WORKSPACE UNDERSTANDS WORK SPACE

ANNUAL REPORT AND ACCOUNTS 2015

WORKSPACE®

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Also in this Report:

See how we use social media to engage with our customers.
p.16-17

Discover the many different types of operational activity we conduct each year in engaging with our customers.
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HIGHLIGHTS

Investor

Dividend per share growth

+13%

2015	12.04p
2014	10.63p
2013	9.67p

Total Shareholder Return

47%

2015	47%
2014	76%
2013	51%

Property

Valuation

+30%

2015	£1,423m
2014	£1,078m
2013	£830m

Total return

37%

2015	36.7%
2014	34.7%
2013	13.8%

Customer

Enquiries per month

+15%

2015	1,222
2014	1,063
2013	1,037

Customer satisfaction

77%

2015	77%
2014	78%
2013	82%

Financial

Adjusted trading profit

+30%

2015	£26.6m
2014	£20.5m
2013	£17.9m

Profit before tax

+43%

2015	£360.0m
2014	£252.5m
2013	£76.4m

EPRA

EPRA NAV per share

+42%

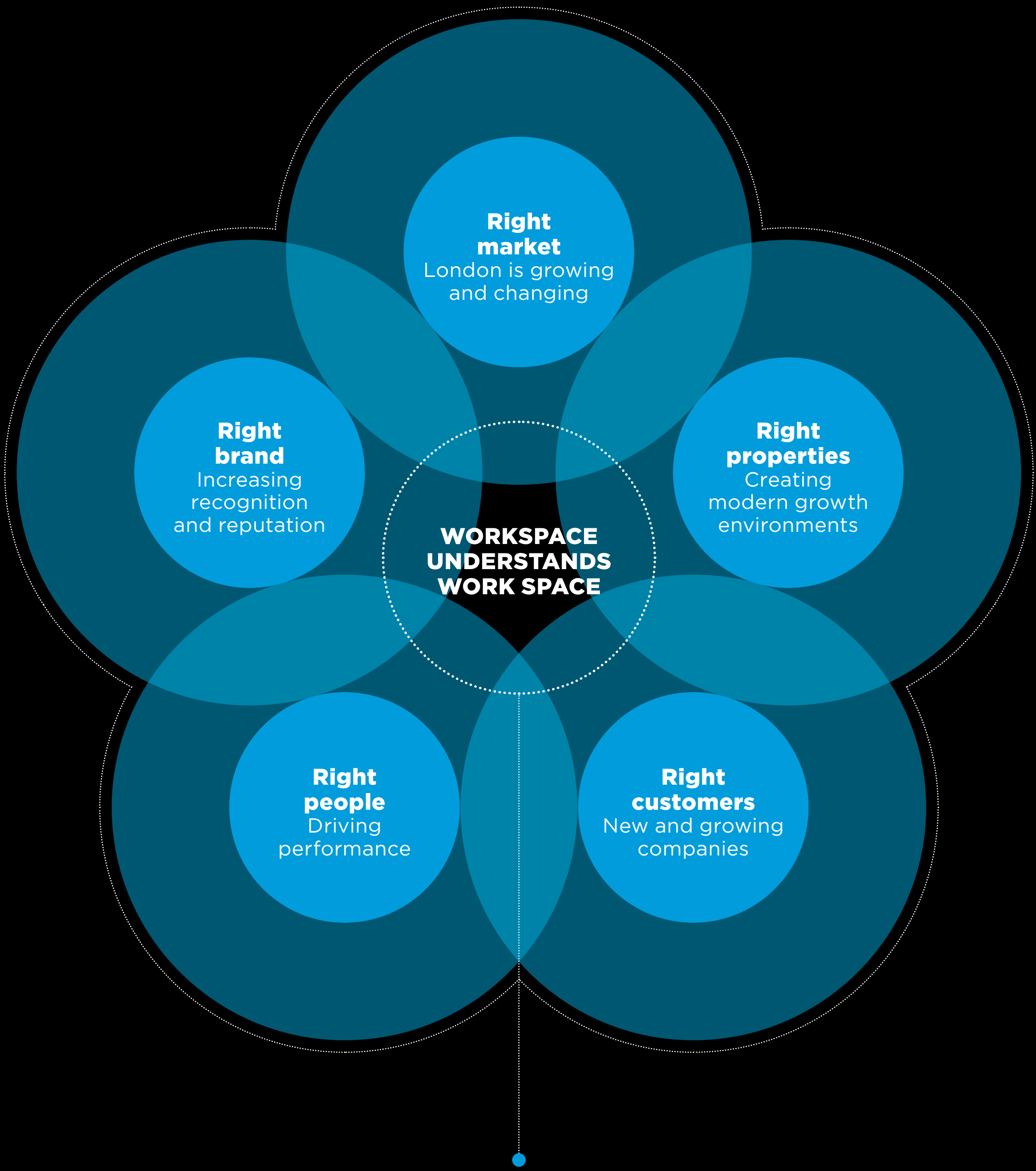
2015	£7.03
2014	£4.96
2013	£3.48

EPRA cost ratio

34%

2015	34%
2014	33%
2013	32%

THE RIGHT STRATEGY
HOW IT WORKS



Home to new and growing companies across London.


District line • Hammersmith & City line • Overground • Crossrail
WHITECHAPEL

Right market
London is growing and changing

Massive investment in infrastructure is supporting the continued growth of the London economy. This is evident in areas such as Whitechapel, where we have a cluster of properties.

Right properties
Creating modern growth environments

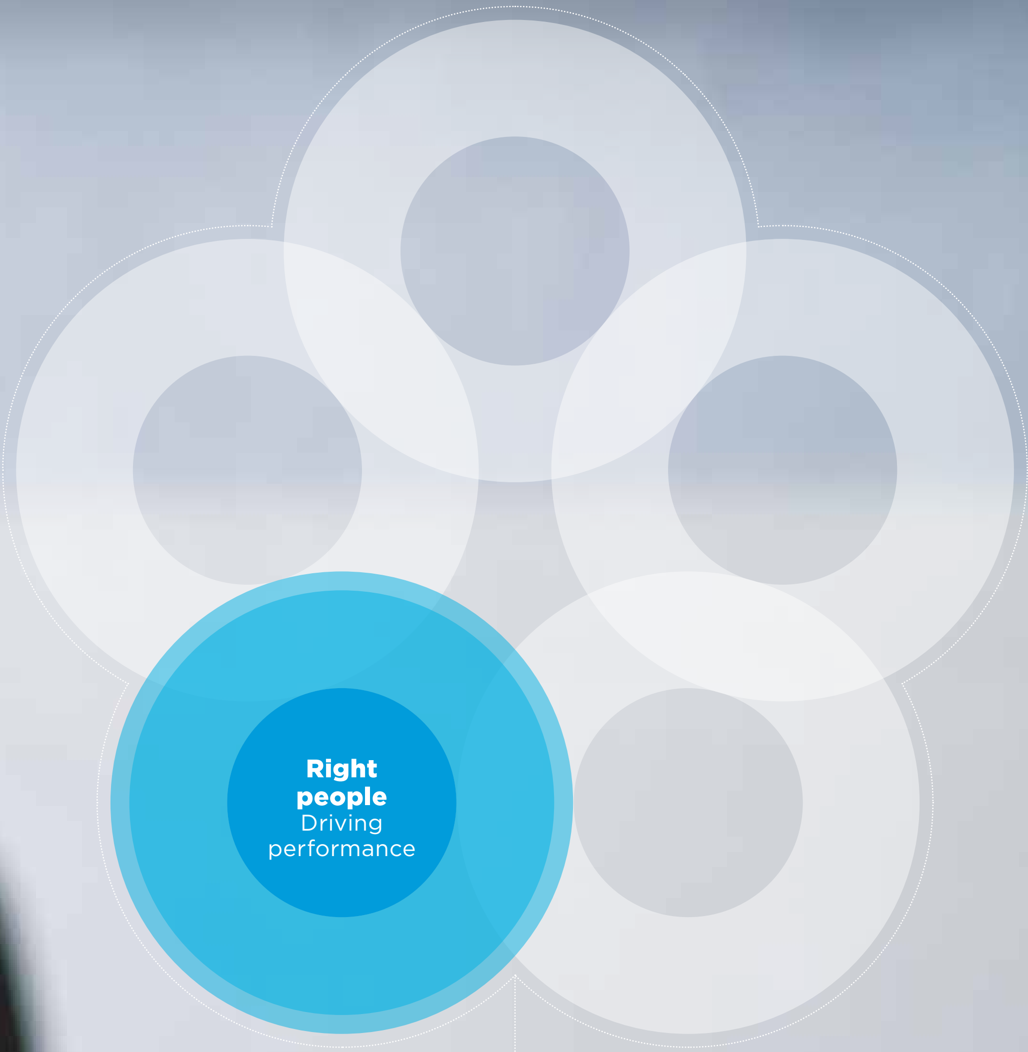
We constantly invest in our properties across London to meet our customers' needs. Extensive refurbishment work, such as at Westbourne Studios (pictured), gives our customers access to a wide range of services from on-site cafés, gyms and cycle racks to meeting rooms and break-out areas – all designed to help their businesses grow and encourage engagement with each other.

This year, Pill Box in Bethnal Green was named the 'Best New Place to Work' at the London Planning Awards.


Rate%Setter

New and growing companies are driving the London economy. Direct contact with our customers improves our understanding of how we can help them to grow their businesses. One such customer, Ratesetter (pictured), has been with us since May 2010 and we are pleased to have supported its growth from a start-up to the UK's leading peer-to-peer lending platform.


WORKSPACE
berghaus



Everyone at Workspace is focused on our customers, whether on-site in our business centres, or in the lettings, marketing, management, development or finance teams.

Our staff play an active role in supporting their local communities as well, raising money for our nominated charities through events such as the Spinathon (pictured) and the Arctic Challenge.


WORKSPACE
WORKSPACE

Right brand
Increasing recognition and reputation

Our customers recognise our brand as the go-to home for new and growing companies. They look to us to provide networking opportunities with other fast-growing businesses, business grade technology solutions and flexibility.

This year, we purchased a Tuk Tuk to sell coffee in some of our business centres while their cafés were being refurbished, maintaining a high level of service for our customers at all times.

Bringing it all together – another active year

‘Best New Place to Work’

Pill Box, Bethnal Green, named ‘Best New Place to Work’ at London Planning Awards.

0.5m

Hits to our customer website.

Completed extensive refurbishment of Metal Box Factory on Bankside.

5

Completed five acquisitions in attractive locations.

8,000

Customer viewings.

Supported the launch of Informed Funding in February 2015, a service offering advice and information on alternative sources of funding.

300

Customer events.

‘Specialist Property Company of the Year’

Workspace named ‘Specialist Property Company of the Year’ at Estates Gazette Awards.

‘Best Real Estate PLC’

Workspace named ‘Best Real Estate PLC’ at UK Stock Market Awards.

75

Students gained valuable work experience when they joined customers’ businesses during InspiresMe week.

Opened new business centres in Islington (ScreenWorks) and Wandsworth (The Light Bulb).

15,000

Customer enquiries during the year.

+4

New ClubWorkspace opened, bringing the total to 10.

35

Staff days spent volunteering for our nominated charities: XLP, FareShare and First Love Foundation.

Inaugural NGC Forum held in January 2015 at the House of Commons.

301

Deals with customers expanding within the portfolio.

Our proven strategy has delivered another year of excellent performance across the business.

In a year of good performance across the property sector, Workspace has again outperformed. Workspace is benefiting from its focus on new and growing companies in London and a long-term strategy of redevelopment and refurbishment combined with active portfolio management and targeted acquisitions. This momentum is reflected in our revenues and profits which have again grown strongly. Group net rental income was £57.7 million, an increase of 15%, profit before tax was £360.0 million, an increase of 43%, and EPRA NAV per share was £7.03, an increase of 42%.

Considering these strong results and the Company’s future prospects, the Board is recommending an increase in the final dividend by 15% to 8.15p to be paid on 7 August 2015. This represents an increase in the total dividend for the year of 13% to 12.04p.

During the year we acquired five properties, helping us to expand our portfolio in our target areas such as London’s Midtown, and we will continue to search for and execute transactions that we believe will provide strong, long-term shareholder returns. We also agreed terms for the cancellation of the Glebe Proceeds Share Agreement with the former lenders to the Glebe portfolio which we acquired in 2009. This concludes the integration of the portfolio that has delivered substantial returns since its acquisition.

In November, we were grateful for the strong support of investors in successfully completing a £96.5m share placing. This will allow us to move more quickly to extend our refurbishment pipeline and take advantage of acquisition opportunities.

Throughout all of this, the Board continued to support Jamie and the team in executing our strategic plans with strong governance sitting at the heart of our approach. During the year, Bernard Cragg retired as Non-Executive Director and we welcomed the arrival of Stephen Hubbard to the Board. Stephen is currently Chairman of CBRE UK and we are already benefiting from his wealth of experience.

We aim to support not only our customers but also the wider communities around us and we remain alive to our responsibilities. Nowhere is that more evident than in our goal to reduce energy usage in all of our buildings and it is pleasing to note that we have reduced overall energy consumption by 9% over the last two years.

All of the achievements we report this year are of course a reflection of the hard work and dedication of our employees and I would like to thank them once again for their expertise and commitment which is growing our business and further strengthening our presence.

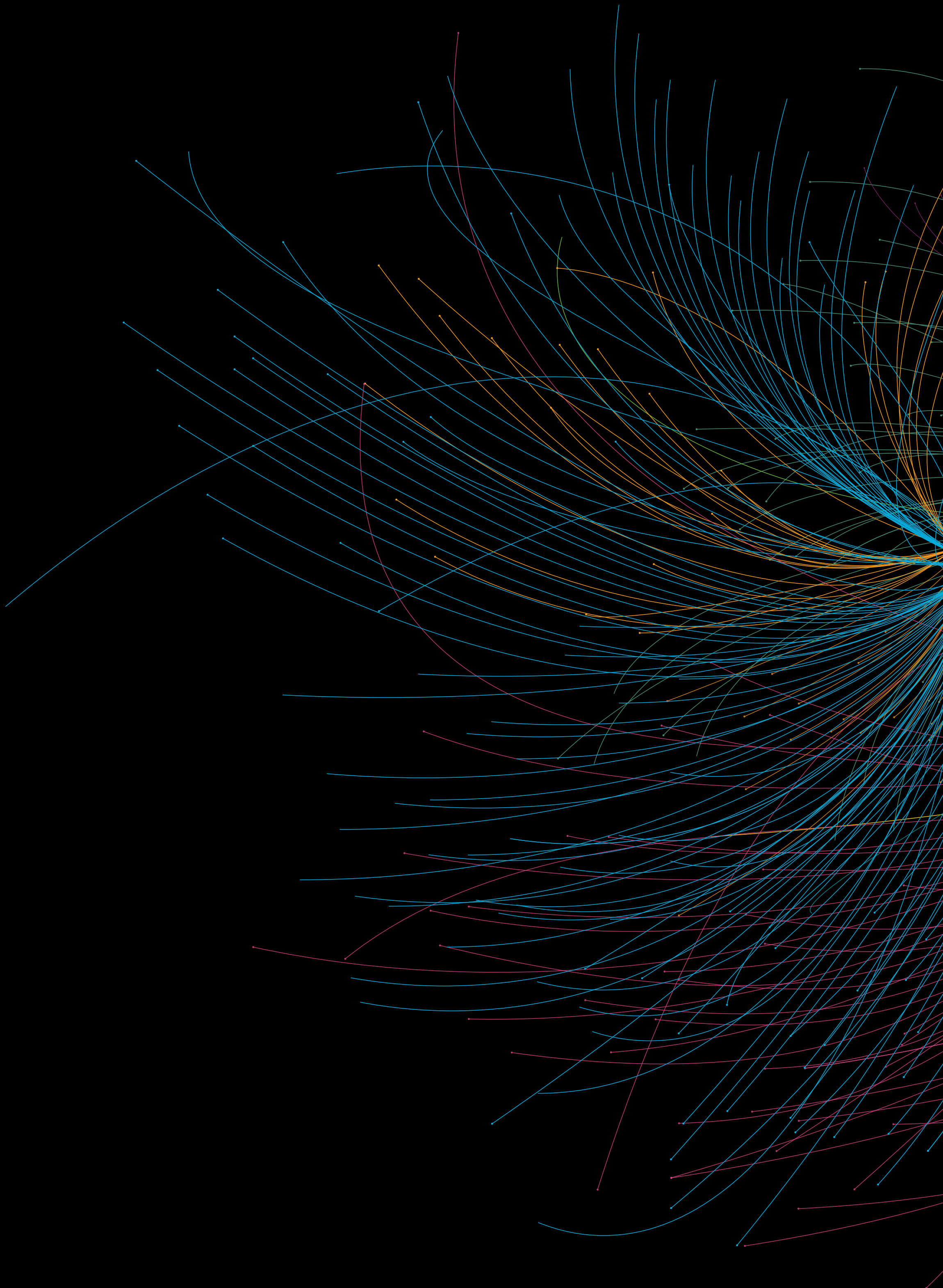
Looking forward, I believe we have the right strategy to cement our position as the home to new and growing companies across London, and deliver superior value to shareholders.

Daniel Kitchen
Non-Executive Chairman

Related information:
Corporate Social Responsibility p.34

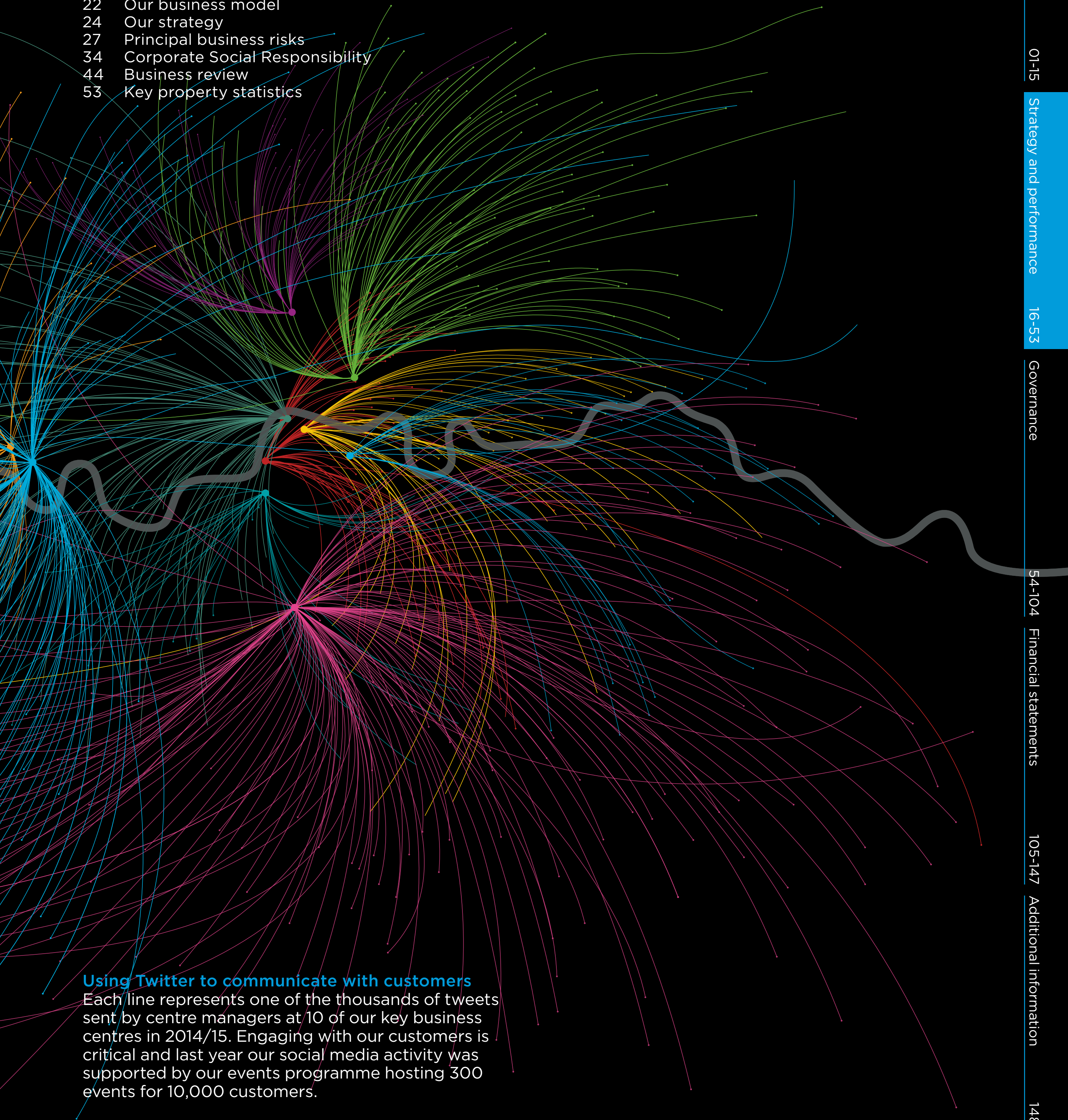
Corporate governance report p.64

Daniel Kitchen, Non-Executive Chairman, pictured in the Atrium at Metal Box Factory.



