecoms connectivity to our customers. In February 2019, the Group acquired an additional shareholding of 5%.

In accordance with IFRS 9 the valuation of the share in Excell Holdings has been adjusted to fair value, resulting in a gain of £4.0m in the financial year, recognised in the consolidated statement of other comprehensive income.

13. Trade and other receivables

Current trade and other receivables	**2019 £m**	2018 £m
Trade receivables	**5.0**	3.8
Less provision for impairment of receivables	**(0.7)**	(0.6)
Trade receivables – net	**4.3**	3.2
Prepayments, other receivables and accrued income	**6.5**	12.2
Deferred consideration on sale of investment properties	**2.9**	7.0
	13.7	22.4

Receivables at fair value:
Included within deferred consideration on sale of investment properties is £2.9m (2018: £0.9m) of overage which is held at fair value through profit and loss. In the current year, as the amounts receivable are due within the following 12 months it has 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 £1.1m (31 March 2018: £0.4m profit) (note 3(c)).

	2019 £m	2018 £m
Deferred consideration on sale of investment properties:		
Balance at 1 April	**7.0**	4.3
Cash received	**(5.8)**	(2.4)
Additions/reclassifications	**2.8**	4.7
Change in fair value	**(1.1)**	0.4
Balance at 31 March	**2.9**	7.0

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:

	2019 £m	2018 £m
Balance at 1 April	**0.6**	0.3
Increase in provision for impairment of trade receivables	**0.3**	0.5
Receivables written off during the year	**(0.2)**	(0.2)
Balance at 31 March	**0.7**	0.6

14. Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank and in hand	**17.3**	13.9
Restricted cash – tenants' deposit deeds	**9.4**	4.1
	26.7	18.0

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

	2019 £m	2018 £m
Trade payables	**5.7**	6.0
Other tax and social security payable	**0.4**	4.4
Corporation tax payable	**–**	–
Tenants' deposit deeds (note 14)	**9.4**	4.1
Tenants' deposits	**21.2**	24.0
Accrued expenses	**28.7**	28.5
Deferred income – rent and service charges	**11.6**	8.5
	77.0	75.5

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

	2019 £m	2018 £m
Non-current		
Bank loans (unsecured)	**138.5**	113.9
6% Retail Bond (unsecured)	**–**	57.2
5.6% Senior US Dollar Notes 2023 (unsecured)	**76.9**	71.5
5.53% Senior Notes 2023 (unsecured)	**83.8**	83.8
Senior Floating Rate Notes 2020 (unsecured)	**9.0**	9.0
3.07% Senior Notes (unsecured)	**79.7**	79.7
3.19% Senior Notes (unsecured)	**119.7**	119.6
3.6% Senior Notes (unsecured)	**99.8**	–
Finance lease obligations	**15.8**	16.1
	623.2	550.8

The Group repaid the 6% £57.5m Retail Bond in September 2018. In January 2019 the Group raised £100m of 3.6% Senior Private Placement Notes, using the proceeds to pay down part of the bank loan.

(b) Net Debt

	2019 £m	2018 £m
Borrowings per (a) above	**623.2**	550.8
Adjust for:		
Finance leases	**(15.8)**	(16.1)
Cost of raising finance	**2.6**	3.4
Foreign exchange differences	**(12.5)**	(7.1)
	597.5	531.0
Cash at bank and in hand (note 14)	**(17.3)**	(13.9)
Net Debt	**580.2**	517.1

At 31 March 2019 the Group had £110m (2018: £134m) of undrawn bank facilities, a £2m overdraft facility (2018: £2m) and £17.3m of unrestricted cash (2018: £13.9m).

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

	2019 £m	2018 £m
Repayable between one year and two years	**9.0**	57.5
Repayable between two years and three years	**–**	9.0
Repayable between three years and four years	**140.0**	–
Repayable between four years and five years	**148.5**	116.0
Repayable in five years or more	**300.0**	348.5
	597.5	531.0
Cost of raising finance	**(2.6)**	(3.4)
Foreign exchange differences	**12.5**	7.1
	607.4	534.7
Finance leases:		
Repayable in five years or more	**15.8**	16.1
	623.2	550.8

(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
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
Senior Floating Rate Notes	9.0	LIBOR+3.5%	Half yearly	June 2020
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	140.0	LIBOR+1.65%	Monthly	June 2022
	597.5			

(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:

	2019	2018
Carrying amount of derivative	**10.1**	2.5
Change in fair value of designated hedging instrument	**7.6**	(9.6)
Change in fair value of designated hedged item	**(5.4)**	8.6
Notional amount £m	**64,500**	64,500
Notional amount ($'000)	**100,000**	100,000
Rate payable (%)	**5.66%**	5.66%
Maturity	**June 2023**	June 2023
Hedge ratio	**1:1**	1:1

(f) Financial instruments and fair values

	2019 Book value £m	**2019 Fair value £m**	2018 Book value £m	2018 Fair value £m
Financial liabilities held at amortised cost				
Bank loans	**138.5**	**140.0**	113.9	116.0
6% Retail Bond	**–**	**–**	57.2	60.2
Private Placement Notes	**468.9**	**478.1**	363.6	379.4
Finance lease obligations	**15.8**	**15.8**	16.1	16.1
	623.2	**633.9**	550.8	571.7
Financial (assets)/liabilities at fair value through other comprehensive income				
Derivative financial instruments:				
Cash flow hedge – derivatives used for hedging	**(10.1)**	**(10.1)**	(2.5)	(2.5)
Other investments	**(9.8)**	**(9.8)**	(3.2)	(3.2)
	(19.9)	**(19.9)**	(5.7)	(5.7)
Financial assets at fair value through profit or loss				
Deferred consideration (overage)	**2.9**	**2.9**	0.9	0.9
	2.9	**2.9**	0.9	0.9

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. The fair value of the Retail Bond has been established from the quoted market price at 31 March 2018 and is thus a Level 1 valuation. 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	2019 £m	2018 £m
a) Assets at value through profit or loss		
Deferred consideration (overage)	**2.9**	0.9
	2.9	0.9
b) Loans and receivables		
Cash and cash equivalents	**26.7**	18.0
Trade and other receivables excluding prepayments[1]	**5.7**	15.1
	32.4	33.1
c) Assets at value through other comprehensive income		
Other investments	**9.8**	3.2
	9.8	3.2
Total	**45.1**	37.2

Liabilities	2019 £m	2018 £m
Other financial liabilities at amortised cost		
Borrowings (excluding finance leases)	**607.4**	534.7
Finance lease liabilities	**15.8**	16.1
Trade and other payables excluding non-financial liabilities[2]	**65.0**	63.0
	688.2	613.8

1. Trade and other receivables exclude prepayments of £5.1m (2018: £6.4m) and non-cash deferred consideration of £2.9m (2018: £0.9m).
2. Trade and other payables exclude other tax and social security of £0.4m (2018: £4.4m), and deferred income of £11.6m (2018: £8.5m).

(h) Finance leases

Finance lease liabilities are in respect of leased investment property.

Minimum lease payments under finance leases fall due as follows:

	2019 £m	2018 £m
Within one year	**1.0**	1.0
Between two and five years	**3.9**	3.9
Beyond five years	**93.0**	95.3
	97.9	100.2
Future finance charges on finance leases	**(82.1)**	(84.1)
Present value of finance lease liabilities	**15.8**	16.1

(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	534.7	16.1	2.5
Changes from financing cash flows:			
Proceeds from bank borrowings and Private Placement Notes	410.0	–	–
Repayment of bank borrowings and Retail Bond	(343.5)	–	–
Finance costs for new/amended borrowing facilities	(0.7)	–	–
Settlement of derivative financial instruments	–	–	(0.2)
Total changes from cash flows	65.8	–	(0.2)
Changes in fair value of derivative financial instruments	–	–	7.6
Foreign exchange differences	5.4	–	0.2
Amortisation of issue costs of borrowing	1.5	–	–
Changes in finance leases	–	(0.3)	–
Interest payable/(receivable)	22.2	0.9	–
Interest paid/(received)	(22.2)	(0.9)	–
Total other changes	6.9	(0.3)	7.8
Balance at 31 March 2019	**607.4**	**15.8**	**10.1**

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 2019 75% (2018: 77%) 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 £0.7m (2018: £0.6m).