Strategic report – strategy and performance

In this section



Using Twitter to communicate with customers
Each line represents one of the thousands of tweets sent by centre managers at 10 of our key business centres in 2014/15. Engaging with our customers is critical and last year our social media activity was supported by our events programme hosting 300 events for 10,000 customers.

As the home to new and growing companies, our unique offer is creating value for shareholders.

We know that the new and growing companies ('NGCs') that sit at the heart of London's economic success story look for more than just space on their path for growth. As a result, our strategy of providing a compelling combination of the right buildings in the right locations and offering the right services, is resonating strongly with customers.

The success of our approach, to be a home for NGCs in London, and the acceleration of a long-term programme of focused refurbishment and redevelopment activity is reflected in the strong performance we've delivered over the last year, with rent roll up by 19% and the value of our portfolio increasing by 30%.

London's business community is evolving rapidly and we are seeing increased demand from our core NGC customer base for space and connectivity beyond established locations. We are meeting this demand and have grown our footprint through the acquisition of new buildings and redevelopment of existing properties and we continue to see huge potential in other hotspots. We are creating a wider range of options for our customers and this will help drive our future growth.

Our customers are also changing the way they work, seeking to create environments around them where their business needs and their lifestyle aspirations are fully merged. From full technological connectivity in state of the art offices, to community cafés, cycle stores and showers, we are providing what these businesses need to be truly at home in their surroundings. In addition, we provide opportunities for our customers to engage and trade with each other, enabling their businesses to grow faster within the Workspace environment.

We are able to react to evolving trends and requirements quickly thanks to the unique, first-hand knowledge we gain through our direct, daily interaction with customers. Across London, our centre hosts spend time getting to know our customers and ensure that they are surrounded by the resources and services they need to be successful. This ethos is shared throughout Workspace in all of our highly experienced teams who work hard to support both our buildings and our customers.

The growing profile of the Workspace brand plays an essential role, too. As a business that is open, friendly and directly engaged with customers and one that is actively managing our portfolio of buildings, we are increasingly being seen as a highly differentiated landlord.

Our thriving NGC customers sit at the heart of the London economy and by supporting them and being alive to their changing needs in such a dynamic market, Workspace is becoming their home.

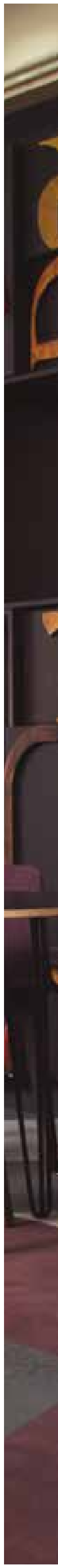
Jamie Hopkins
Chief Executive Officer

Related information:
Our strategy p.24

Our business model p.22

Corporate Social Responsibility p.34

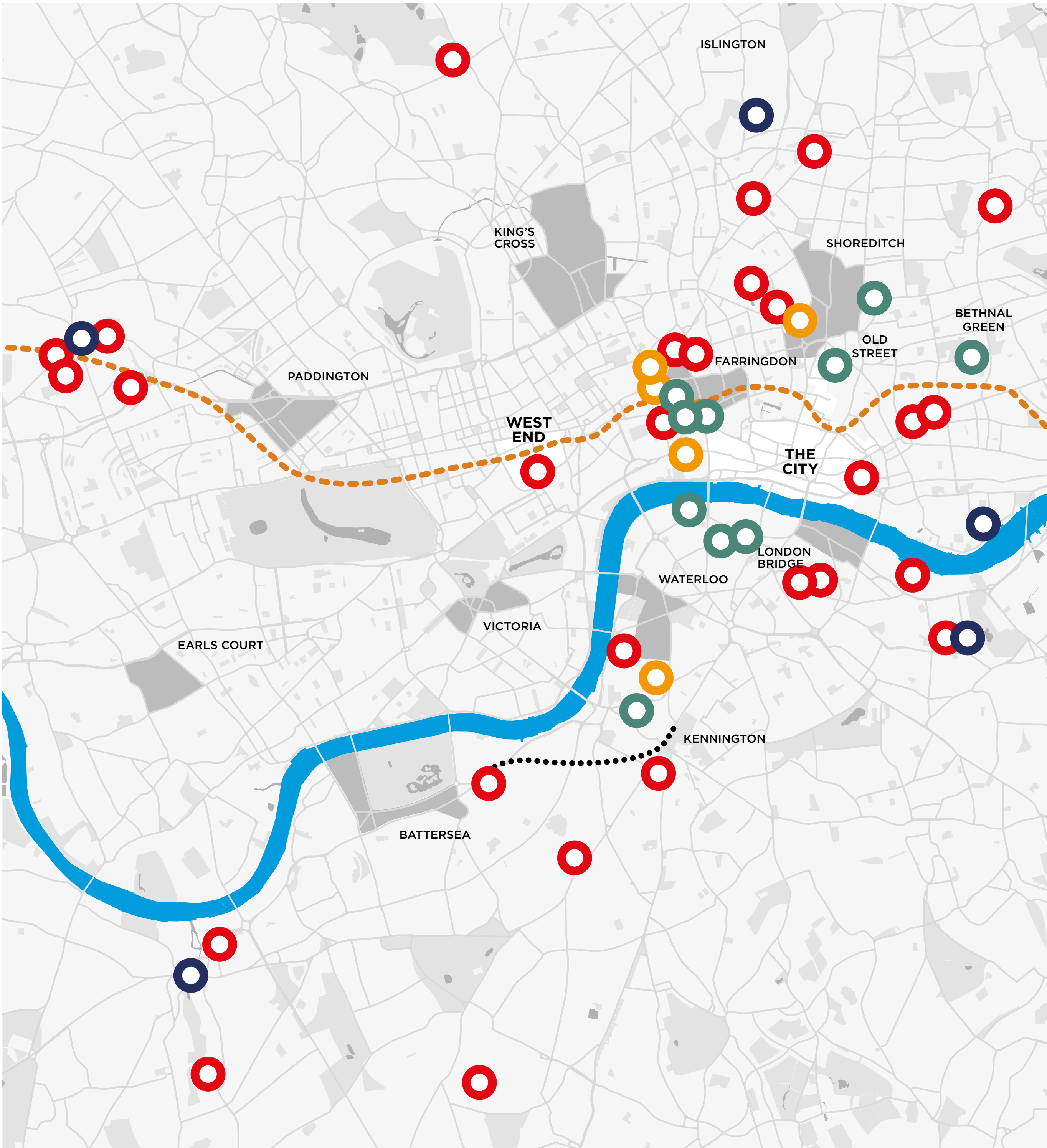
Join Jamie Hopkins on a guided tour of our portfolio at investors.workspace.co.uk/about-us

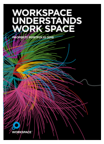


Jamie Hopkins,
Chief Executive Officer

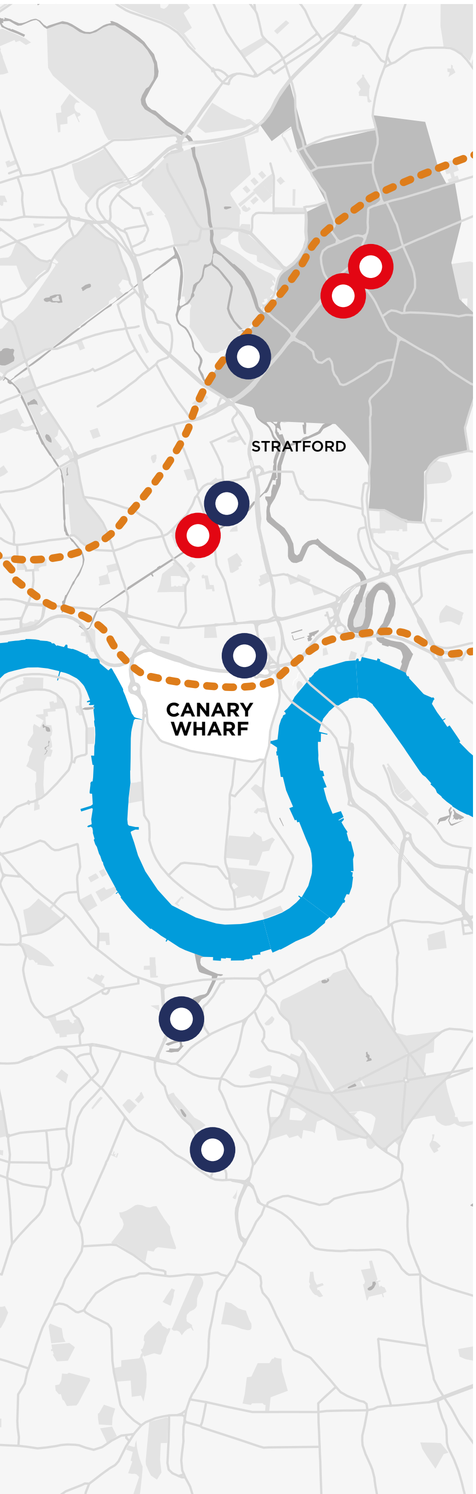
RIGHT MARKET AND PROPERTIES

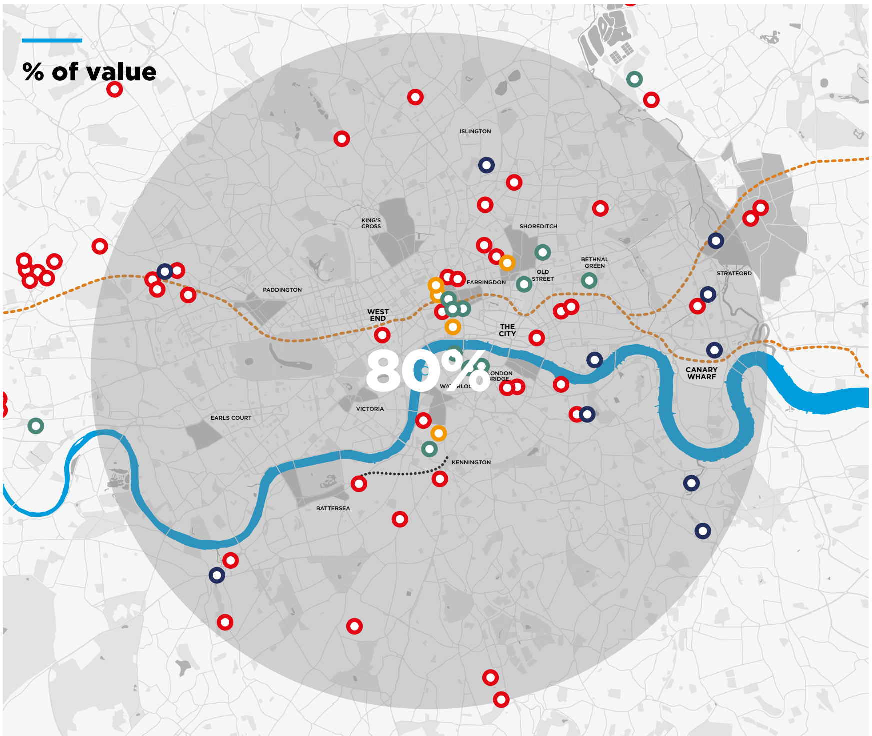
Workspace property
Acquisitions
Redevelopments
Refurbishments
Crossrail
Northern Line Extension

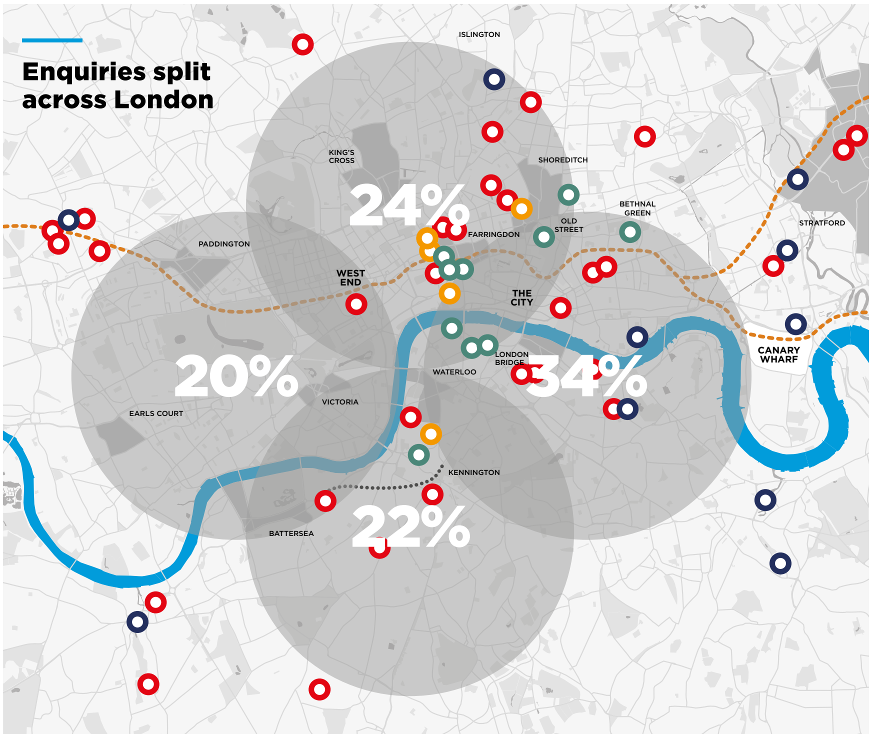


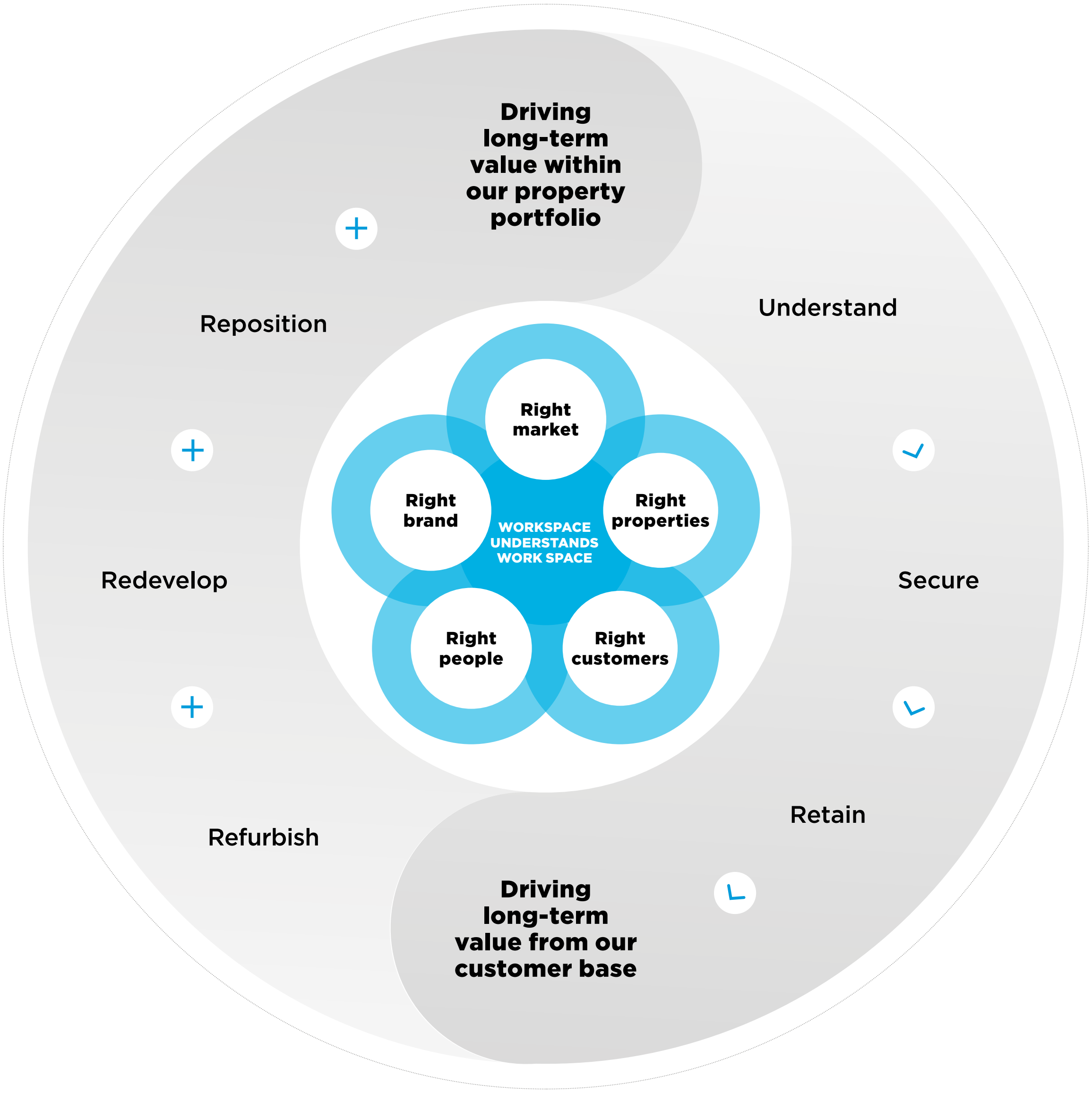


Related information:
Property listing
p.149









Creating value for all our stakeholders:

Customers
Direct contact ensures better understanding of customer needs, allowing us to create a home for them to grow.

Investors
Sustainable operating income and performance-led capital value enhancement leads to dividend growth and Total Shareholder Return.

Our people
Commitment to the constant development of our people to ensure that we attract, motivate and retain talented and ambitious individuals.

Partners
Our partners build direct relationships with London's new and growing companies and, in turn, help us to attract customers.

Communities
We play a strong and responsible role in our local communities and they benefit from our CSR strategy, which supports initiatives on education, employment and the environment.

How we drive long-term value within our property portfolio

Reposition

Workspace is enhancing both core operational income and capital values by repositioning its property assets as home to new and growing companies. Owning the right properties in the right locations allows us to attract the right customers and provide the right services to retain those customers and help them grow. We have the balance sheet to support this strategy.