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 2019 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 4,900 lettable units with overall occupancy of 85% at 64 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 £30.6m (2018: £28.1m). 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.

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:

	2019 £m	2018 £m
Cash and cash equivalents (note 14)	**26.7**	13.9
Trade receivables – current (note 13)	**4.3**	3.2
Deferred consideration – current (note 13)	**2.9**	7.0
	33.9	24.1

(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 ensure it can effectively manage its liquidity risk, the Group has an overdraft facility of £2m (2018: £2m) and a revolving loan facility of £250m (2018: £250m). At 31 March 2019 headroom excluding overdraft and cash was £110m (31 March 2018: £134m).

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 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**

31 March 2018	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	116.0	2.5	2.5	2.5	118.9	126.4
6% Retail Bond	57.5	3.5	59.4	–	–	66.4
Private Placement Notes	357.5	14.9	14.9	23.7	400.6	454.1
Finance lease liabilities	16.1	1.0	1.0	1.0	97.2	100.2
Trade and other payables†	62.6	62.6	–	–	–	62.6
	609.7	84.5	77.8	27.2	616.7	809.7

† Trade and other payables exclude other tax and social security of £0.4m (2018: £4.4m) and deferred income of £11.6m (2018: £8.5m).
* 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 2019 Group equity was £1,982.0m (2018: £1,712.9m) and Group net debt (debt less cash at bank and in hand) was £580.2m (2018: £517.1m). Group gearing at 31 March 2019 was 29% (2018: 30%).

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 2019 was 22%. 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:

	2019 £m	2018 £m
Profit before tax	**137.3**	170.4
Depreciation	**1.0**	1.1
Amortisation of intangibles	**0.4**	0.3
Profit on disposal of investment properties	**(8.3)**	(26.6)
Other income	**–**	(0.6)
Other expenses	**1.1**	–
Net gain from change in fair value of investment property	**(60.8)**	(82.5)
Equity settled share based payments	**1.9**	1.7
Finance income	**–**	–
Finance costs	**21.5**	18.8
Exceptional finance costs	**3.1**	–
Changes in working capital:		
Decrease/(Increase) in trade and other receivables	**1.8**	(7.9)
Increase in trade and other payables	**0.8**	18.5
Cash generated from operations	**99.8**	93.2

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

	2019 £m	2018 £m
Cash at bank and in hand	**17.3**	13.9
Restricted cash – tenants' deposit deeds	**9.4**	4.1
	26.7	18.0

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19. Share capital and share premium

	2019 £m	2018 £m
Issued: Fully paid ordinary shares of £1 each	**180.4**	163.8

Movements in share capital were as follows:	2019 Number	2018 Number
Number of shares at 1 April	**163,806,591**	**163,199,045**
Issue of shares	**16,578,907**	**607,546**
Number of shares at 31 March	**180,385,498**	**163,806,591**

In June 2018 the Group raised net proceeds of £176.4m via the issue of 16.3m Ordinary Shares, to assist funding our acquisition and refurbishment plans. The Group has also issued 258,845 shares (2018: 606,526 shares) during the year to satisfy the exercise of share options with net proceeds of £0.3m (2018: £0.5m).

	Share Capital		Share Premium	
	2019 £m	2018 £m	2019 £m	2018 £m
Balance at 1 April	**163.8**	163.2	**135.3**	135.4
Issue of shares	**16.6**	0.6	**159.8**	(0.1)
Balance at 31 March	**180.4**	163.8	**295.1**	135.3

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 2017	–	14.0	8.7	(4.0)	18.7
Share based payments	–	1.7	–	–	1.7
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	–	(1.0)	(1.0)
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 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**

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 2019 the number of shares held by the ESOT totalled 75,226 (2018: 75,226).

The SIP is governed by HMRC rules (note 22). At 31 March 2019 the number of shares held for the SIP totalled 60,720 (2018: 76,123).

	2019 £m	2018 £m
Balance at 1 April	**9.3**	8.9
Shares purchased for the Trusts	**–**	0.4
Balance at 31 March	**9.3**	9.3

22. Share based payments
The Group operates a number of share schemes:

(a) Long term equity 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.

For the 2017 and 2018 schemes these were:
- Relative TSR.
- Total Property Return compared to the IPD benchmark.