- In 2014/15, we acquired five properties in attractive locations where we are seeing strong demand from our customers.
- During the year, we also realised £44m from the disposal of ten non-core properties.

Redevelop

As well as acquisitions, our strategy is to expand the footprint of the business and bring new space to London through redevelopment projects. We use our expertise and knowledge to obtain mixed use planning consent and agree terms with a residential developer to undertake the redevelopment and construction, including the provision of a new business centre at no cost or risk to Workspace.

- This year, we opened two new business centres in Islington (ScreenWorks) and Wandsworth (The Light Bulb) at no cost to Workspace.

Refurbish

We also look to add value to our portfolio by refurbishing existing buildings, allowing us to upgrade the offices, communal areas and infrastructure, including our digital platform, making our buildings more attractive to our customers.

- We invested £18m of capital expenditure on our refurbishment programme over the year and £7m on smaller upgrade works.

net.workspace.co.uk
Featuring customer profiles and articles that help generate enquiries.

How we drive long-term value from our customer base

Understand

Daily interaction with our customers through our on-site staff, customer engagement programmes and regular surveys ensure we build up the insights we need to truly understand the requirements of our existing and potential customers, anticipate the latest trends and respond accordingly.

- We operate a system of real-time continuous customer feedback, driven by our on-site business centre managers.
- In addition, we conduct customer satisfaction surveys twice a year and gather insights from research carried out by third parties, such as Cambridge Economic Associates, into the factors that help companies to grow and the economic impact of our customer base.
- We hold highly successful quarterly business insight dinners, which provide the opportunity for our customers to network with Workspace management and fellow customers.

Secure

Marketing direct to both our potential and existing customers is vitally important. Rather than relying on third parties, we are able to directly and clearly communicate the benefits of Workspace as the home for new and growing companies. These include the range of space on offer, with live availability showing on our website, the flexibility of leases, as well as a whole host of other services from fast and secure internet connectivity, ClubWorkspace and meeting rooms to diverse events taking place in our business centres every week.

- Our communications with potential and existing customers reflect the nimble nature of new and growing companies. Our blog, which features customer profiles and relevant articles generated 20% of referral traffic to our website, which in total contributed over 50% of all customer enquiries during the year.

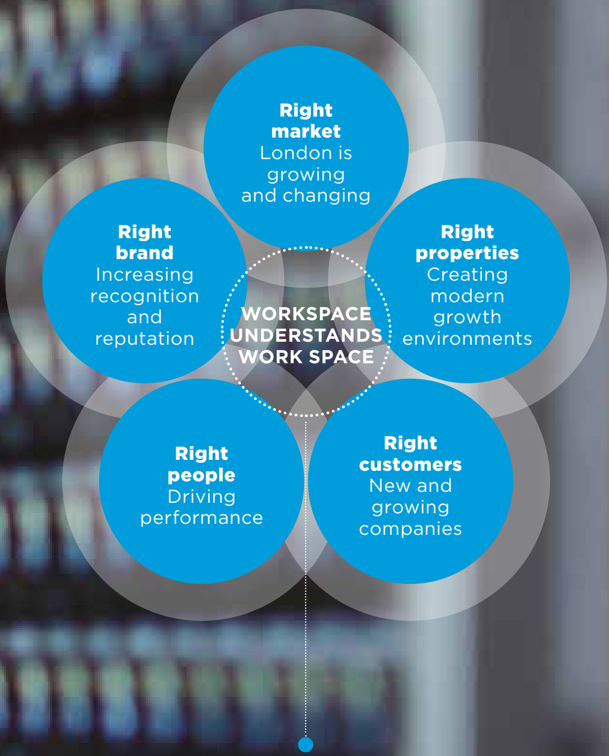
Retain

We look after our customers as their businesses grow by providing the right environment to support that growth, as well as high-quality space in extremely attractive locations. Our on-site centre managers, technology infrastructure and the flexible spaces we provide allow our customers to focus on growing their businesses.

- Our partnership with Excell, a leading provider of communications solutions, delivers business grade digital services, built around super-fast, resilient and secure internet connectivity – matching the flexibility of the lease.
- We hosted 300 events last year, including the launch of Informed Funding, the platform for connecting growing businesses to finance. These events connect our customers to business experts and the latest business thinking, as well as to fellow customers within our properties, and help position Workspace as the home for new and growing companies.

OUR STRATEGY

Growth through performance



This year we have aligned the articulation of our strategy to the strategic diagram above.

Related information:
Business review p.44

Corporate Social Responsibility p.34

Right market

London is growing and changing

Maximising the value of our London-based property portfolio and its wider opportunities for repositioning and redevelopment.

Priorities in 2014/15

- Make planning applications for four further schemes.
- Sell or appoint development partners for newly consented schemes.

Performance in 2014/15

- Planning consent for mixed-use developments obtained at Arches Business Centre, Enterprise House, Hayes and Wandsworth Phase 2 (The Light Bulb).
- Deals agreed with development partners on Poplar Business Park, Bow Enterprise and Faircharm.
- Sale of 10 industrial properties supporting the repositioning of the Workspace portfolio.
- Won Specialist Property Company of the Year 2014 at the Estates Gazette Awards and the UK Stock Market Award for Best Real Estate PLC.

Priorities for 2015/16

- Make planning applications for six further schemes.
- Appoint development partners for newly consented schemes.
- Opening of Grand Union Studios.

Key risks

- Adverse planning decisions.
- Construction cost and programme overruns.
- Downturn in the London property market.

Market trends

London's population continues to grow, resulting in increasing demand for office rental space.

Right properties

Creating modern growth environments

Owning the right properties that are tailored to our customers' needs and intensively managing these properties to drive occupancy and rents.

Priorities in 2014/15

- Focus on driving pricing and rent roll.
- Continue our refurbishment projects including completion of Metal Box Factory.
- Progress with further potential redevelopment/refurbishment projects.
- Continue with our targeted acquisitions programme.

Performance in 2014/15

- Total rent roll up 19% in the year.
- Metal Box Factory and The Light Bulb opened during the year and are both letting up ahead of expectations.
- Major refurbishments of Linton House, Westminster Business Square and Cargo Works are progressing well.
- Acquisition of five complementary properties in strategic locations including 160 Fleet Street and Edinburgh House.
- Like-for-like occupancy at 92.2% with continued strong growth of like-for-like rent per sq. ft. up 16% in the year.
- Pill Box in Bethnal Green won 'Best New Place to Work' at the London Planning Awards.

Priorities for 2015/16

- Complete the major refurbishments at Cargo Works, Linton House and Westminster Business Square.
- Continue with further refurbishment projects including Barley Mow and Hatton Square Business Centre.
- Continue with our targeted acquisitions programme.
- Continue to drive pricing and rent roll.

Key risks

- Failure to meet customer space and service expectations.
- External macroeconomic factors influence the demand for our accommodation.

Market trends

More relevant properties in alignment with our strategic priorities becoming available as churn in the London property market increases.

Right customers

New and growing companies

Understanding our customers and enhancing our brand by responding to their needs.

Priorities in 2014/15

- Roll out of ClubWorkspace at four further locations.
- Extend our telecoms and data product range.

Performance in 2014/15

- Club Workspace launched at ScreenWorks, Pill Box, Parkhall and Metal Box Factory, increasing the number of clubs to 10 locations.
- Our platform of digital infrastructure and services is now available throughout 30 of our major business centres. The platform offers superior internet access and also a range of cloud services.
- Joint venture with Generate Studio offering office design services and provision of furniture.
- We have upgraded and expanded our meeting room offer.

Priorities for 2015/16

- Continue to build provision of additional services to customers and integration of ClubWorkspace members.
- Extend our telecoms and data product range.
- Programme of hosted events at all our business centres to support networking opportunities amongst our customers.

Key risks

- Failure to meet customer service expectations.
- Poor performance of our suppliers.

Market trends

Through our increased customer interaction we have identified that customers want more than just space. These requirements are built into new refurbishments and developments.

Right people
Driving performance

Experienced teams with specialist skills creating a responsible culture of risk management and performance, with all employees focused on the customer. Interests aligned across the Company, as well as with investors.

Priorities in 2014/15
- Provide employees with interesting and rewarding roles.
- Increase number of training days and number of employees undertaking training.
- Overhaul training programme for customer-facing staff.

Performance in 2014/15
- Encouraged further study, supporting 10 staff to pursue professional and vocational qualifications.
- Invested in technology and rolled out regular external training for all customer-facing staff in our properties, focused on social media, networking and sales.
- 65% increase in training days completed by our employees (631 days in total).
- 24% increase in number of employees undertaking training (146 people trained).
- Regular presentations given by senior management to all staff on business performance and Company achievements.
- 27 long service awards presented to staff for 5, 10, 15 and 20 years' service.

Priorities for 2015/16
- Expand training and career development opportunities for employees.
- Build on the internal communications platform to ensure all staff are aligned in delivering Company objectives.
- Roll out next stage of training for customer-facing staff, to focus on people and stress management.

Key risks
- Ability to attract and retain talented and committed individuals.

Market trends
People are increasingly looking for their employers to provide professional development opportunities, as well as taking an active interest in the environmental impact their companies make on the world around them.

Right brand
Increasing recognition and reputation

Focused on developing our brand to drive performance across the business.

Priorities in 2014/15
- Develop and enhance our social media profile.
- Continue to ensure refurbishment and redevelopment activity fits with our CSR strategy.
- Continue to invest in carbon reduction initiatives and encourage our customers to follow suit.

Performance in 2014/15
- Our social media activity generated 20% of Workspace website referrals.
- 15,000 enquiries during the year, an increase of 15%.
- Launched the NGC Forum at the House of Commons in January.
- Pill Box in Bethnal Green won 'Best New Place to Work' at the London Planning Awards.
- Worked with customers to reduce carbon emissions in our buildings and invested in energy-reducing equipment.

Priorities for 2015/16
- Cement Workspace's position as the home to new and growing companies.
- Develop our communications platform, including social media and our website, to enhance brand visibility and engagement with our customers.
- Launch the new Workspace website, integrating the customer, investor and social sites and enhancing the customer experience.

Key risks
- Failure to differentiate our brand.
- Lose contact with our customer base.

Market trends
London's economic growth is being driven by our customer base of new and growing companies who want to engage with relevant brands that they trust.

Protecting future returns

Risk management is an integral part of all our activities and is reflected in every decision we make. We focus on key risks which could impact on the achievement of our strategic goals and therefore on the performance of our business. Risks are considered at every level of the business including when approving decisions, transactions and monitoring performance.

We have a structure in place to capture, document and manage risk in line with our size and business model. The close working relationship between the Executive Directors, senior management and other team members enhances the ability to efficiently capture, communicate and action any risk issues identified.

Our Risk Committee co-ordinates risk management activities throughout the Group and reports to the Board and Audit Committee where appropriate. The Risk Committee comprises the Chief Executive Officer, the Operations Director and Company Secretary, alongside certain senior managers and representatives from across the Company. The Risk Committee engages with staff throughout the business and our small size helps to ensure a close relationship between each business area. In addition, frequent visits by head office staff to our business centres help to ensure awareness and understanding of any property-specific risks and issues.

Risk management structure

Overall, we review risks in two strands:

1. Strategic risks

These are identified, assessed and managed by the Executive Committee on behalf of the Main Board. These risks are reviewed at Board level to ensure they are valid and relate to the current strategic direction and objectives of the Group. Details of our strategic risks and the mitigating activities in place to reduce these risks are set out on the following pages. The Board is satisfied that we continue to operate within our desired risk appetite.

2. Operational risks

These are identified, assessed and managed by the Executive Committee. These risks cover all areas of the business, such as Finance, Operations, Investment and Development. Day-to-day operational risks are closely reviewed and managed by the Executive Committee and senior management, with information being reported to the Board and Audit Committee as appropriate.

Risk registers for all areas are maintained and risks are assessed against a defined scoring mechanism to ensure consistency. High-rated risks identified in the registers are regularly reviewed by the Board, Audit and Executive Committees.

Risk	Mitigating activities and actions

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

Market
Properties

We regularly review funding requirements for business plans and ensure we have a wide range of options available for alternative sources of funding.

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

We have also fixed or hedged 73% of our loan facilities so that our interest payment profile is stable.

Risk management in action:
In November 2014 we successfully completed a Share Placing raising proceeds of £96.5m to help extend and accelerate our refurbishment and acquisition plans.

Change in year

This risk has reduced due to our additional fundraising in the year, which enhanced our headroom on facilities and provided cash to fund development and acquisition opportunities.

Loan to value
19%

Headroom on loan facilities
£140m

Property valuation
Value of our properties declining as a result of the macroeconomic environment, external market or internal management factors.

Market
Properties

Market-related valuation risk is largely dependent on external factors which we cannot influence. However, we do the following to ensure we are aware of any market changes, and are generating the maximum value from our portfolio:

- Monitor the investment market mood.
- Monitor market yields and pricing of property transactions across the London market.
- Alternative use opportunities pursued across the portfolio and progress made in achieving planning consent for mixed-use development.

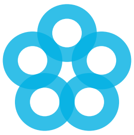
Change in year

Thanks to the action taken to strengthen our balance sheet through the Share Placing and by ensuring that all our borrowings are unsecured, we currently have high levels of headroom on our facilities, protecting us from any adverse changes in the market.

ScreenWorks
Islington

Risk	Mitigating activities and actions

Customer
Demand by businesses for our space within our properties declining as a result of social, economic or competitive factors.



Market
Properties
Customers
People
Brand

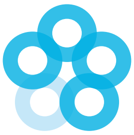
Every week the Executive Committee meet with Senior Management to monitor occupancy levels, pricing, demand levels and reasons for customers vacating. This ensures we react quickly to changes in any of these indicators.

Our extensive marketing programme ensures that we are in control of our own leads and pipeline of deals to business centres. Our use of social media, backed up by a busy events programme, has further helped us to engage with customers, differentiating us as providing not only space but also an opportunity to network with other businesses based in our portfolio.

Change in year
●●●●

Like-for-like occupancy
92.2%
(91.4% March 2014)

Development
Impact on underlying income and capital growth due to:
- Adverse planning rulings.
- Construction cost and timing overrun.
- Lack of demand for developments.



Market
Properties
Customers
Brand

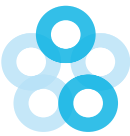
For every development scheme we work hard to gain a thorough understanding of the planning environment and ensure we seek counsel from appropriate advisers.

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

Every month, a detailed review of progress against plans is presented to the Board, including post-project completion reviews.

Change in year
●●●●

London
Changes in the political, infrastructure and environmental dynamics of London.



Market
Customers

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 to ensure we're aware of any changes coming through ahead of time.

Change in year
●●●●

Risk	**Mitigating activities and actions**

Investment

Underperformance due to:
- Poor timing of disposals.
- Poor timing of acquisitions.
- Failure to achieve expected returns.

Market
Properties
Customers
Brand

160 Fleet Street
New acquisition

Regular monitoring of asset performance and positioning of our portfolio.

Thorough due diligence and detailed appraisals undertaken on all acquisitions prior to purchase.

Close monitoring of acquisition performance against target returns.

Risk management in action:
Detailed review undertaken and due consideration given to the decision to dispose of a portfolio of 10 properties in October 2014. These disposals were in line with our strategy of repositioning our portfolio and brand to meet our strategic goals.

We have acquired five properties in the year, helping to deliver against our strategic objectives. Each of the acquisitions was reviewed and analysed in detail prior to exchange so that any potential risks were taken into account.

Change in year
●●●●

Although the level of investment activity has increased in the last year, we have maintained the level of risk as we ensure that each acquisition or disposal is aligned to our strategic goals and that appropriate approval and due diligence is undertaken for each transaction.

Reputational

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

Customers
Brand

Due diligence is undertaken on all potential new business ventures.

Business plans for any JV partners are reviewed regularly, as are the performance and progress of the joint ventures.

Risk management in action:
We have a number of joint venture or investment activities underway, including with office interior design company, Generate Studio, for which we assess and consider risks and rewards at inception. We monitor the performance of each at Executive level on a monthly basis to ensure they continue to deliver against their plans and budgets.

Change in year
●●●●

Risk

Regulatory

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

People
Brand

Mitigating activities and actions

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

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

Advisers engaged to support best practice operation.

The Risk Committee provides regular updates to the Board on emerging risks and issues.

The Group's Health and Safety Manager meets regularly with the CEO.

Risk management in action:
We aim to engage and inform staff on key risk areas and emerging issues. During 2014/15, Trading Standards came into the business to present on recognising fraudulent behaviour and we held workshops on Data Protection. In addition, we held staff training on our obligations regarding share trading and market sensitive information

Change in year

●●●●

Data Protection workshop

Cyber security risk workshop

Risk

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

Properties
People
Brand

Mitigating activities and actions

Monitoring security threat/target information.

Business continuity plans and procedures are in place and are regularly tested and updated.

IT controls and safeguards are in place across all our systems, including a data centre back-up.

Risk management in action:
During the year we focused on the potential impact of cyber security risk on the Group. A workshop was held to brainstorm areas where we may be most at risk. We have now developed a cyber security risk action plan and are taking steps to ensure all required controls and mitigations are in place.

Change in year
●●●●

Risk

Brand
Failure to meet customer and external stakeholder expectations.

Customers
People
Brand

Mitigating activities and actions

To ensure we 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 have also recently developed a customer engagement plan to ensure we are interacting with our customers in a variety of ways, including the use of social media.

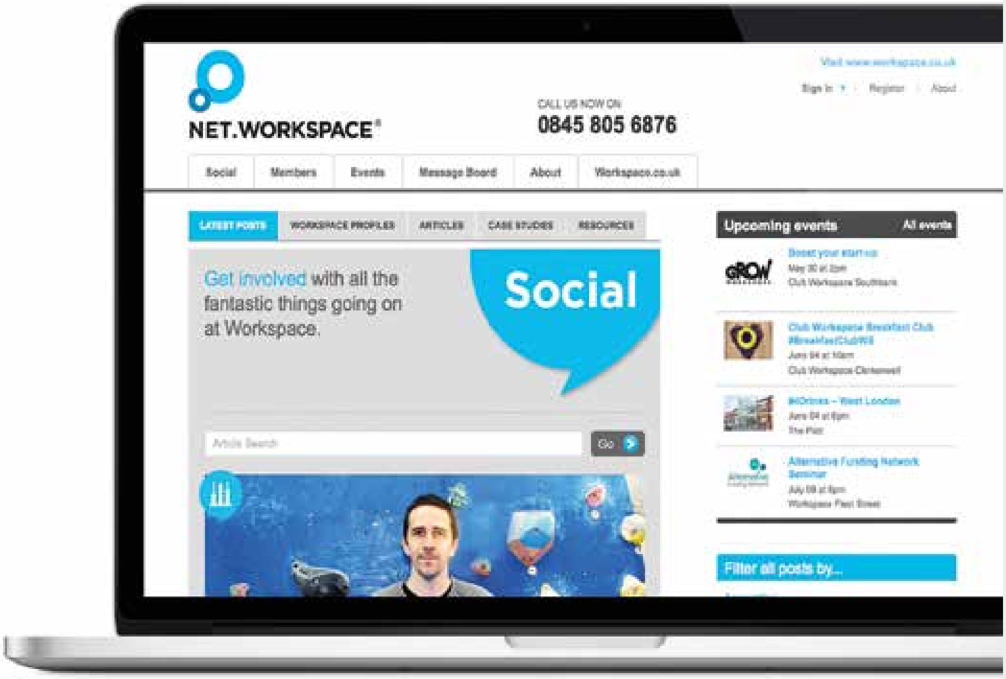
We maintain regular communication with all stakeholders, key shareholders and hold Investor Day presentations and roadshows.

Risk management in action:
The use of social media channels, such as Twitter, to engage with our customers and our market has proved to be very successful and helped to create business communities within our centres. We undertake detailed monitoring of the use of these social media channels in case of any adverse information.

Change in year

●●●●

Customer engagement
Engaging our customers using social media.



At the heart of our business

Jamie Hopkins, Chief Executive Officer, on site at Pill Box.

CSR components

Why CSR is important to us

Our business is built around our customers. We provide flexible, innovative workspace for new and growing companies and we pride ourselves in our unique offering. This extends far beyond the space, location and value for money that we provide, but also resides in the CSR strategy that we have embedded throughout our business. It differentiates us in the marketplace, makes us a 'location of choice' for our customers, creates stronger communities in the areas in which we operate and ensures that we manage our operations as efficiently as possible.

Summary highlights

With customers at the centre of our business, supporting them in driving their own success is fundamental to our culture. This year alone, we hosted 300 business networking and educational events for our customers, with over 10,000 people attending. We also supported the launch of Informed Funding, which provides independent advice to our customers on financing their business growth. These programmes have delivered huge benefits to our customers and we are committed to expanding these, as well as a number of other exciting projects, in the coming years.

While customers are at the centre of our business, the sites that we operate form the heart of the communities in which they sit. We believe that supporting those communities in education, employment, entrepreneurship, environment and enjoyment (through our E5 strategy) is fundamental to being a strong community partner. Building on these principles, this year we linked our own business with those of our customers to provide 75 work placements for local students as part of InspiresMe week. This is just one of a number of exciting community projects that we have delivered in the year and more of our achievements are highlighted below, as well as on our website.

Moving forwards, we are committed to continuing to innovate and drive further positive change, both within our own business and in partnership with our suppliers, customers and local communities.

Jamie Hopkins
Chief Executive Officer

Awards and accreditations

GRESB – Global Real Estate Sustainability Benchmark

We received the title of Global Sector Leader (Diversified – Office/Industrial property type) and gained a Green Star for the 2014 Global Real Estate Sustainability Benchmark (GRESB) Survey. Compared to the global average we outperformed by 20 points and were in the top quartile of all submissions.

The GRESB allows us and our investors to measure our sustainability performance within the real estate sector.

FTSE4Good

We were once again included in the FTSE4Good Index, which helps us assess our achievements against a transparent and evolving global corporate responsibility standard.

EPRA – European Public Real Estate Association

We were awarded a Gold in the European Public Real Estate Association (EPRA) Sustainability Awards for 2014. We were only one of 16 companies judged to have the highest compliance with the EPRA Sustainability best practices recommendations.

The EPRA ensures we are adhering to sustainability reporting best practice.

Business in The Community

We retained our CommunityMark from one of the Prince's charities Business in The Community (BiTC). This recognises businesses that have an integrated and strategic approach to community investment and are making a measurable difference to communities through their programmes.

CDP – Carbon Disclosure Project

In 2014, we increased our Carbon Disclosure Project score from 70 to 86 points and improved our rating from a D to a B. The average disclosure score for a FTSE 350 company in 2014 was 77 and the average performance band was a C.

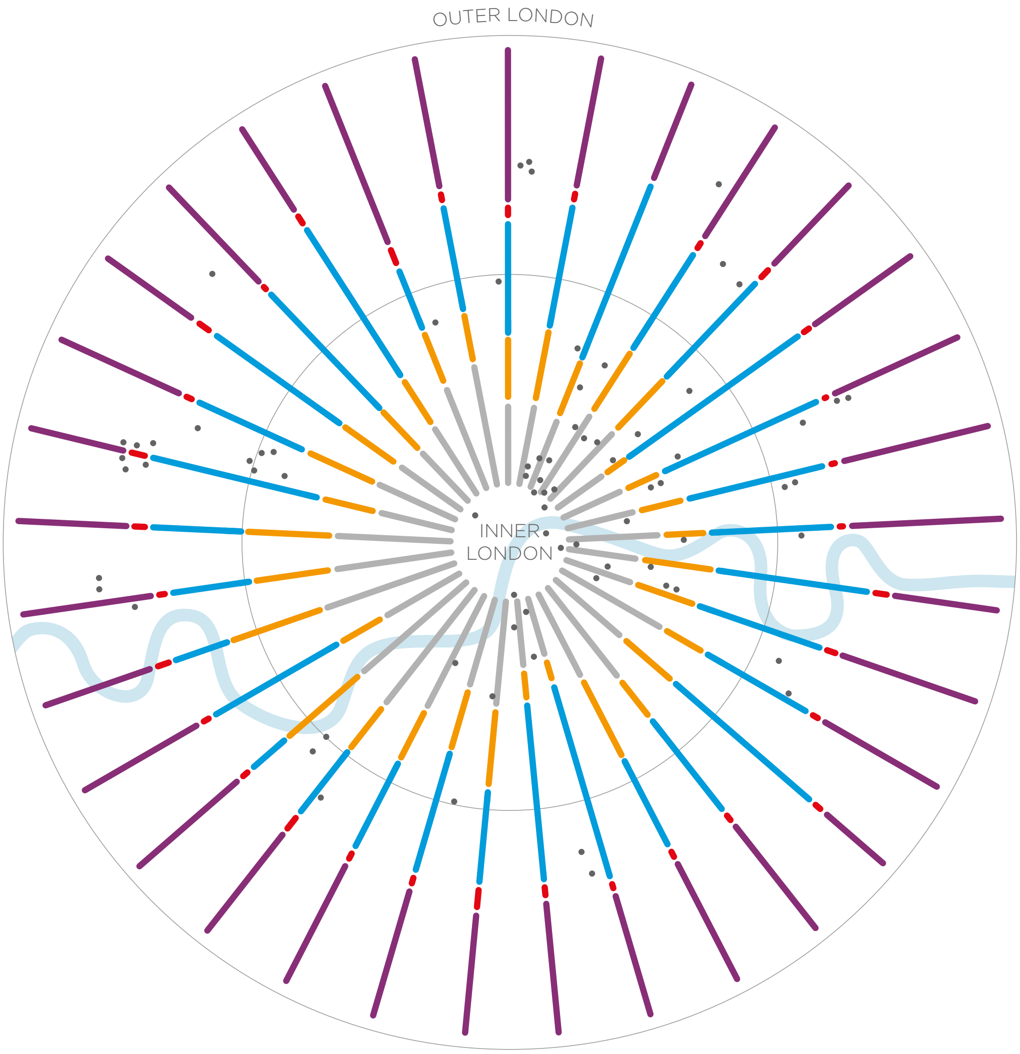
The CDP shows our investors what we are doing internally to manage our carbon emissions and protect ourselves from climate change risk.

Investors in People

We continued to hold our Investors in People accreditation for the 12th year in a row.

Customers

The relationships we build with our customers are essential to achieving the high levels of customer satisfaction and loyalty which are key to the success of our business. We foster those relationships by going beyond what might normally be expected of a landlord; we help our customers to connect with local communities by participating in our community programmes, to grow their businesses by connecting with other customers, and to improve the environmental performance of our centres by sharing best practice advice with them.



Method of travel by commuters into London
Today the majority of our properties are near to major transport hubs and we are installing cycle racks in many of our properties. All of this helps make us the natural home to London's new and growing companies.

- Underground/Rail/DLR
- Bus/Tram
- Car/Motorcycle
- Cycle
- Walk
- Workspace business centres

1,000

Customers surveyed over last three years.

50

Engaged with 50 customers for the pilot survey of our Healthy Buildings study.

Performance highlights

- Achieved a score of 77% in our 2014/15 customer experience survey. This was marginally down on the previous year due to significant price increases. However, we maintained a high score on the components of the survey related to quality of service.
- Worked with our customers to provide work placements in their businesses for 75 students as part of InspiresMe week in conjunction with the GLA and BiTC.
- Workspace surveyed 1,000 customers over the last three years to ascertain the key pillars of sustainable success for London-based new and growing companies. This research was used at the NGC Forum, a parliamentary reception bringing together key stakeholder groups and influencers from the political, NGC and financial spectrum.
- Supported the launch of Informed Funding, which aims to put businesses in touch with finance providers that best match their needs, and provided Workspace customers with premium access to the service, making it easier for them to find the right finance solution to help them grow.
- Launched Workspace Business Insight Dinners to bring together senior Directors from our customer base and industry experts to discuss relevant challenges facing growing businesses.
- In conjunction with the GLA, we promoted National Apprenticeship Week to all centres.
- We launched the pilot survey of our Healthy Buildings study which builds on the 2014 WGBC 'Health, Productivity and Wellbeing in Offices' report. We have so far engaged with 50 customers with a view to rolling the full survey out to 450 customers at three centres.

Case study – NGC Forum

On Tuesday, 13 January 2015, in the Churchill Room at the House of Commons, Workspace hosted the inaugural NGC Forum, to focus on how new and growing companies are powering the London economy. Our sponsor for the event, Mary McLeod, then the Small Business Ambassador for London, made it clear that 'NGCs are so essential to what we're trying to do as UK plc'. The panel focused on the threefold challenge faced by NGCs, namely the availability of finance, premises and skills, with Professor Peter Tyler from Cambridge Economics Associates, who also attended the Forum, commenting that 48% of NGCs reported access to finance as a growth constraint.

Targets for 2015/16

- Build on customer networking and growth opportunities such as Informed Funding, NGC Forum and Business Insight Dinners.
- Increase participation of businesses in InspiresMe week to provide work placements for 100 students.
- Continue to engage with our customers in relation to sustainability and CSR issues.
- Demonstrate how Workspace's property portfolio contributes to tenant employee productivity.
- Issue Green Leases to our new customers on at least 12 sites.

Suppliers and partners

We aim to build long-term relationships with our suppliers by being a responsible purchaser of goods and services. We also work closely with our partners to integrate sustainability into the design, construction and redevelopment of Workspace centres.

Performance highlights

- Approved signatory of prompt payment code.
- Procured over 90% of our total electricity consumption from renewable tariffs.
- The Light Bulb and Grand Union Studios contractors have been awarded 'Performance Beyond Compliance' certification for Considerate Constructors Scheme.
- The Light Bulb and ScreenWorks schemes achieved BREEAM Very Good certification.

Case study – Working with our partners to reduce environmental impact

A requirement on all Workspace construction projects over 2,000m^2 is that principal contractors divert at least 75% of the weight of non-hazardous demolition waste and 90% of construction waste from landfill. In the past year we have had three schemes exceed this requirement, with ScreenWorks in Islington, The Light Bulb in Wandsworth, and Grand Union Studios in Kensal Rise, all achieving more than 99% non-hazardous waste and materials landfill diversion.

We also require Considerate Constructors Scheme (CCS) registration on all major development and refurbishment sites, targeting a score of at least 34/50. We achieved a score of 41/50 at The Light Bulb scheme (excellent-exceptional) and 43/50 at Grand Union Studios (exceptional), with both schemes receiving 'Performance Beyond Compliance' certification from CCS.

We also aim for BREEAM certification, with the ScreenWorks and The Light Bulb schemes achieving BREEAM Very Good. We have three schemes in development also targeting BREEAM, with Grand Union Studios and Barley Mow designed to Very Good, and Hatton Square Business Centre designed to Excellent.

The Light Bulb achieved more than 99% non-hazardous waste and materials landfill diversion.

Targets for 2015/16

- Achieve a Considerate Constructors score of at least 40/50 for all relevant projects.
- Continue to divert at least 90% (weight) of non-hazardous demolition waste and 75% of construction waste from landfill for all developments and refurbishments.
- Suppliers to demonstrate that a minimum of 80% of timber is procured from certified sustainable source (FSC) equivalent.
- Refresh and recirculate 'The Signpost', our supplier engagement document.

99%

Average non-hazardous construction and waste materials diversion away from landfill achieved at ScreenWorks, The Light Bulb and Grand Union Studios.

100%

FSC timber procured at Grand Union Studios.

Employees

We provide a safe and rewarding work environment to ensure we attract, develop, motivate and retain talented and ambitious individuals. Our commitment to diversity encourages innovation and ensures our workforce reflects the diversity of the customers and communities in and around our centres.

27

Long service awards presented to staff.

65%

Increase in training days completed by employees.

firstlove FOUNDATION

Working to tackle hidden hunger through the provision of emergency donations of food (enough for a minimum of three days) and support to those facing real crisis.

XLP

XLP is about creating positive futures for young people growing up on deprived inner city estates.

FareShare community food network

Food supply organisation for the vulnerable and needy.

Performance highlights

- 65% increase in training days completed by our employees (631 training days completed).
- 24% increase in number of employees undertaking training (146 people trained).
- Held Director-led presentations at a number of our centres in 2014. These presentations ensure all employees are aware of the performance of the business, the strategy and the role they play in driving performance.
- 27 long service awards presented to staff for 5, 10, 15 and 20 years' service, with 20 awards for 10+ years' service.
- Employees spent a total of 35 days volunteering for our nominated charities: XLP, FareShare and First Love Foundation.

Funding for further studies

We are committed to developing the skills of our staff and will fund courses for employees who wish to gain professional qualifications and undertake studies that will enhance their careers. A new process was introduced to ensure that any qualifications or studies employees want to undertake are in line with the strategy of the business. Employees must put a business case together covering rationale, fees, how the course will enhance their skills and how the Company will benefit.

Case study – Investing in our people

Tim Balsom, Senior Building Surveyor, recently completed his MBA in Real Estate and Construction Management. The course was undertaken in two and a half years and was fully funded by Workspace. The course has enabled Tim to expand on his knowledge of property and construction, improved his construction management skills, allowing him to manage larger design teams, and helped him to better understand how the Company chooses its development projects. Following the course, redevelopment will now become part of his role. The Company supported Tim financially but also gave him the necessary time off to complete his studies and provided additional support in the form of colleagues sharing their expert knowledge. Tim's completion of the course benefits Workspace as well, as he will be able to make a greater contribution to the continued expansion of the development programme, which is a major driver of asset value and income.

Targets for 2015/16

- Introduce a digital platform showing all staff benefits and total reward statements.
- Continue to facilitate and encourage further training and development.
- Increase staff participation in E5 strategy and deliver at least 40 days of staff volunteering.

Communities

We aim to make the communities in which we operate better places to live and do business in. We continue to enhance our understanding of the impact that our centres have both socially and economically and our flagship E5 community investment strategy supports education, employment, enjoyment, entrepreneurial and environmental initiatives in the communities in which we operate.

35

Days of staff volunteering.

75

In collaboration with BiTC and the GLA, we provided 75 students with work placements at our business and our customers' businesses as part of InspiresMe week.

Performance highlights

- Our charity committee donated £99,583 in space and cash as part of our E5 community strategy and supported a total of 35 days of staff volunteering.
- In collaboration with BiTC and the GLA, we provided 75 students with work placements at our business and our customers' businesses as part of InspiresMe week.
- Continued our successful partnership with St Gabriel's School, Kennington, for the second year, to prepare them to embark on their careers and become entrepreneurs of the future.
- Volunteering at Food Banks and as part of the Tesco food drive collection became an integral part of our employee volunteering opportunities.
- Provided support for XLP, a charity which works with underprivileged young people from inner London, in the form of fundraising, volunteering days, provision of preferred places on InspiresMe week work placements and mentoring during their summer camp.

Case study – Arctic Challenge (pictured)

One of the many highlights of our E5 strategy saw four of our adventurous staff embark on a gruelling Arctic Challenge to raise money for KidsCo. KidsCo provide practical, emotional and educational support to vulnerable inner-city children, and cover many of the London boroughs in which our business operates. The extreme weekend in Norway saw our staff compete against other teams in dog-sledding, cross-country skiing and fishing. Much fun (and many blisters) were had, all while fundraising for a great charity.

Targets for 2015/16

- Expand delivery of our E5 strategy in collaboration with our community partners to provide more staff volunteering days, space donation and financial support to our nominated charities and community initiatives.
- Support at least 40 staff volunteering days throughout the year.
- Expand InspiresMe week to facilitate a total of 100 students working with our customer base.

Workspace's Lucia, Tim, Alphie and Dale embark on the gruelling Arctic Challenge.

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Environment

We believe that continually improving our environmental performance creates value for our business. Not only is it essential if we are to meet the changing expectations of our customers, but as a property company we play an important role in supporting the achievement of UK environmental targets and fulfilling our role as a responsible business.

B-86

CDP (Carbon Disclosure Project) scores were considerably higher this year.

9%

Energy reduction when adjusted for occupancy.

57%

Average recycling rate achieved across our portfolio.

137

Our voltage optimisation project, designed to reduce electricity consumption through voltage reduction, helped to reduce four business centres' combined CO_2 emissions by 137 tonnes.

Performance highlights

- Completed an updated portfolio risk review which identified that only 3% of our total gross lettable area has F or G rated Energy Performance Certificates, compared to 18% of the total Landmark EPC database which are F or G rated.
- Achieved a 9% reduction in absolute energy consumption between March 2013 and March 2015.
- Implemented several energy reduction measures including: voltage optimisation at four key business centres, boiler optimisation at 22 centres, and LED retrofit at three centres.
- Introduced water efficiency initiatives at four sites.
- Achieved a recycling rate of 57%, driven by the waste audits undertaken at 12 business centres which aimed to engage customers on recycling.
- Commissioned a portfolio viability analysis to install photovoltaics at our sites, identifying 10 suitable buildings.
- Improved our Carbon Disclosure Project (CDP) submission considerably this year, achieving a rating of B and a score of 86.

Case study – Reducing environmental impact of our properties

This year Clerkenwell Workshops was identified as a target site to focus on reducing its environmental impact. Gas and electricity consumption were a key area of focus; by installing AMR smart metering for both we were able to identify areas of wastage throughout the year. We also installed several retrofit measures including boiler and voltage optimisation. Through these measures, we achieved a total energy reduction of 13% compared to the previous year. We also improved recycling levels from 56% to 61%, well above our portfolio target. In addition, measures such as site engagement with our customers and the provision of information, newsletters and posters, have made environmental impact a key area of focus for them. Our action plan will continue into next year with the roll-out of LED lighting, Green Leases and energy dashboards to further reduce the building's impact.

Targets for 2015/16

- Set energy reduction targets and action plan for our 10 buildings that consume the most energy.
- Reduce landlord controlled (communal) energy consumption by 10% by April 2017.
- Reduce overall carbon intensity by 20% by 2020.
- Reduce portfolio like-for-like water intensity to $0.50m^3$ by April 2017.
- Achieve 62% average recycling rate across all existing assets where we manage waste by March 2016.

Customer
Won 'Best New Place to Work' at the London Planning Awards.

Environment
100% renewable electricity purchased for site. Recycling rate of 80% achieved.

Suppliers and partners
Achieved a Considerate Constructors Scheme score of 34/40.

Communities
Supported the local borough, providing volunteers to Tower Hamlets food bank.

Employees
On-site staff worked with customers to offer three work placements to local students as part of InspiresMe week.

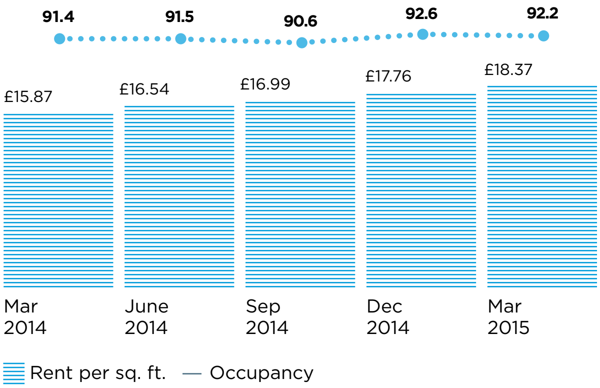
Bringing it all together at Pill Box

Background
Pill Box is surrounded by railway arches and popular East End bars and pubs. The building embraces its historical features which include lab tile floors, blue engineering brick columns and a stunning water tower, now a two-storey office. Each studio retains a patch of the authentic brickwork combined with a pure-white colour scheme.