For the 2016 scheme these were relative TSR, absolute TSR and relative NAV.

The shares are issued at nil consideration provided the performance conditions are met.

Under the 2018 LTIP scheme 425,089 performance shares were awarded in June 2018 to Directors and Senior Management (2017 LTIP scheme: 495,009).

Details of the movements for the LTIP scheme during the year were as follows:

	LTIP
	Number
At 1 April 2017	1,393,895
Granted	473,947
Exercised	(495,009)
Lapsed	(72,488)
At 31 March 2018	1,300,345
Granted	425,089
Exercised	(234,161)
Lapsed	(144,264)
At 31 March 2019	**1,347,009**

For the 2015 LTIP Scheme, which vested in June 2018, the average closing share price at the date of exercise of shares exercised during the year was £10.81 (2015: £9.07).

A binomial model was used to determine the fair value of the LTIP grant for the Absolute TSR and Relative TSR elements of the 2016 LTIP scheme and Relative TSR for the 2017 and 2018 schemes.

Assumptions used in the model were as follows:

	2018 LTIP	2017 LTIP	2016 LTIP
Share price at grant	**1100p**	890p	828p
Exercise price	**Nil**	Nil	Nil
Average expected life (years)	**3**	3	3
Risk free rate	**1%**	1%	1%
Expected dividend yield	**3%**	3%	2%
Average share price volatility	**29%**	29%	28%
Fair value per option – Absolute TSR element	**n/a**	n/a	316p
Fair value per option – Relative TSR element	**397p**	333p	306p

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 1100 pence. 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 was that up to 60% of the Total Return element will vest.

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

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

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 2017	305,211	£4.85
Options granted	89,488	£7.09
Options exercised	(111,517)	£2.37
Options lapsed	(18,059)	£5.85
At 31 March 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**

The average closing share price at the date of exercise for the SAYE options exercised (for the three-year 2015 and the five-year 2013 schemes) during the year was £9.70 (2018: £8.84).

The fair value has been calculated using the Black-Scholes model. Inputs to the model are summarised as follows:

	2019 SAYE 3 year	**2019 SAYE 5 year**	2018 SAYE 3 year	2018 SAYE 5 year
Weighted average share price at grant	**1075p**	**1075p**	851p	851p
Exercise price	**860p**	**860p**	709p	709p
Expected volatility	**29%**	**29%**	28%	28%
Average expected life (years)	**3**	**5**	3	5
Risk free rate	**1%**	**1%**	1%	1%
Expected dividend yield	**3%**	**3%**	2%	2%
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:

	2019		2018	
	Grant date	**Fair value of award**	Grant date	Fair value of award
SAYE – three year	**24 July 2018**	**303p**	26 July 2017	204p
SAYE – five year	**24 July 2018**	**342p**	26 July 2017	225p

(c) Share incentive plan ('SIP')

All staff were granted £1,000 worth of shares in both March 2013 and September 2015 and £2,000 in August 2017. 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. No new shares were granted in the year (2018: 46,968). 15,463 (2018: 12,179) shares were exercised in the year and 4,853 (2018: 6,102) shares lapsed.

(d) Year end summary
At 31 March 2019 in total there were 1,665,183 (2018: 1,649,658) 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					
26 June 2016	–	455,785	–	26.06.2019	–
26 June 2017	–	466,135	–	26.06.2020	–
26 June 2018	–	425,089	–	26.06.2021	–
SAYE					
25 July 2014 – five year	£4.59	392	–	01.09.2019	01.03.2020
25 July 2015 – five year	£7.27	247	–	01.09.2020	01.03.2021
25 July 2015 – three year	£7.27	371	–	01.09.2018	01.03.2020
20 July 2016 – three year	£5.18	142,487	–	01.09.2019	01.03.2020
20 July 2016 – five year	£5.18	347	–	01.09.2021	01.03.2022
26 July 2017 – three year	£7.08	74,098	–	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	37,949	–	01.09.2021	01.03.2022
26 July 2018 – five year	£8.60	801	–	01.09.2023	01.03.2024
SIP					
18 September 2015	–	19,331	19,331	18.09.2018	18.09.2020
10 August 2017		41,389	–	10.08.2020	10.08.2022
Total		**1,665,183**	**19,331**		

The share awards/options outstanding at 31 March 2019 had a weighted average remaining contractual life of: LTIP – 1.2 years (2018: 1.2 years), SAYE – 1.7 years (2018: 1.7 years), SIP – 1.6 years (2018: 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 Black-Scholes model. 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:

	2019 £m	2018 £m
Equity settled share based payments	**1.9**	1.7
Cash-settled share based payments	**0.3**	0.6
	2.2	2.3

The total liability at the end of the year in respect of cash-settled share based schemes was £0.8m (2017: £0.8m).