Like-for-like portfolio

The like-for-like portfolio comprises properties which have not been impacted over the last 24 months by either major refurbishment or redevelopment activity. They represent the majority (67%) of the Group's rent roll.

Like-for-like properties



Like-for-like rent roll growth has been strong with rent roll up 17.7% (£7.0m) to £46.5m in the year. The majority of the increase has come from pricing with like-for-like rent per sq. ft. up 15.8% to £18.37. See table 1.

A breakdown of the like-for-like growth by property type is set out below:

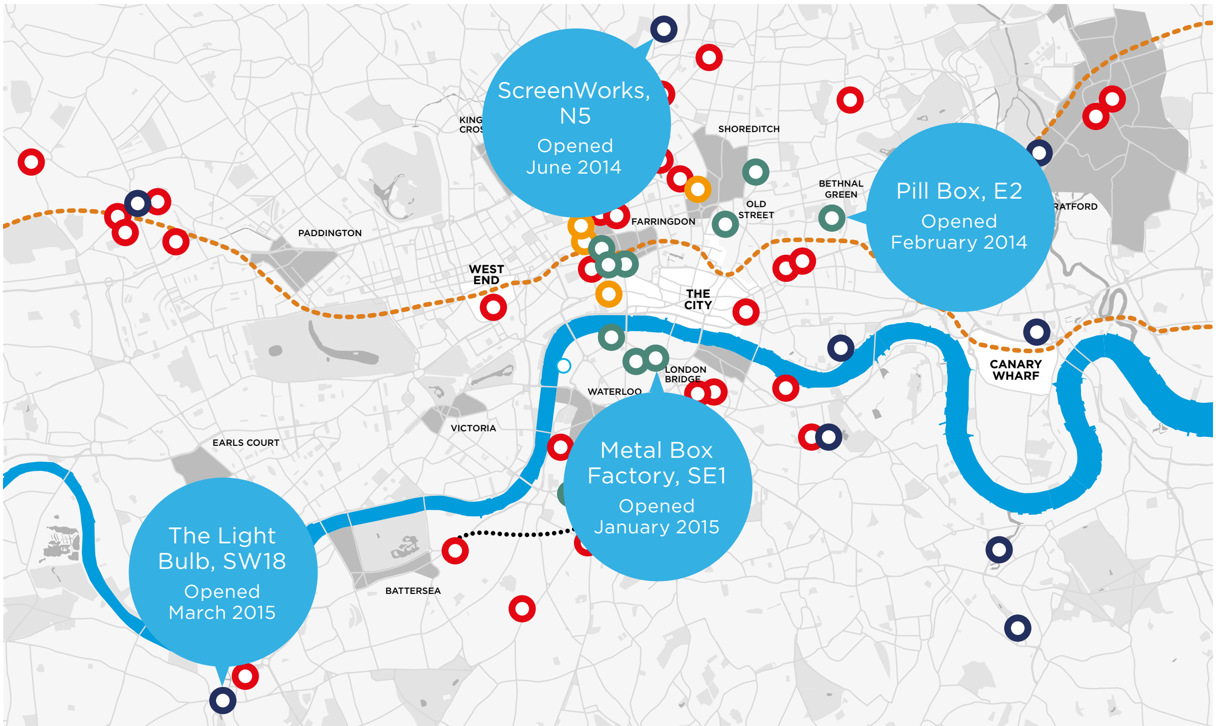
	Rent roll		Rent per sq. ft.	
	March 2015	March 2014	**March 2015**	March 2014
Business centres	**£41.3m**	£34.9m	**£21.98**	£18.87
Industrial estates	**£5.2m**	£4.6m	**£8.01**	£7.19
Total/Average	**£46.5m**	£39.5m	**£18.37**	£15.87

The business centres, which now represent 89% of the like-for-like rent roll, have seen the strongest pricing increases in the year with rent per sq. ft. up 16.5% to £21.98. This compares to a 11.4% increase in rent per sq. ft. at the industrial estates to £8.01.

Table 1:

Like-for-like properties	**31 Mar 2015**	31 Dec 2014	30 Sept 2014	30 June 2014	31 Mar 2014
Number of properties	**42**	42	42	42	42
Occupancy	**92.2%**	92.6%	90.6%	91.5%	91.4%
Rent roll	**£46.5m**	£44.7m	£42.1m	£41.3m	£39.5m
Rent per sq. ft.	**£18.37**	£17.76	£16.99	£16.54	£15.87

Metal Box Factory
Bankside



Completed projects

Completed projects comprise properties with new and upgraded space that have been delivered from our refurbishment and redevelopment programmes. Highlights during the year include:

- The successful letting-up of the new business centres in Bethnal Green (Pill Box – opened February 2014) and Islington (ScreenWorks – opened June 2014). Both reached 90% occupancy levels within nine months at pricing levels well ahead of initial expectations.
- Completion in January 2015 of the extensive refurbishment and addition of two floors at the Metal Box Factory on Bankside. We have seen very strong demand for the new space at this thriving location, with occupancy reaching 84% by the end of March 2015.
- We opened The Light Bulb in March 2015, a new business centre in Wandsworth Town Centre. By the end of April 2015 the centre was already 25% occupied with a further 13% under offer.

Completed projects	No. of projects	Rent roll at 31 March 2015	Rent roll at 31 March 2014
Refurbishments	5	£6.1m	£2.7m
Redevelopments	2	£2.1m	–
Total	**7**	**£8.2m**	**£2.7m**

The rent roll of completed projects has increased by £5.5m over the year to 31 March 2015. If all the buildings were 90% let at latest estimated rental values the rent would be £11.3m, £3.1m higher than the March 2015 rent roll.

Projects underway

We have a pipeline of properties that are at varying stages of refurbishment and redevelopment. This ranges from those at the planning stage, to those where we are vacating customers, through to properties where new space is under construction.

Projects underway	No. of projects	Rent roll at 31 March 2015	Rent roll at 31 March 2014
Refurbishments	8	£7.5m	£8.2m
Redevelopments	6	£0.3m	£1.9m
Total	**14**	**£7.8m**	**£10.1m**

During refurbishment projects there will usually be some reduction in the rent roll in those areas affected by the works; although on some larger projects we may need to completely vacate the property. The reduction in rent roll in the year of £0.7m includes the vacation of all customers at Hatton Square Business Centre ahead of the commencement of this major refurbishment project. Based on latest estimated rental values and assuming 90% occupancy the rent roll of the eight refurbishments when they have been completed would be £16.9m, £9.4m higher than the rent at 31 March 2015.

Redevelopment projects require complete vacant possession ahead of sale. During the year, the biggest reduction in rent roll was £1.1m at the Biscuit Factory where we are progressively vacating the part of the site that we have contracted to sell to Grosvenor for a residential redevelopment. Based on latest estimated rental values and assuming 90% occupancy, the rent roll of the new business space being returned to us at these redevelopments would be £3.1m, £2.8m higher than the rent at 31 March 2015.

Total portfolio

Overall occupancy was 88.7% at 31 March 2015 (31 March 2014: 85.8%). Our total rent roll has increased over the year by 19.0% to £69.4m (31 March 2014: £58.3m) as detailed below.

	£m
Rent roll at 31 March 2014	58.3
Like-for-like portfolio	7.0
Completed projects	5.5
Projects underway	(2.3)
Acquisitions in the year	3.0
Disposals in the year	(2.1)
Rent roll at 31 March 2015	**69.4**

Enquiries and lettings

Enquiries are an important indicator of the strength of customer demand and have been consistently high at an average of 1,222 per month, compared to 1,063 per month in the prior year. We have seen a similarly high level of completed lettings which averaged 109 per month (2014: 85 per month). Continued strong levels of enquiries and lettings are being seen in the first quarter of the current financial year.

	Quarter ended			
Average number per month	**31 March 2015**	31 Dec 2014	30 Sept 2014	30 June 2014
Enquiries	**1,232**	1,141	1,294	1,222
Lettings	**120**	105	108	104

Profit performance

Adjusted trading profit after interest for the year is £26.6m, up 30% compared to the prior year. The prior year trading profit excludes the exceptional finance costs of £1.9m associated with the refinancing of the debt facilities which was completed in July 2013.

£m	**31 March 2015**	31 March 2014
Net rental income – underlying	**54.4**	47.7
Net rental income – acquisitions	**2.2**	0.3
Net rental income – disposals	**1.1**	2.3
Joint venture income	**1.2**	1.1
Administrative expenses – underlying	**(10.5)**	(9.9)
Administrative expenses – share-related incentives	**(3.3)**	(2.5)
Net finance costs	**(18.5)**	(18.5)
Adjusted trading profit after interest	**26.6**	20.5

Total net rental income for the year was up 15% (£7.4m) to £57.7m with underlying net rental income up 14% (£6.7m) to £54.4m. This reflects income growth of 18% (£5.7m) at like-for-like properties and growth of £2.3m from completed refurbishments offset by a reduction of income of £1.3m at properties being refurbished or redeveloped.

The acquisitions in the current and prior year have contributed £1.9m to net rental income growth with a reduction in net rental income from disposals of £1.2m, largely from the 10 industrial properties sold mid-year.

Pill Box
Bethnal Green

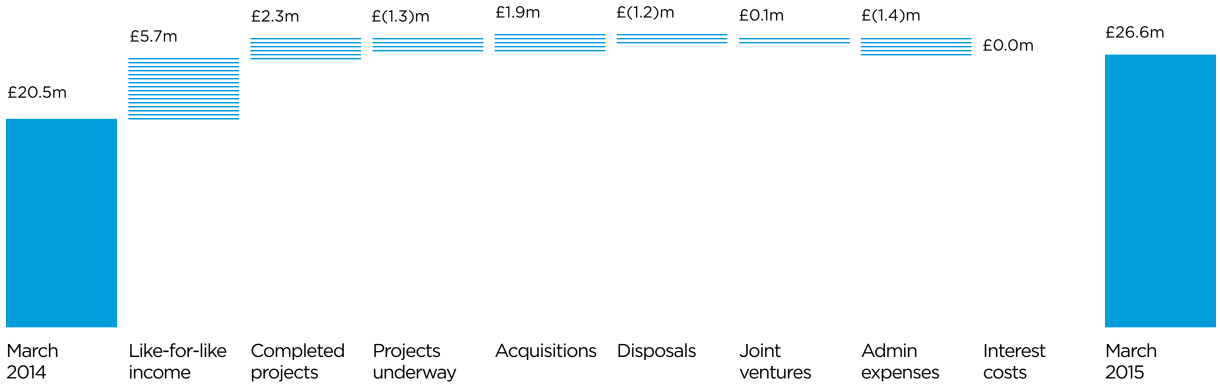
£69.4m

Total rent roll

+30%

Trading profit

Trading profit after interest



Joint venture income represents our share of net rental income less associated administrative expenses, primarily from the properties in the BlackRock Workspace Property Trust in which we have a 20.1% interest.

Underlying administrative expenses have increased by 6% (£0.6m) in the year due to an increase of four in average head-office headcount to 85 and an overall salary and bonus increase averaging 5%.

Share-related incentive costs have increased by £0.8m (32%) due to higher than expected vesting levels as a result of the strong share price performance.

Net finance costs, excluding exceptional costs, have remained flat year on year. The average level of debt (excluding cash) over the year was £328m (2014: £332m) and average interest cost was 5.2% (2014: 5.3%), this excludes the amortisation of fees running at 0.2% p.a.

Profit before tax has increased by 43% (£107.5m) in the year to £360.0m.

£m	**31 March 2015**	31 March 2014
Adjusted trading profit after interest	**26.6**	20.5
Exceptional finance costs	**-**	(1.9)
Change in fair value of investment properties	**318.0**	221.9
Other Items	**15.4**	12.0
Profit before tax	**360.0**	252.5
Adjusted underlying earnings per share	**17.2p**	13.9p

The change in fair value of investment properties of £318.0m reflects the increase in the total CBRE valuation in the year of £328.1m, adjusted for £10.1m of overage income now classified as deferred consideration within current receivables.

Other items for the year include profit on sale of investment properties of £0.3m, the change in the fair value of deferred consideration and overage payments of £10.1m and our share of the increase in valuation and property disposal profits relating to the BlackRock Workspace JV of £7.2m, offset by a £2.2m reduction in fair value of interest rate derivative financial instruments.

Dividend

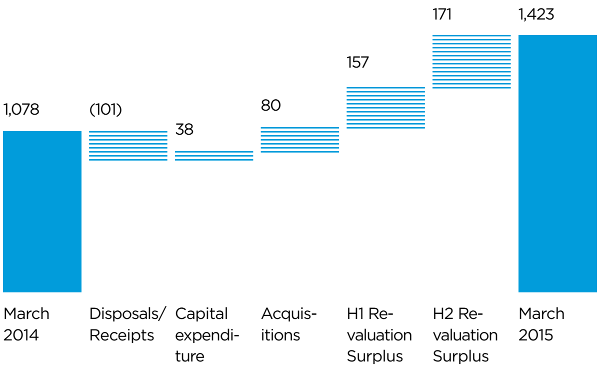
The Board has proposed a final dividend of 8.15 pence per share, an increase of 15% on the prior year (2014: 7.09 pence), which will be paid on 7 August 2015 to shareholders on the register at 10 July 2015. This dividend will be paid as a REIT Property Income Distribution (PID). The total dividend for the year is 12.04 pence, a 13% increase overall on the prior year (2014: 10.63 pence), which is covered 1.4 times by adjusted underlying earnings per share.

Property valuation

At 31 March 2015 the wholly owned portfolio was independently valued by CBRE at £1,423m, an underlying increase of 30% (£328m) in the full year, with an increase of 14% (£171m) in the second half of the year. The main movements in the valuation are set out below:

	£m
Valuation at 31 March 2014	1,078
Revaluation surpluses:	
– 6 months to 30 September 2014	157
– 6 months to 31 March 2015	171
Capital expenditure	38
Acquisitions	80
Property disposals	(44)
Capital receipts	(57)
Valuation at 31 March 2015	**1,423**

Property valuation



The total Workspace property return for the year was 36.7% (March 2014: 34.7%). This compares to a total property return of 17.1% (March 2014: 13.6%) for the IPD Quarterly Universe.

Set out below is a summary of the revaluation surplus and valuation at 31 March 2015 by property type:

£m	Revaluation surplus	Valuation
Like-for-like properties	177	768
Completed projects	59	179
Refurbishments	28	177
Redevelopments	50	197
Acquisitions	3	102
Disposals	11	–
Total	**328**	**1,423**

The 30% (£177m) increase in value of the like-for-like properties came from an uplift in rental pricing (representing 59% of the uplift) and a tightening in valuation yields (representing 41% of the uplift).

Like-for-like properties	**31 March 2015**	31 March 2014
ERV per sq. ft.	**£20.24**	£17.24
Rent per sq. ft.	**£18.37**	£15.87
Equivalent Yield	**6.5%**	7.2%
Net Initial Yield	**5.4%**	6.3%
Capital Value per sq. ft.	**£280**	£213

The uplift of 49% (£59m) in value of completed projects reflects the very strong pricing levels that have been achieved at these properties, well ahead of initial expectations when the buildings opened.

Completed projects	**31 March 2015**
ERV per sq. ft.	**£24.24**
Rent per sq. ft.	**£18.59**
Capital Value per sq. ft.	**£344**

We have also seen an uplift of 19% (£28m) in the value of refurbishments underway. Expectations for the pricing levels that can be achieved at these properties have been raised in light of the pricing levels achieved at the recently completed schemes.

The uplift of 34% (£50m) in the value of redevelopment projects is a combination of the:

- Increase in residential land values reflected in both schemes with planning that have been sold in the year and those at the planning stage of £26m;
- Uplift in the value of business space being returned to Workspace of £12m; and
- Increase in the estimated overage due to Workspace of £12m.

The £11m revaluation surplus on disposals arises from the uplift in value of these properties reported in the first half of the financial year which were subsequently sold in the second half of the year.

Acquisitions

We have continued to successfully identify and acquire complementary properties in our target locations across London where we can add value and leverage our operational platform to deliver strong returns, with five properties acquired during the last financial year.

- In April 2014, we acquired 12-13 Greville Street, EC1N for £2.3m. This building is adjacent to our existing property at 14 Greville Street and we are now progressing with plans for a new business centre on the combined site which will benefit from the opening of the new Crossrail station at Farringdon.
- In May 2014, we completed on the purchase of Vestry Street Studios, N1 for £12.6m at a net initial yield of 4.1% off an average rent of £23 per sq. ft. This Shoreditch warehouse of 23,000 sq. ft. complements our cluster of buildings in the Old Street/Shoreditch area.
- In November 2014, we acquired 160 Fleet Street, EC4 for £29.7m. This 54,000 sq. ft. property in Midtown was acquired out of administration at a capital value of £549 per sq. ft. and was only 48% let at a net initial yield of 3.7%.

160 Fleet Street
Midtown

- In January 2015, we acquired Edinburgh House, SE11 for £25.3m. This prominent 68,000 sq. ft. property in Kennington is fully let to the Metropolitan Police Authority at a rent of £22 per sq. ft. and was acquired at a capital value of £370 per sq. ft. and an initial yield of 5.2%.
- In January 2015, we also acquired Peer House, WC1 for £6.1m. This property adjoins our existing property at 60 Gray's Inn Road, WC1 in Midtown and is fully let off a low average rent of £21 per sq. ft. It was acquired at a capital value of £605 and a net initial yield of 3.3%.

We continue to search for further acquisition opportunities with two further properties acquired since the year end. On 27 May 2015 we announced that we had exchanged contracts for the purchase of 25 and 28 Easton Street, WC1 for £16.6m at a capital value of £794 per sq. ft. On 3 June we announced the exchange of contracts for the purchase of Angel House, EC1 for £34.0m at a capital value of £738 per sq. ft. These two properties are well located in Clerkenwell and Islington respectively and complement our existing cluster of buildings in these vibrant areas of London.

Disposals

In October 2014 we completed the sale of a portfolio of 10 non-core industrial estates for £44m, an £11m premium to their book value at March 2014. The properties generally represent good quality but small industrial estates, where the opportunity for Workspace to add premium operational or brand value is limited. The valuation of the seven remaining non-core properties at 31 March 2015 stands at £20m (March 2014: £53m).

Refurbishment activity

We continue to pursue opportunities to upgrade and add additional space at our properties. We are making good progress with three schemes completing during the last financial year delivering 141,000 sq. ft. of new and upgraded space and a further three delivering 162,000 sq. ft. of space expected to complete this year.

A summary of the refurbishment programme is set out in table 2 below.

We would expect the remaining capital expenditure on these refurbishment projects to be relatively evenly phased over the next three to four years.

Table 2:

Projects	Number	Capex spent	Capex to spend	Refurbished and new space
Completed	5	£32m	–	218,000 sq. ft.
Underway	8	£17m	£88m	372,000 sq. ft.
Design stage	6	–	£77m	399,000 sq. ft.
Total	19	£49m	£165m	989,000 sq. ft.