23. Related party transactions

	2019 £m	2018 £m
Transactions for the year ended 31 March:		
Repayment/(payment) of loans to joint ventures	**0.1**	(0.1)
Income distributions received from joint ventures	**–**	0.3
Balances with joint ventures at 31 March:		
Amounts receivable from joint venture	**–**	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:	**2019 £m**	2018 £m
Short-term employee benefits	**4.1**	3.8
Share based payments	**1.3**	1.2
	5.4	5.0

24. Capital commitments

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

	2019 £m	2018 £m
Construction or redevelopment of investment property	**16.1**	49.7

25. Subsidiary and other related undertakings

The Company's subsidiary and other related undertakings at 31 March 2019, 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	Dormant
Glebe Three Limited	Property Investment
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	Dormant
Anyspacedirect.co.uk Limited	Dormant
Workspace Newco 1 Limited	Holding Company
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	Dormant
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	Dormant

* 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 £0.8m (2018: £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 (2018: 199).

27. Operating leases

As a lessee, the following future minimum lease payments are due under non-cancellable operating leases:

Motor vehicles and office equipment:	**2019 £m**	2018 £m
Due within one year	**0.1**	0.1
Due between two and five years	**0.1**	0.1
	0.2	0.2

As a lessor, the Group has determined that all tenant leases are operating leases within the meaning of IAS 17. The majority of the Group's tenant leases are granted with a rolling three to six-month tenant break clause, however the recent property acquisitions in the financial year have included customer leases which are much longer, with fewer break clauses. The future minimum non-cancellable rental receipts under operating leases granted to tenants are shown below.

Land and buildings:	**2019 £m**	2018 £m
Within one year	**68.9**	69.1
Between two and five years	**35.2**	49.0
Beyond five years	**19.5**	24.8
	123.6	142.9

28. Post balance sheet events

There are no post balance sheet events to report.

Parent Company balance sheet

As at 31 March 2019

	Notes	2019 £m	2018 £m
Fixed assets			
Investments	C	**798.4**	795.5
Derivative financial instruments	F	**10.1**	2.5
		808.5	798.0
Current assets			
Debtors: amounts falling due within one year	D	**720.1**	564.4
Cash and cash equivalents		**0.2**	0.2
		720.3	564.6
Total assets		**1,528.8**	1,362.6
Current liabilities			
Creditors: amounts falling due within one year	E	**(110.7)**	(140.1)
Creditors: amounts falling due after more than one year			
Borrowings	F	**(607.4)**	(534.7)
Total liabilities		**(718.1)**	(674.8)
Net assets		**810.7**	687.8
Capital and reserves			
Share capital		**180.4**	163.8
Share premium		**295.1**	135.3
Investment in own shares		**(9.3)**	(9.3)
Other reserves	G	**23.4**	19.4
Retained earnings		**321.1**	378.6
Total shareholders' equity		**810.7**	687.8

The notes on pages 203 to 205 form part of these financial statements.

The financial statements on pages 201 to 205 were approved by the Board of Directors on 4 June 2019 and signed on its behalf by:

G Clemett
Director
Workspace Group PLC
Registered number 2041612

Parent Company statement of changes in equity

For the year ended 31 March 2019

	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 2017	163.2	135.4	(8.9)	18.7	292.8	601.2
Profit for the year	–	–	–	–	123.6	123.6
Other comprehensive income for the year	–	–	–	(1.0)	–	(1.0)
Total comprehensive income	–	–	–	(1.0)	123.6	122.6
Transactions with owners:						
Share issues	0.6	(0.1)	–	–	–	0.5
Dividends paid	–	–	–	–	(37.8)	(37.8)
Own shares	–	–	(0.4)	–	–	–
Share based payments	–	–	–	1.7	–	1.7
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**

The notes on pages 203 to 205 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; and

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 174. 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 174.

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 £4.9m (2018: profit of £123.6m). No dividends were received in the year from subsidiary undertakings (2017: £130m).

Dividend payments are disclosed in note 7 to the Consolidated financial statements.

C. Investments

	Investment in subsidiary undertakings £m
Cost	
Balance at 31 March 2018	929.8
Additions in the year	2.9
Balance at 31 March 2019	932.7
Impairment	
Balance at 31 March 2018 and 31 March 2019	134.3
Net book value at 31 March 2019	**798.4**
Net book value at 31 March 2018	795.5

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	**2019 £m**	2018 £m
Amounts owed by Group undertakings	**719.1**	562.0
Corporation tax asset	**1.0**	2.4
	720.1	564.4

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

	2019 £m	2018 £m
Amounts owed to Group undertakings	**104.7**	133.8
Taxation and social security	**1.9**	1.4
Accruals and deferred income	**4.1**	4.9
	110.7	140.1

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest is paid to Group undertakings.

F. Creditors: amounts falling due after more than one year

Borrowings and financial instruments	Interest rate	Repayable	**2019 £m**	2018 £m
Bank loan	LIBOR+1.65%	June 2022	**140.0**	116.0
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**	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
6% Retail Bond	6.0%	October 2019	**–**	57.5
Total borrowings			**597.5**	531.0
Less cost of raising finance			**(2.6)**	(3.4)
Foreign exchange differences			**12.5**	7.1
Net borrowings			**607.4**	534.7

All the above borrowings are unsecured.

Maturity analysis of borrowings:	**2019 £m**	2018 £m
Repayable between one and two years	**9.0**	57.5
Repayable between two and three years	**–**	9.0
Repayable between three and four years	**140.0**	–
Repayable between four and five years	**148.5**	116.0
Repayable in five years or more	**300.0**	348.5
	597.5	531.0

The following derivative financial instruments are held:

	Amount	Rate payable (%)	Term/ expiry	**2019 £m**	2018 £m
Cash flow hedge – cross currency swap	$100m/£64.5m	5.66%	June 2023	**10.1**	2.5

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 194 to 197 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 2017	14.0	8.7	(4.0)	18.7
Share based payments	1.7	–	–	1.7
Change in fair value of derivative financial instruments	–	–	(1.0)	(1.0)
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**

Five-year performance (unaudited)

2015–2019

	31 March 2019 £m	31 March 2018 £m	31 March 2017 £m	31 March 2016 £m	31 March 2015 £m
Rents receivable	**123.7**	106.1	86.8	79.6	63.8
Service charges and other income	**25.7**	22.8	22.0	21.6	19.8
Revenue	**149.4**	128.9	108.8	101.2	83.6
Trading profit before interest	**93.9**	79.5	64.3	60.8	45.1
Net interest payable*	**(21.5)**	(18.8)	(13.6)	(16.9)	(18.5)
Trading profit after interest	**72.4**	60.7	50.7	43.9	26.6
Profit before taxation	**137.3**	170.4	88.8	391.3	360.0
Profit after taxation	**137.3**	171.4	88.7	388.9	359.9
Basic earnings per share	**77.5p**	104.8p	54.5p	240.3p	231.4p
Dividends per share	**32.87p**	27.39p	21.07p	15.05p	12.04p
Dividends (total)	**59.4**	44.9	34.4	24.4	19.4
Investment properties	**2,591.4**	2,288.9	1,839.0	1,749.4	1,408.9
Other assets less liabilities	**(29.2)**	(51.9)	(18.2)	43.7	14.5
Net debt	**(580.2)**	(517.1)	(242.3)	(275.5)	(277.1)
Net assets	**1,982.0**	1,712.9	1,578.5	1,517.6	1,146.3
Gearing	**29%**	30%	15%	18%	24%
Loan to value	**22%**	23%	13%	16%	24%
Basic NAV per share	**£11.00**	£10.47	£9.68	£9.35	£7.12
EPRA NAV per share	**£10.86**	£10.37	£9.53	£9.23	£7.03

* Excludes exceptional items.