Cargo Works
Southbank

Redevelopment activity

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

It has been a busy and successful year for redevelopment, and highlights include:

- Delivery of two new business centres in Islington (ScreenWorks) and Wandsworth (The Light Bulb) at no cost to Workspace.
- Planning consent in April 2014 for the second phase of the redevelopment at The Light Bulb, SW18 for 77 residential units and 18,000 sq. ft. of commercial space.
- Sale of the second phase of the redevelopment at Bow Enterprise Park, E3 of 160 residential units to Peabody in April 2014 in return for £11m in cash and 3,000 sq. ft. of new industrial space.
- Agreement in May 2014 of the contract for sale of 148 residential units at The Faircharm, SE8 to London & Quadrant in return for £10m in cash and a new 52,000 sq. ft. business centre.
- Contract for sale with Telford Homes in September 2014 for the first phase of redevelopment at Poplar, E14 of 170 residential units for £16m and 8,000 sq. ft. of new industrial space.
- Planning consent in February 2015 at Arches Business Centre, UB2 for 110 residential units.

A summary of the contracted redevelopments where we have signed deals with residential developers are set out in table 3 below.

- The timing of cash receipts is dependent on when we obtain vacant possession or is often paid on a staged basis. £55m in cash was received during the last year, £28m is expected to be received in the current financial year and the balance over the following two financial years.

Table 3:

Contracted Projects	Number	Residential units	Cash received	Cash to come	Overage to come	New business space
Completed	2	281	£5m	–	£13m	114,000 sq. ft.
Underway	6	1,690	£74m	£31m	£5m	180,000 sq. ft.
Total	8	1,971	£79m	£31m	£18m	294,000 sq. ft.

The Light Bulb
Wandsworth

- We will receive 180,000 sq. ft. of new space on the contracted for sale schemes underway, 70,000 sq. ft. is expected to be delivered in the current financial year and the balance during the following two years.
- On a number of the sales we have overage clauses that entitle Workspace to additional payments if private residential sales exceed certain pre-agreed price levels. As at March 2015 the expected cash proceeds from overage was valued by CBRE at £18m of which £14m is expected to be received in the current financial year.

In addition to the contracted redevelopments detailed above, we have four properties with planning consent for a total of 539 residential units which will be marketed and sold in due course. We are also progressing discussions with planners on mixed-use planning schemes on a further six properties for 1,067 residential units

Cash flow

The Group generates strong operating cash flow in line with trading profit, with good levels of cash collection and bad debts remaining low at £0.3m (March 2014: £0.2m).

A summary of the movements in cash flow are set out below:

	£m
Net cash from operations	36
Dividends paid	(17)
Capital expenditure	(37)
Property acquisitions	(80)
Property disposals	44
Capital receipts	55
Distributions from joint ventures	3
Net proceeds from share placement	94
Settlement of Glebe proceeds share	(30)
Net movement in year	68
Debt at 31 March 2014 (net of cash)	(338)
Debt at 31 March 2015 (net of cash)	**(270)**

Financing

At 31 March 2015 the Group had £410m of committed facilities with an average period to maturity of 5.8 years and the earliest maturity in June 2018. Details are set out below:

	Facility	Maturity
Private placement notes	£148.5m	June 2023
Private placement notes	£9m	June 2020
UK fund	£45m	June 2022/2023
Retail bond	£57.5m	October 2019
Bank debt	£150m	June 2018
Total facilities	**£410m**	

Undrawn facilities (including cash)	**£140m**

The Private Placement notes comprise $100m dollar (£64.5m) 10-year notes, £84m of sterling 10-year notes and £9m of seven-year sterling floating rate notes. The US dollar notes have been fully hedged against sterling for 10 years. The overall interest rate on the £148.5m 10-year fixed rate notes is 5.6%. The UK Fund has provided a 10-year floating rate facility which amortises by 50% (£22.5m) at the end of year nine. A seven-year Retail Bond (listed on ORB) was issued in October 2012 and carries a coupon of 6.0%. The five-year bank facilities are provided by three UK clearing banks (RBS, HSBC and Santander) at a floating rate over LIBOR. The bank term facilities of £50m and UK Fund Facility of £45m are hedged at a rate of 1.9% for five years to June 2018.

In November 2014, we successfully completed a share placing issuing 14.6m new shares (representing approximately 9.99% of the issued share capital prior to the placing) at £6.60 per share raising gross proceeds of £96.5m. The proceeds are being used to extend and accelerate our refurbishment pipeline and take advantage of acquisition opportunities.

At 31 March 2015, overall loan to value was 19% and interest cover (based on net rental income) was 3.2 times, giving us good headroom on all of bank, placement notes and bond covenants.

Net assets

Net assets increased in the year by £420m to £1,146m, the most significant items being the £328m increase in the value of our investment portfolio and the share placing that raised a net £94m. EPRA net asset value per share at 31 March 2015 was £7.03 (2014: £4.96), an increase of 42% in the year.

The main movements in net asset value per share in the year are set out below:

	£
At 31 March 2014	4.96
Property valuation surplus	2.01
Trading profit after interest	0.16
Dividends paid in year	(0.10)
Glebe proceeds share payment	(0.12)
Share placement	0.13
Other	(0.01)
At 31 March 2015	**7.03**

Glebe Proceeds Share Agreement ('GPSA')

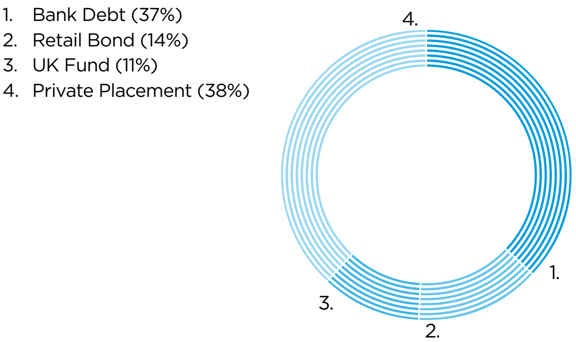
In December 2014, we successfully agreed the termination of the GPSA with the former lenders to the Glebe joint venture in return for a cash payment of £30m. The maximum that could have been payable under the GPSA was £48m.

BlackRock Workspace Property Trust ('BlackRock JV')

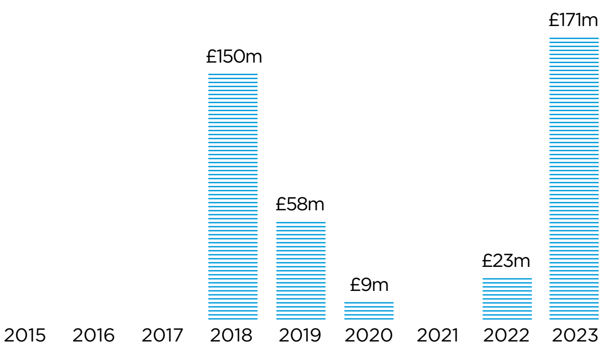
We have a 20.1% interest in the BlackRock JV for which we also act as property manager receiving management and potentially performance fees. The BlackRock JV has continued to perform well during the year with underlying rent roll growth of 16% (£1.0m) excluding disposals and occupancy improving to 93.9%. The property valuation has increased by 37% (excluding capital expenditure and disposals) to £133m at 31 March 2015.

Two properties were sold during the financial year for £13.2m, £6.1m ahead of the 31 March 2014 valuation. In April 2015, the BlackRock JV exchanged for sale a further four properties for £32.1m, a 4% premium to their 31 March 2015 valuation. The sale of these properties is due to complete in June 2015.

Facilities by type



Debt maturity profile



Key property statistics

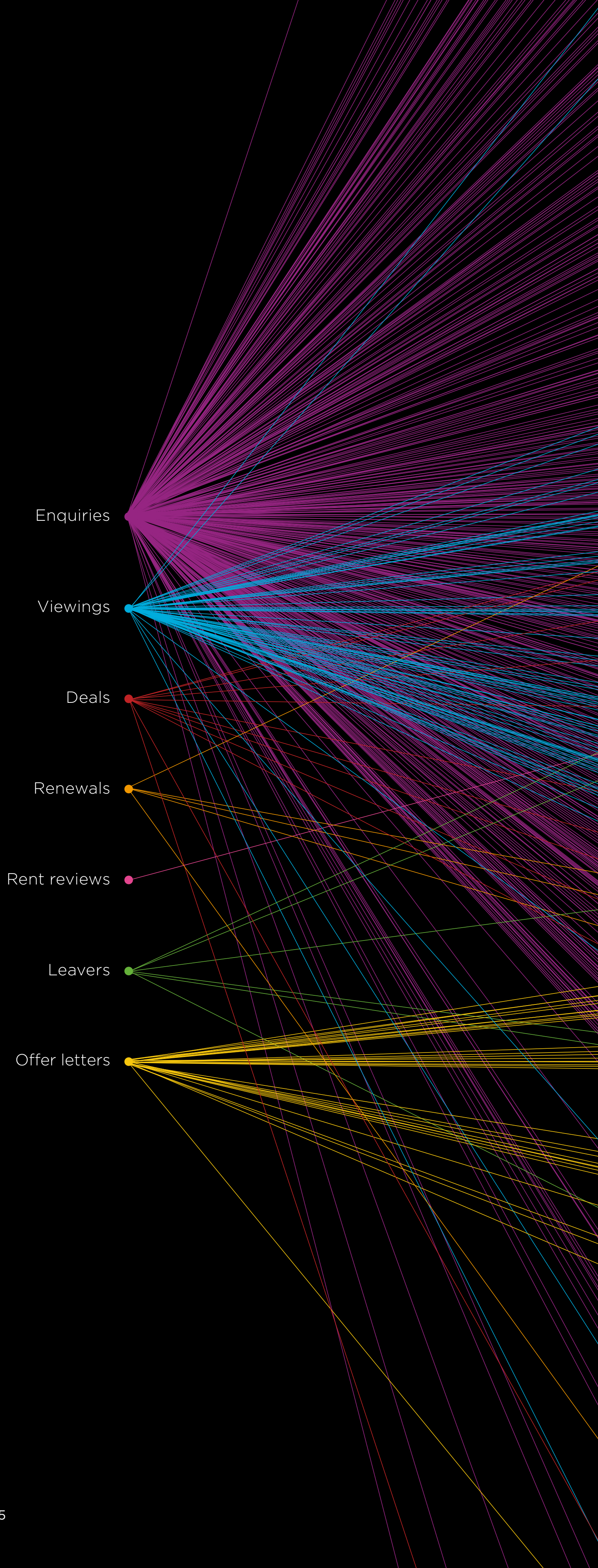
	Quarter ended 31 March 2015	Quarter ended 31 December 2014	Quarter ended 30 September 2014	Quarter ended 30 June 2014	Quarter ended 31 March 2014
Workspace Group Portfolio					
Property valuation	**£1,423m**	–	£1,230m	–	£1,078m
Number of estates	**75**	73	84	84	83
Lettable floorspace (million sq. ft.)	**4.2**	4.0	4.4	4.5	4.5
Number of lettable units	**4,525**	4,511	4,720	4,681	4,653
ERV	**£90.3m**	–	£79.7m	–	£75.4m
Cash rent roll of occupied units	**£69.4m**	£64.4m	£61.3m	£61.0m	£58.3m
Average rent per sq. ft.	**£18.79**	£17.97	£16.29	£15.73	£15.12
Overall occupancy	**88.7%**	88.9%	86.0%	85.7%	85.8%
Like-for-like lettable floor space (million sq. ft.)	**2.7**	2.7	2.7	2.7	2.7
Like-for-like cash rent roll	**£46.5m**	£44.7m	£42.1m	£41.3m	£39.5m
Like-for-like average rent per sq. ft.	**£18.37**	£17.76	£16.99	£16.54	£15.87
Like-for-like occupancy	**92.2%**	92.6%	90.6%	91.5%	91.4%
BlackRock Workspace Property Trust					
Property valuation	**£133m**	£126m	£117m	£111m	£104m
Number of estates	**12**	12	12	13	14
Lettable floorspace (million sq. ft.)	**0.5**	0.5	0.5	0.5	0.5
ERV	**£8.9m**	£8.6m	£8.4m	£8.4m	£8.5m
Cash rent roll of occupied units	**£7.1m**	£6.7m	£6.2m	£6.2m	£6.4m
Average rent per sq. ft.	**£16.13**	£16.17	£14.40	£14.84	£14.66
Overall occupancy	**93.9%**	88.9%	92.2%	89.1%	87.7%

Note:
The like-for-like portfolio statistics reported for the year as set out above have been restated for the following:
- Four refurbished properties have been transferred into this category as the refurbishments were completed more than two years ago. These properties had a rent roll of £5.6m at 31 March 2015.
- Twelve properties have been transferred out of the like-for-like category as we are now progressing with significant refurbishment or redevelopment activity at these sites. These properties had a rent roll of £9.1m at March 2015.
- Ten light industrial properties were sold in October 2014 with a rent roll of £2.1m.

The Strategic Report on pages 16 to 53 was approved by the Board of Directors on 2 June 2015 and signed on its behalf by:

Jamie Hopkins
Chief Executive Officer

Graham Clemett
Chief Financial Officer


Enquiries
Viewings
Deals
Renewals
Rent reviews
Leavers
Offer letters

Our governance

In this section

Operational activity conducted by our business in the year.

Daniel Kitchen
Non-Executive Chairman

We believe that good governance, based on robust practices and processes, is a fundamental part of being a responsible business and delivering for shareholders.

Related information:
Nominations Committee Report p.73 to 74

Induction, training and development p.70

Dear Shareholder

On behalf of the Board I am pleased to present the Company's Corporate Governance Report for the financial year ended 31 March 2015.

The Board of Workspace is committed to conducting business responsibly and maintaining a high standard of corporate governance in terms of leadership, remuneration matters, accountability, Board effectiveness and in our relationship with our shareholders.

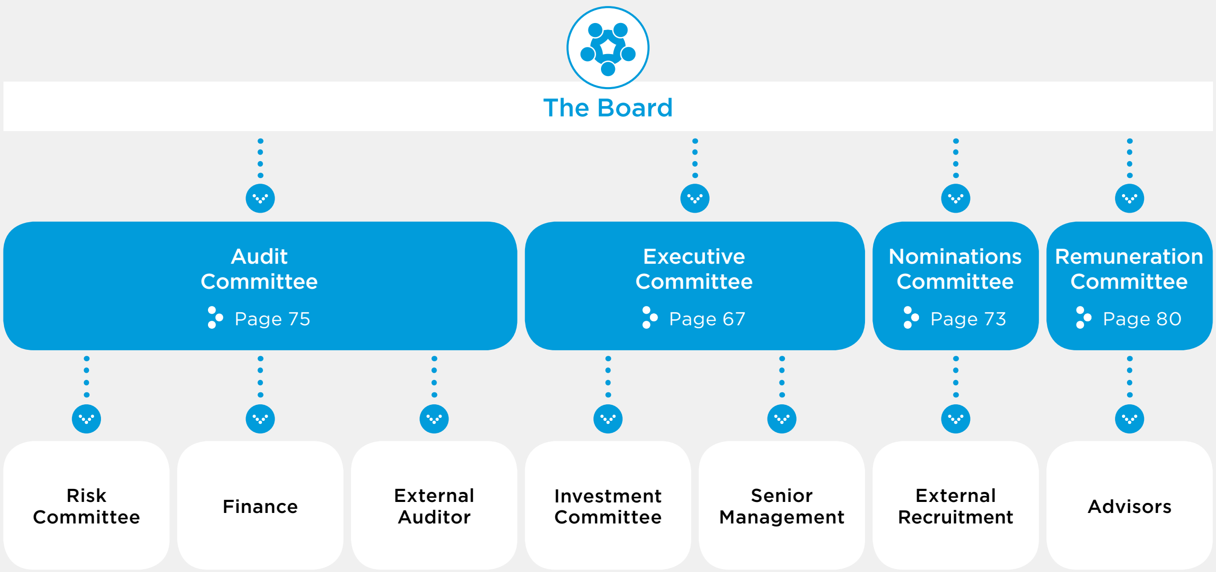
This Corporate Governance Report is intended to give an insight into how the Board operated during the year under review. Throughout the year, the Company complied with the UK Corporate Governance Code. Full details of the Company's governance arrangements in compliance with the Principles of the UK Corporate Governance Code are included on page 62 to 103.

As you will have read in the Chief Executive's Report on page 18, it has been a strong year for the business, which has achieved strong returns and is well placed to deliver its strategic goals.

An effective Board

In order to ensure we uphold best practices and operate effectively, the Board benefited during the year from the insights gained from an external evaluation of its performance. We appointed Sean O'Hare of Boardroom Dialogue Ltd who facilitated an external Board effectiveness review in March 2015 to consider the way in which we carry out our role as Directors of Workspace and conduct ourselves in the boardroom, as well as the Board's structure and processes. The review covered the Board, its Committees, individual Directors and the Company Secretary and included interviews with each of the

Corporate Governance structure



Directors, members of the Executive Committee and the Company Secretary. The findings were reported back to me and the output was reviewed at the March 2015 Board Meeting.

I am pleased to report that the thorough exercise conducted by Boardroom Dialogue Ltd, an independent organisation which provides no other services to the Group, concluded that the Board operated in an efficient and effective manner.

As you would expect, the evaluation resulted in certain specific recommendations for increased focus on a small number of key areas and these will form the basis of our action plan for 2015. Details of these recommendations can be found on page 71 of the Corporate Governance Report.

Board changes and succession planning

Since my last report to you, there have been a number of changes to the Board and its Committees. After the Annual General Meeting (AGM) in 2014, Bernard Cragg retired from the Board and Chris Girling assumed the role of Senior Independent Non-Executive Director and Chairman of the Audit Committee. Also in July 2014, we were delighted to welcome Stephen Hubbard to the Board. His strong and in-depth knowledge of the property industry complements the skills of the Board.

Stephen is Chairman of CBRE UK and is a member of their Management Board. The Valuation Advisory Division of CBRE acts as the Group's external valuer and, recognising the effect that this may have on the perception of his independence, the Board reviewed Stephen's position prior to his appointment in July 2014. Following this, the Board was and is completely satisfied that he remains independent in judgement and character. This will be assessed by the Board each year prior to his reappointment at the AGM.

Stephen has no involvement, at any stage, in the Group's valuation exercise and takes no part in any discussion concerning CBRE's role and fees.

A report on the recruitment process is described in the Nominations Committee Report on page 74.

Communication with shareholders and other investors

Communication with all our shareholders is a high priority for the Board. On publication of the Company's annual and half year results, the Chief Executive Officer and Chief Financial Officer present to institutional investors and analysts, as well as holding one-to-one briefings.

In October 2014, Workspace hosted two events for investors and analysts. The events showcased the Group's recent acquisitions, current refurbishments and development activity and demonstrated how Workspace plans to continue to drive value and growth. Workspace also participated in EPRA's Annual Conference in September 2014 and took registered guests on a tour of a selection of the Group's assets.

Finally, Dr Maria Moloney, Chairman of the Remuneration Committee, and I met with investors during the year to discuss proposals on Executive Director Remuneration for 2015.

I am pleased with the progress we have made this year across the governance agenda. We have built a committed Board that is working well in the interests of all shareholders and each Director continues to contribute effectively, demonstrating commitment to their role and to the continued strong performance of the Company.

Daniel Kitchen
Non-Executive Chairman
2 June 2015

THE BOARD AND EXECUTIVE COMMITTEE

This year we have photographed our Executive team at the newly opened Metal Box Factory at Bankside.