Performance metrics (unaudited)

	31 March 2019 £m	31 March 2018 £m	31 March 2017 £m	31 March 2016 £m	31 March 2015 £m
Workspace Group:					
Number of estates	**64**	66	68	69	75
Lettable floorspace (million sq. ft.)	**3.9**	3.7	3.6	3.8	4.2
Number of lettable units	**4,796**	4,539	4,306	4,554	4,525
Average unit size (sq. ft.)	**975**	979	827	834	919
Rent roll of occupied units	**£127.5m**	£112.9m	£89.5m	£78.2m	£69.4m
Overall rent per sq. ft.	**£38.45**	£36.05	£28.41	£24.32	£18.79
Overall occupancy	**84.8%**	85.5%	87.0%	85.8%	88.7%
Enquiries (number)	**12,575**	12,189	12,724	12,353	14,664
Lettings (number)	**1,238**	1,111	1,182	1,212	1,313
EPRA Measures					
EPRA Earnings per share	**40.3p**	37.8p	30.2p	47.5p	18.9p
EPRA Net Asset Value per share	**£10.86**	£10.37	£9.53	£9.23	£7.03
EPRA Cost Ratio	**25%**	25%	28%	31%	34%

Property portfolio 2019 (unaudited)

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000
Alexandra House	N22 7TR	Refurbishment	54,843	675,000
Archer Street Studios	W1D 7AZ	Like-for-like	14,984	1,026,175
Barley Mow Centre	W4 4PH	Refurbishment	74,298	1,978,278
Bow Enterprise Park	E3 3TZ	Like-for-like	14,634	282,284
Bow Office Exchange	E3 3QP	Redevelopment	36,962	392,661
Brickfields	E2 8HD	Refurbishment	–	–
Canalot Studios	W10 5BN	Like-for-like	49,642	1,561,696
Cannon Wharf Business Centre	SE8 5EN	Refurbishment	32,619	487,621
Cargo Works	SE1 9PG	Like-for-like	71,381	4,281,838
Centro Buildings	NW1 0DU	Acquisition	214,781	9,514,775
China Works	SE1 7SJ	Refurbishment	68,848	2,135,620
Chiswick Studios	W4 5PY	Like-for-like	14,254	515,173
Chocolate Factory (part)	N22 6XJ	Refurbishment	61,890	619,480
Chocolate Factory (part)	N22 6XJ	Redevelopment	50,935	326,740
Clerkenwell Workshops	EC1R 0AT	Like-for-like	52,879	3,430,766
E1 Studios	E1 1DU	Like-for-like	40,797	1,188,238
East London Works	E1 1DU	Like-for-like	39,121	1,293,025
Easton Street	WC1X 0DS	Refurbishment	22,800	–
Edinburgh House	SE11 5DP	Refurbishment	65,606	504,283
Exmouth House	EC1R 0JH	Like-for-like	58,129	3,611,033
Fitzroy Street	W1T 4BQ	Refurbishment	92,669	4,855,410
160 Fleet Street	EC4A 2DQ	Refurbishment	42,933	1,734,527
Garratt Lane	SW18 4LZ	Redevelopment	43,000	688,000
338 Goswell Road	EC1V 7LQ	Refurbishment	43,005	856,726
Grand Union Studios	W10 5AD	Like-for-like	64,787	2,066,200
60 Gray's Inn Road	WC1X 8AQ	Refurbishment	36,149	1,283,509
12-13 Greville Street	EC1N 8SB	Refurbishment	3,787	37,690
14 Greville Street	EC1N 8SB	Refurbishment	10,960	170,341
Havelock Terrace	SW8 4AS	Like-for-like	58,164	1,383,974
Highway Business Park	E1 9HR	Redevelopment	19,786	260,782
Kennington Park	SW9 6DE	Like-for-like	365,060	10,845,180
Leroy House	N1 3QP	Like-for-like	46,562	1,164,130
Mallard Place	N22 6TS	Like-for-like	10,150	122,820
Mare Street Studios	E8 3QE	Refurbishment	–	–
Marshgate Business Centre	E15 2NH	Redevelopment	–	–
Metal Box Factory (part)	SE1 0HS	Like-for-like	89,885	5,643,934
Metal Box Factory (part)	SE1 0HS	Refurbishment	17,107	936,124
Morie Street Business Centre	SW18 1SL	Like-for-like	21,705	571,064
Pall Mall Deposit	W10 6BL	Refurbishment	42,333	720,813
Parkhall Business Centre	SE21 8EN	Like-for-like	122,930	1,858,023
Parma House	N22 6XF	Redevelopment	34,984	284,766
Peer House	WC1X 8LZ	Like-for-like	10,222	400,395
Pill Box	E2 6GG	Like-for-like	50,409	1,543,051
Poplar Business Park	E14 9RL	Redevelopment	65,176	904,658

Property portfolio 2019 (unaudited)
continued

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000
Q West	TW8 0GP	Redevelopment	54,802	580,274
Quality Court	WC2A 1HR	Like-for-like	16,923	921,630
Rainbow Industrial Estate	SW20 0JK	Redevelopment	91,542	248,702
Riverside	SW18 4UQ	Like-for-like	101,821	1,715,134.09
Salisbury House	EC2M 5QQ	Like-for-like	234,238	12,334,067
ScreenWorks	N5 2EF	Like-for-like	64,482	2,440,980
The Biscuit Factory	SE16 4DG	Like-for-like	214,324	4,317,173
The Biscuit Factory – Cocoa Studios	SE16 4DG	Redevelopment	39,298	863,235
The Frames	EC2A 4PS	Refurbishment	52,271	1,929,919
The Fuel Tank	SE8 3DX	Redevelopment	34,090	336,823
The Leather Market (including Taper Studios)	SE1 3ER	Refurbishment	147,838	5,765,307
The Light Box	W4 5PY	Refurbishment	78,489	1,386,008
The Light Bulb	SW18 4GQ	Like-for-like	52,645	1,707,446
The Print Rooms	SE1 0LH	Like-for-like	45,329	2,616,335
The Record Hall	EC1N 7RJ	Refurbishment	57,563	2,923,475
The Shaftesbury Centre	W10 6BN	Like-for-like	12,629	304,789
The Shepherds Building	W14 0DA	Acquisition	150,176	6,174,907
Thurston Road	SE13 7SH	Redevelopment	–	–
Vestry Street Studios	N1 7RE	Like-for-like	22,724	1,032,103
Vox Studios (part)	SE11 5JH	Like-for-like	80,261	3,434,462
Vox Studios (part)	SE11 5JH	Refurbishment	27,454	932,358
Wenlock Studios	N1 7EU	Refurbishment	31,156	972,001
Westbourne Studios	W10 5JJ	Like-for-like	58,427	2,369,595

Glossary of terms

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

BlackRock JV BlackRock Workspace Property Trust, a joint venture property fund with the BlackRock UK Property Fund in which the Group held a 20.1% interest until June 2016.

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 NAV is a definition of net asset value as set out by the European Public Real Estate Association. It represents net assets after excluding mark to market adjustments of effective cash flow hedges (financial derivatives) and deferred tax relating to revaluation movements, capital allowances and derivatives.

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

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

Exceptional items are significant items of income or expense that by virtue of their size, incidence or nature are shown separately on the 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.

IPD Quarterly Universe is the IPD quarterly universe property fund benchmark of approximately 240 (£196bn) UK domestic property funds.

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

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

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.

Market rental values (see 'ERV').

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).

Open market value is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external valuers).

Profit/(loss) before tax ('PBT') is income less all expenditure other than taxation.

Property Income Distribution ('PID') a dividend generally subject to withholding tax that a UK REIT is required to pay from its tax-exempted property rental business and which is taxable for UK resident shareholders at their marginal tax rate.

REIT is a Real Estate Investment Trust as set out in the UK Finance Act 2006 Sections 106 and 107. REITs pay no corporation tax on profits derived from their property rental business.

Rent per sq. ft. is the net rent divided by the occupied area.

Rent roll is the annualised net rental income of occupied units 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 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.

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.

Unique web 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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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/onlineannualreport2019

Investor video
An overview of how we performed in 2018/19:
www.workspace.co.uk/investors

Investor presentations
The latest presentations can be found in our Reporting Centre:
www.workspace.co.uk/investors/investors/reporting-centre

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