1. Daniel Kitchen
Non-Executive Chairman

2. Jamie Hopkins
Chief Executive Officer

3. Graham Clemett
Chief Financial Officer

4. Maria Moloney
Non-Executive Director

5. Chris Girling
Senior Independent
Non-Executive Director

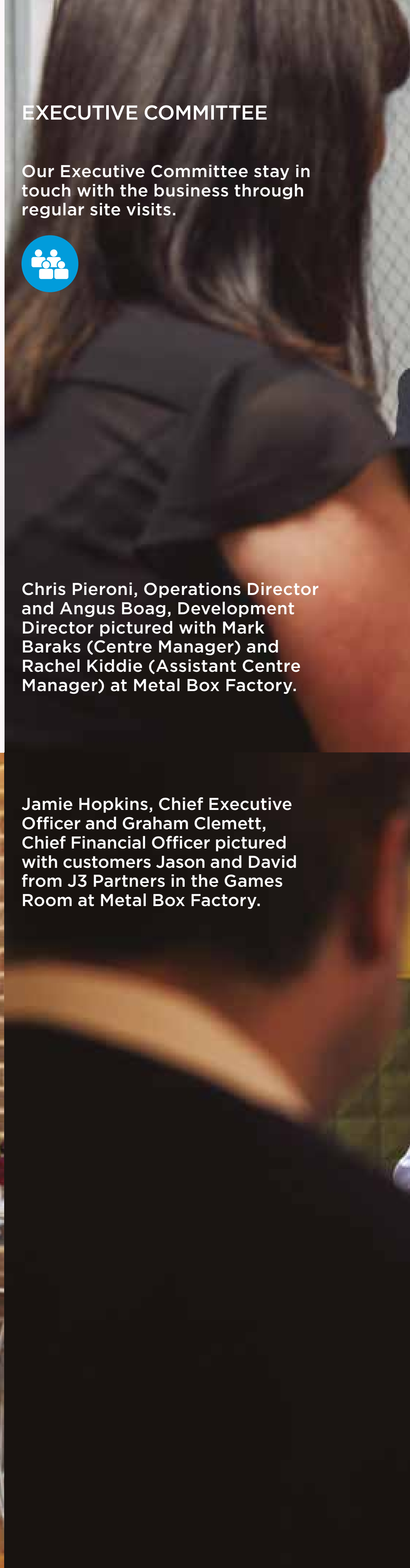
6. Damon Russell
Non-Executive Director

7. Stephen Hubbard
Non-Executive Director

8. Carmelina Carfora
Company Secretary

EXECUTIVE COMMITTEE

Our Executive Committee stay in touch with the business through regular site visits.



Chris Pieroni, Operations Director and Angus Boag, Development Director pictured with Mark Baraks (Centre Manager) and Rachel Kiddie (Assistant Centre Manager) at Metal Box Factory.

Jamie Hopkins, Chief Executive Officer and Graham Clemett, Chief Financial Officer pictured with customers Jason and David from J3 Partners in the Games Room at Metal Box Factory.

The Board

1. Daniel Kitchen
Non-Executive Chairman

Committee memberships:
Chairman of the Nominations Committee and a member of the Remuneration Committee.

Background and relevant experience:
Daniel Kitchen was appointed to the Board on 6 June 2011 and subsequently took on the role as Chairman in July 2011. He was previously Deputy Chief Executive at Heron International plc and prior to that was Finance Director at Green Property for eight years. He retired as Non-Executive Chairman of Irish Nationwide Building Society in July 2011 and as Non-Executive Director of Kingspan Group PLC in May 2012.

Current external appointments:
He is currently Chairman of Hibernia REIT plc, a Non-Executive Director of LXB Retail Properties PLC, Irish Takeover Panel Limited and Governor of St Patrick Hospital in Dublin.

2. Jamie Hopkins
Chief Executive Officer

Background and relevant experience:
Jamie Hopkins was appointed to the Board as a Non-Executive Director in June 2010 then subsequently took on the role as Chief Executive Officer on 1 April 2012. He was previously Chief Executive and then a Non-Executive Director of Mapeley PLC and a Director of Chester Properties. Prior to that, Jamie was a Director of Delancey Estates and Savills.

Current external appointments:
Jamie is a member of the Corporate Board of Great Ormond Street Hospital Children's Charity and a member of the London Enterprise Panel's Small and Medium Enterprise Working Group.

3. Graham Clemett
Chief Financial Officer

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

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

Committee memberships:
Member of the Audit and Nominations Committees.

Background and relevant experience:
Maria Moloney was appointed to the Board in May 2012. She was previously on the Board of the Belfast Harbour Commissioners, the Industrial Development Board for Northern Ireland, the Northern Ireland Transport Holdings, Independent Television Commission, London and Broadcasting Authority of Ireland.

Current external appointments:
Maria, a lawyer, is currently on the Board and a Trustee of the N. Ireland Cancer Centre in Belfast.

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

Committee memberships:
Member of the Remuneration and Nominations Committees.

Background and relevant experience:
Chris Girling, a Chartered Accountant, was appointed to the Board in February 2013. He was previously Group Finance Director of Carillion PLC.

Current external appointments:
Chris is currently a Non-Executive Director and Chairman of the Audit Committees of Keller PLC and South East Water Limited and Chair of Trustees for the Slaughter and May Pension Fund.

6. Damon Russell
Non-Executive Director

Committee memberships:
Member of the Remuneration, Audit and Nominations Committees.

Background and relevant experience:
Damon was appointed to the Board in May 2013. Damon is currently Chairman of New Telecom Express Group, an interactive media service provider, and has more than 20 years' experience in the industry. He co-founded the company in 1989. Telecom Express was sold to AMV BBDO, part of the Omnicom Group, in 1998. In 2004, Damon led a successful management buyout.

Current external appointments:
Damon holds advisory roles for a number of smaller companies in the digital media sector.

7. Stephen Hubbard

Non-Executive Director

Committee memberships:
Member of the Remuneration, Audit and Nominations Committees.

Background and relevant experience:
Stephen Hubbard was appointed to the Board in July 2014. 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.

Current external appointments:
Stephen is Chairman of London Business Network and a member of the advisory board for Redevco which is a pan European property holding company.

8. Carmelina Carfora

Company Secretary

Background and relevant experience:
Carmelina Carfora was appointed Company Secretary in March 2010. She 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.

Executive Committee

9. Angus Boag

Development Director

Background and relevant experience:
Angus Boag joined the Group in June 2007 as Development Director. He has extensive experience in property and construction management and was a principal consultant at PA Consulting Group. Prior to joining the Group he was at Manhattan Loft Corporation for 12 years joining as Development Director and then being appointed as Managing Director in 2001.

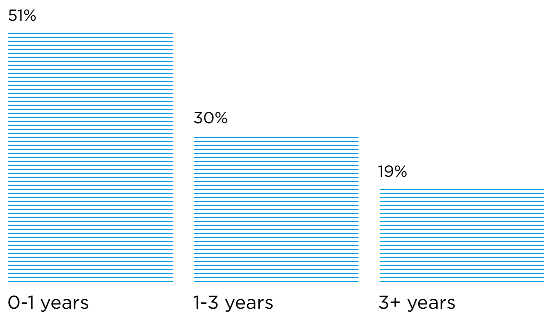
10. Chris Pieroni

Operations Director

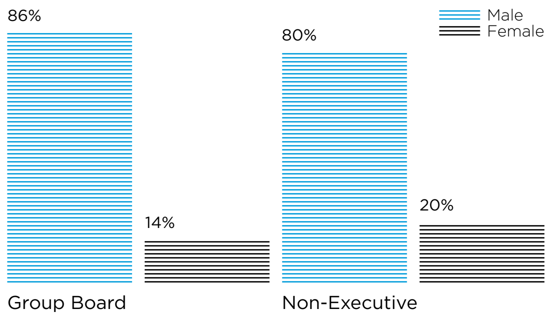
Background and relevant experience:
Chris Pieroni joined the Group as Operations Director in October 2007. Chris is responsible for asset management, marketing, professional services, brand and business development. Prior to joining Workspace, he worked at KPMG specialising in real estate and infrastructure 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.

Current external appointments:
Chris was appointed as Chairman of the Business Centre Association in May 2014.

Board tenure



Board gender diversity



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Additional information 148-153

Corporate governance principles and compliance statement

The Board is committed to maintaining high standards of corporate governance and we support and apply the principles of good governance advocated by the UK Corporate Governance Code (the Code). The Board works with honesty and integrity which it considers is vital to building a sustainable business for all of our stakeholders.

The Board believes that implementing a robust governance and corporate social responsibility framework in which appropriate management structures, processes and safeguards are adopted and are transparently communicated to shareholders is essential in aiding sustainable long-term economic performance.

Compliance with the UK Corporate Governance Code

The Board considers that it and the Company have, throughout the year ended 31 March 2015, complied with the provisions of the UK Corporate Governance Code (September 2012), which is the version of the Code which applies to the Company for its financial year. The application of the principles contained in the Code is described below. Detailed reports on Directors' remuneration and the Audit Committee can be found on pages 80 to 99 and pages 75 to 79.

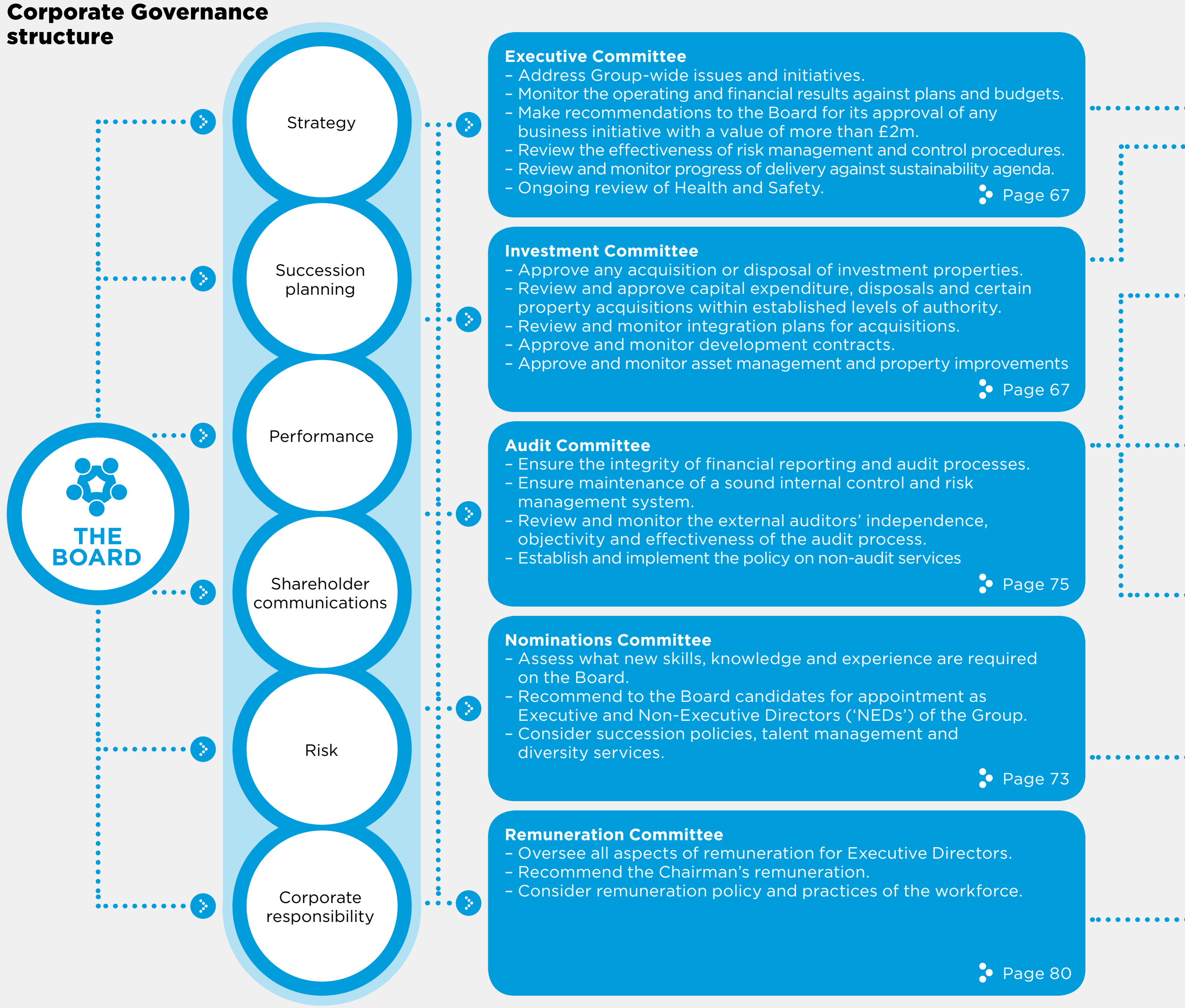
Corporate Governance structure

The Board is responsible to shareholders for the strategic direction of the Group and the stewardship of its activities.

The Board has a number of standing committees to which specific responsibilities have been delegated and for which written terms of reference have been agreed.

Leadership

Corporate Governance structure



An effective leadership structure

The Board

The Board is collectively responsible for the performance and long-term success of the Company, for its leadership, strategy, values, standards, control and management. The Board will review and monitor strategic plans and objectives, approve the acquisition of investment properties, disposals, financing arrangements and capital expenditure and of the Group's systems of internal control, governance and risk management. Details of the Group strategy are set out in the Strategic Report on pages 18 to 53.

Other day-to-day operational decisions are delegated by the Board to the Executive Committee, subject to formal delegated authority limits; however certain matters have been reserved for consideration by the Board.

The Chairman promotes open discussion among the Board members and encourages the Non-Executive Directors to constructively challenge strategic and other business-related debate in order to ensure that the decisions adopted by the Board have been vigorously tested.

To assist the Board in effectively discharging its duties, Directors receive relevant supporting information, which includes but is not limited to the monthly Group's financial results, performance reports and risk assessment reports. Equally, the Board routinely considers safety, environmental, ethical and reputational issues in order to ensure that they are fully reflected in the risk management process.

Senior Management
- Assist the Executive and Investment Committee in the running of day-to-day operations in line with Group strategy.
- Review and track major initiatives.
- Attend regular meetings with the Executive and Investment Committee to review performance and operational activity.

External Auditor
- Audit and express an opinion on the financial statements for both the Group and subsidiaries in accordance with applicable law and International Standards on Auditing (UK and Ireland).

Finance
- Produce the interim and annual financial reports and associated announcements.
- Establish and monitor financial processes of control and cash management.
- Review Dividend Policy.
- Review the compliance with the REIT regime and overall tax compliance.

Risk Committee
- Review and identify risks facing the Group.
- Ensure that appropriate controls are in place to review each issue raised.
- Provide reports to the Audit Committee.

External Recruitment
- Advise and assist the Committee in the search for appropriate candidates.
- Advise and assist the Nominations Committee in increasing the effectiveness of the Board and ensure that diversity continues to be a major factor in profiling candidates.

Advisors
- Advise on all aspects of executive remuneration and aspects associated with the LTIP and other share schemes.
- Advise on administration and the tax treatment of share option schemes and deferred share awards.

The governance framework implemented by the Group ensures that open communication channels exist between the Board, its principal Committees and within the organisation. Copies of Committee minutes are distributed to all Directors and Committee Chairmen report back to the Board.

Board activities

The full schedule of matters reserved for the Board can be found on the Company website at www.workspace.co.uk. At least once a year the Board reviews the nature and scale of matters reserved for its decision and these include: Dividend Policy, Company Strategy, Board and Committee composition, significant funding decisions and corporate transactions.

Board activities in 2014/15

During the year under review, the Board considered the following:

Reviewed progress of the strategy and business objectives:

- In September 2014, the Board held its annual Strategy Day which included, amongst other matters, a review of the business plan objectives, a discussion on the economic outlook and consideration given to other growth opportunities; and
- Review of risk and the Group's health and safety arrangements.

Monitored trading performance of the business and considered other finance matters:

- Finance matters including budgets, business plans and significant refinancing opportunities;
- In November 2014, the Company announced the successful completion of a Cash-Box Placing, raising gross proceeds of approximately £96.5m;
- In December 2014, the Company agreed terms with the former lenders of the Glebe Joint Venture for the termination of the Glebe Proceeds Share Agreement in return for a cash payment of £30m; and
- Annual and interim results, interim management statements and dividends.

Considered the Group's property valuation and investment decisions:

- Approval of redevelopment activity and major developments;
- Significant investment decisions including five property acquisitions during the year of £80m; and
- We realised £44m from the disposal of 10 non-core Industrial Estates.

Reviewed succession planning and Board performance:

- The Board engaged an external party to undertake a review of its own performance and that of the Committees and the Directors; and
- Approval of Board appointments, retirements and ensuring adequate succession planning is in place.

Board and committee meetings attendance

The Board has regular scheduled meetings and met nine times during the past financial year. Supplementary meetings are also held as and when necessary.

The Directors are expected to attend all meetings of the Board, and of those Committees on which they serve and the Annual General Meeting (AGM), and to devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors. Details of Directors' attendance at each of the Board and Committee meetings during the year ended 31 March 2015 are set out in the table below.

Scheduled meetings and attendance

Board	9 meetings
Daniel Kitchen	●●●●●●●●●
Jamie Hopkins	●●●●●●●●●
Graham Clemett	●●●●●●●●●
Damon Russell	●●●●●●●●●
Bernard Cragg[1]	●●●●○○○○○
Maria Moloney	●●●●●●●●●
Chris Girling	●●●●●●●●●
Stephen Hubbard[2]	○○○●●●●●●

Audit Committee	4 meetings
Chris Girling	●●●●
Damon Russell	●●●●
Bernard Cragg[1]	●●○○
Maria Moloney	●●●●
Stephen Hubbard[2]	○○●●

Remuneration Committee	8 meetings
Maria Moloney	●●●●●●●●
Daniel Kitchen	●●●●●●●●
Damon Russell	●●●●●●●●
Bernard Cragg[1]	●●●●○○○○
Chris Girling	●●●●●●●●
Stephen Hubbard[2]	○○○○●●●●

Nominations Committee	5 meetings
Daniel Kitchen	●●●●●
Damon Russell	●●●●●
Bernard Cragg[1]	●●●○○
Maria Moloney[3]	●●●●○
Chris Girling	●●●●●
Stephen Hubbard[2]	○○○●●

Notes:
1. Bernard Cragg retired from the Board on 16 July 2014.
2. Stephen Hubbard was appointed to the Board with effect from 16 July 2014; consequently, Mr Hubbard attended his first Board Meeting on 16 July 2014.
3. Maria Moloney did not attend one meeting of the Nominations Committee given that the meeting was to review and approve her reappointment.

Where Directors are unable to attend meetings, they are still provided with papers in advance of the meeting and their comments, as appropriate, are provided to the Board or Committee Chairman prior to the meeting.

Board Committees
The Board has a number of standing Committees, namely the Remuneration, Audit, and Nominations Committees to enable the Board to operate effectively and ensure a strong governance framework.

Each Committee has written 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.

Each of these Committees is comprised of independent Non-Executive Directors of the Company who are appointed by the Board. Board members receive minutes of meetings of all the Board's Committees and can request presentations or reports on areas of interest.

The Company Secretary is secretary to each Committee.

The activity of each Committee is described on pages 73 to 99.

The Executive Committee
The Executive Committee consists of the Executive Directors together with the Operations Director and Development Director. It is chaired by the Chief Executive Officer. The purpose of the Committee is to facilitate and assist the Chief Executive Officer in managing the day-to-day activities of the Group and addressing Group-wide issues and initiatives. The Executive Committee is responsible for reviewing and approving capital expenditure at certain levels as determined by the Board; the monitoring of the operating and financial results against plans and budgets; and to ensure the effectiveness of risk management and control procedures. The Executive Committee has its own terms of reference.

The Committee has met 18 times during the year ended 31 March 2015.

The responsibilities of the Executive Committee members include:

Jamie Hopkins, Chief Executive Officer
Strategic management; investor relations; day-to-day operations; acquisitions and disposals; health and safety; staff; equal opportunities; remuneration; and training and development.

Graham Clemett, Chief Financial Officer
Finance; treasury; tax; company secretarial; investor relations; and the Group's IT strategy.

Chris Pieroni, Operations Director
Portfolio performance; asset management; lettings and marketing; rent reviews; and renewals.

Angus Boag, Development Director
Planning consents; development of assets; valuations; disposals; sustainability; and environmental strategy.

The Investment Committee
The Investment Committee consists of the Executive Directors, the Operations Director and the Development Director. It is also attended by the Head of Asset Management, Head of Investment and Head of Business Development. The Investment Committee is chaired by the Chief Executive Officer and meets every two weeks. The purpose of the Committee is to review and approve disposals and acquisitions of investment property assets; approve and monitor asset management property improvements and make recommendations to the Board for its approval of any property initiative with a value of more than £2m.

The Company Secretary is secretary to each of the Executive and Investment Committees.

Risk Committee
The Committee is chaired by the Chief Executive Officer and comprises the Operations Director, Company Secretary and Head of Finance. Meetings of the Committee are attended by employees from across the business. The role of the Risk Committee is to:
- Promote the application of the risk management framework;
- Agree an annual internal control review programme;
- Consider the results of reviews and implementation of recommendations.

Effectiveness

Board composition
The effectiveness of the Board and its Committees is vital to the success of the Company. 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's current composition of a Non-Executive Chairman, two Executive Directors and four Non-Executive Directors meets the requirement of the Code for at least half the Board, excluding the Chairman, to be independent Non-Executive Directors.

In the Board's view, all of the current Non-Executive Directors are independent and this is explained in more detail on page 69 and in the Chairman's Governance Statement on pages 56 and 57.

The Non-Executive Chairman was considered by the Board to be independent upon his appointment and continues to be independent for the reasons stated on page 69.

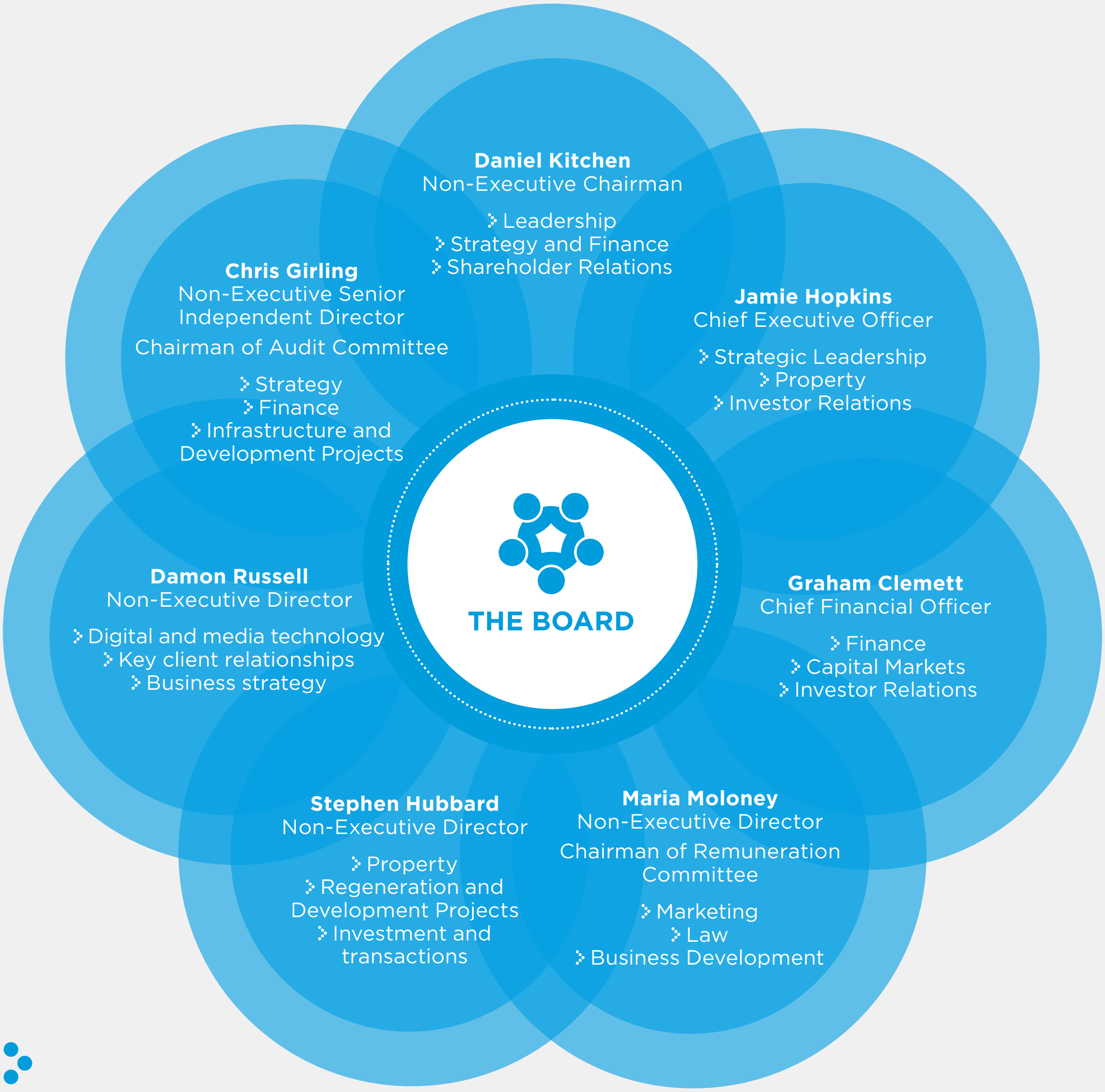
During the year, Mr Stephen Hubbard was appointed as a Non-Executive Director at the conclusion of the Annual General Meeting on 16 July 2014. The biographies of all members of the Board are set out on pages 62 and 63. The Nominations Committee regularly reviews the composition of the Board to ensure that it has an appropriate and diverse mix of skills, experience, independence and knowledge of the Group. Each Director brings a particular range of skills and expertise to the deliberations of the Board.

Business experience and skills of the Board

The Board currently has seven Directors that bring considerable and diverse experience which enables them to make a valuable contribution to the Group. Their experience, gained from varied commercial backgrounds, includes technology, property development, marketing and finance, which enables them to support the executive team in delivering the Company's strategy.

The Board is actively considering diversity and believes this to be an important factor when considering appointments to the Board. As part of the recruitment process, the composition of the Board will be kept under review to ensure the best balance of skills and experience is maintained. Further details on our diversity policy can be found on page 72.

The following table illustrates the business experience and skills held by each Director. The mix and diverse range of skills create a highly effective Board, with the Directors' individual and complementary qualities encouraging a high level of debate on strategic matters.



Related information:
Board and Executive biographies p.62 to 63

Commitment

The Board is satisfied that each of the Non-Executive Directors is able to devote sufficient time to the Company's business. Non-Executive Directors are advised on appointment of the time required to fulfil the role and asked to confirm that they can make the required commitment. Letters of appointment for the Non-Executive Directors are available for inspection at the AGM.

Executive Directors are encouraged to take a non-executive position in other companies and organisations. The appointment to such positions is subject to the approval of the Board which considers, in particular, the time commitment required.

Roles of the Chairman, Chief Executive Officer and Senior Independent Director

The roles and responsibilities of the Non-Executive Chairman, Chief Executive Officer and Senior Independent Director are separate and the division of responsibilities has been clearly established.

The Chairman is primarily responsible for leadership of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution of the Non-Executive Directors and ensures all Directors receive accurate, timely and clear information. He is also responsible for effective communication between the Board and shareholders. The Chairman is not involved in an executive capacity in any of the Group's activities.

During the year the Chairman held a number of meetings with the Non-Executive Directors, without the Executive Directors being present. The discussions largely revolved around succession planning.

The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group and the determination of the strategy and achievement of its objectives.

The Senior Independent Director is responsible for chairing the meeting of the Non-Executive Directors for the purpose of evaluating the Chairman's performance and to provide an alternative communication channel for shareholders if required.

Independence of Non-Executive Directors

The Board has considered the independence of all of the Non-Executive Directors and concluded that each of the Non-Executive Directors is considered to be independent of the 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 act in a robustly independent manner and bring constructive challenge to Board discussions and independent decision-making to their Board and Committee duties. During the year, the independence of Stephen Hubbard, being a new Non-Executive Director, was specifically considered.

The Board considers the Chairman, Daniel Kitchen, to be independent as he is independent in character and judgement. He is also considered to be a valuable member of the Board taking into account his extensive experience.

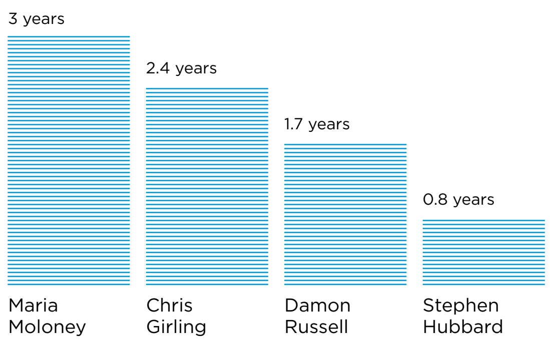
The Board believes that no long-standing relationship which may be deemed to compromise independence has been formed with any of the Executive Directors or senior executives at Workspace.

The Board is committed to actively refresh its membership and that of its Committees in line with its succession planning process which has been evident during the last 12 months with the appointment of Stephen Hubbard as a Non-Executive Director on 16 July 2014.

We continue to review and monitor Board and Board Committee composition against our skills and experience requirements.

The tenure of independent Non-Executive Directors as at 31 March 2015 is set out in the chart below.

Length of tenure of independent Non-Executive Directors as at 31 March 2015



Induction, training and development

A tailored induction programme is provided for each new Director. Overall, the aim of the induction programme is to introduce new Directors to the Group's business and its governance arrangements. Such inductions typically include meetings with senior management, site visits and presentations of key business areas and other relevant documentation. In addition, Directors are encouraged to update their skills, knowledge and familiarity with the Group by attending external seminars and briefings, through participation at meetings and through visits to estates, meetings with Senior Management and advisers. We recognise that our Directors have a diverse range of experience, and so we encourage them to attend external seminars and briefings that will assist them individually. On appointment, Stephen Hubbard participated in the Board induction programme.

Introducing new Directors to the Group's business and governance arrangements

1. Meet Senior Management.
2. Go on site visits.
3. Attend presentations of key business areas and other relevant documentation.
4. Learn about the business.

Through the Board development programme, the Directors are kept informed of changes in relevant legislation, regulations and corporate governance matters, with the assistance of the Company's legal advisers and external auditor, where appropriate. Directors have access to independent professional advice at the Company's expense where they judge this to be necessary to discharge their responsibilities as Directors. This is in addition to the access that every Director has to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

Company Secretary

Carmelina Carfora is the Company Secretary to the Board of Workspace Group PLC. Her biography can be found on page 63. Through the Chairman, Carmelina is responsible for advising the Board on matters of corporate governance and ensuring that Board procedures are complied with. She also ensures good information flows within the Board and its Committees and between senior management and Non-Executive Directors.

Board performance evaluation

The Board recognises the benefit of annual evaluation, enabling it to improve its effectiveness and focus and that of its Committees and Directors. The Board's progress against the matters identified from the 2014 Board effectiveness review is shown below.

2013/14 Board evaluation

Continue to develop succession planning.

Progress during 2014/15:
- One new Non-Executive Director, Stephen Hubbard, was appointed to the Board during the year. Stephen has extensive property experience which complements the existing skills of the Board.

Conscious of changing legislation, dedicated updates and presentations to continue during the course of the year.

Progress during 2014/15:
- During the year, Directors received updates at the Board and Committee meetings on external corporate governance and other regulatory changes likely to impact the Company.
- The Company's legal advisers and external auditor also attended a Board Meeting during the year to provide an update on legal and regulatory developments.
- Updates were also provided by the Company Secretary during the course of the year.

With the assistance of the Company Secretary, specific needs and interests of Directors to be considered as part of the Board Development Programme.

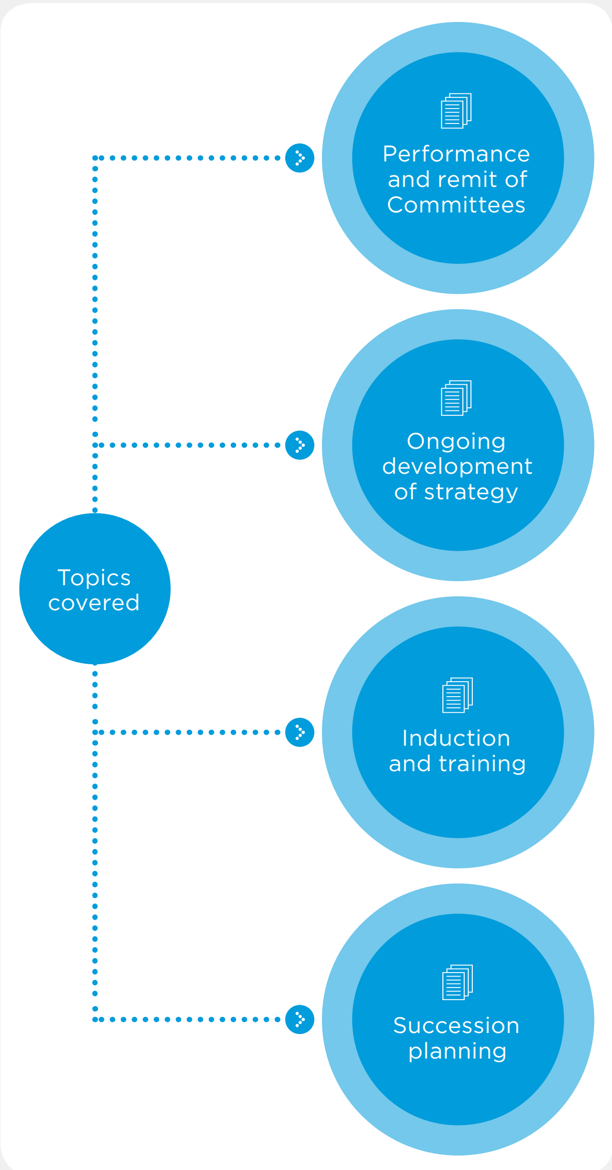
Progress during 2014/15:
- The Company Secretary considered details of updates and development programmes received from advisers and other parties during the year and forwarded events of specific interest to Directors.

Further site visits will be arranged for Directors during the course of the year.

Progress during 2014/15:
- Directors have independently visited sites during the year. When appropriate, Board Meetings will also be held at sites within the portfolio.

In accordance with our policy to undertake the Board evaluation process externally every three years, for the year under review our Board evaluation was undertaken by Sean O'Hare of Boardroom Dialogue Ltd, who was selected after conducting a competitive tendering process. Boardroom Dialogue Ltd provides no other services to the Company. The process covered the Board and its Committees. The scope and focus of the review was agreed in advance with the Chairman. One-to-one interviews were conducted with each member of the Board, members of the Executive Committee and the Company Secretary to ascertain their views on the subjects detailed in the diagram below:

Board and Committee evaluation



The results of the evaluation were presented at the March 2015 Board Meeting. The Board effectiveness review concluded that the Board is working well and that each Director continues to contribute effectively and demonstrate commitment to their roles. Specific recommendations from the externally facilitated Board effectiveness review are set out below:

- Refine the structure of the strategy day held by the Board and how strategic discussions may be facilitated.
- Continue the focus on succession planning, with greater visibility of the succession plans for senior management.
- Review the current induction process with the introduction of customer engagement and Non-Executive Directors to be advised of customer events during the year to which they may attend.
- Increased interaction between the Board and senior management.

The recommendations are included in the action plan for 2015/16 and will be reviewed regularly by the Board.

Chairman's evaluation

The Senior Independent Director normally chairs an annual 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 is conveyed by the Senior Independent Director to the Chairman. However, during the year under review, the Chairman's performance was appraised as part of the external Board evaluation. The review concluded that the Chairman is highly respected and is valued for his industry knowledge. Furthermore, he was complimented by all for his leadership and for his inclusive style during Board meetings.

Related information:
Nominations Committee Report p.73 to 74

Induction, training and development p.70

Election and re-election of Directors

All Directors will stand for election or re-election at the AGM on 15 July 2015. Following the external Board evaluation review, the Chairman considers that each Director continues to operate as an effective member of the Board and has the skills, knowledge and experience that enable them to discharge their duties effectively in fulfilling their duties on the Board and as members of the Board Committees. Consequently, the Board has accepted the recommendations provided by the Nominations Committee and is of the opinion that the Directors seeking election and re-election at the Annual General Meeting have continued to give effective counsel and commitment to the Company and accordingly should be appointed or reappointed by the Group's shareholders at the upcoming Annual General Meeting.

Mr Hopkins and Mr Clemett have service contracts and details can be found on page 96. None of the Non-Executive Directors have service contracts.

Maria Moloney's first term of appointment as Non-Executive Director expired on 22 May 2015. Following a review of her performance, the Nominations Committee recommended that her appointment should be extended for a further three-year term. This recommendation was agreed by the Board.

Mr Hubbard was appointed as a Non-Executive Director from the conclusion of the Annual General Meeting on 16 July 2014. Mr Hubbard therefore stands for election at the forthcoming Annual General Meeting.

The appointment of Chris Girling, Maria Moloney, Damon Russell and Stephen Hubbard may be terminated by either the Company or any one of them giving three months' notice in writing.

Biographies for the Directors can be found on pages 62 and 63.

Diversity

Policy on diversity

Workspace employs enthusiastic, committed and well-trained people. The Board is fully 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. Workspace has a good record of promoting and appointing women to senior positions. The employee gender profile is fairly evenly split with a total of 50% female and 50% male employees.

The Board recognises the benefits of diversity of skills, knowledge and independence, as well as gender, ethnicity and sexual orientation diversity. During the year, the Board formally discussed and reviewed its policy regarding diversity, including gender, on the Board and within the Group as a whole. As a result the Board requested that going forward, diversity becomes a formal area for consideration in Board effectiveness reviews and in its succession planning. Consequently, diversity will form part of considerations afforded to the search and selection process for Directors and staff.

The Board does not consider it appropriate at this time to set targets on gender diversity as all appointments will be made on merit. Gender and wider diversity, however, will continue to be taken into account when evaluating the skills and experience desired to fill each Board vacancy.

Takeover directive

Share capital structures are included in the Directors' Report on page 102.

Going concern

Going Concern disclosures are included in the Directors' Report on page 101.

Relations with shareholders

A high priority is given to communication with shareholders and the Company maintains regular dialogue with major shareholders and fund managers.

In October 2014, Workspace hosted two events for investors and analysts. The events showcased the Group's recent acquisitions, current refurbishments and development activity and how Workspace plans to continue to drive value and growth. Workspace also participated in EPRA's Annual Conference in September 2014 and took registered guests on a tour of a selection of the Group's assets.

Executive Directors are the Company's principal representatives with investors, analysts, fund managers, press and other interested parties. Discussions with institutional shareholders are held on a range of issues throughout the year affecting the Group's performance, which include meetings following the announcements of the annual and interim results. Other ad hoc meetings, presentations and site visits are arranged for shareholders, analysts and media throughout the year in the UK, Europe and the United States.

The Board receives reports of meetings with institutional shareholders together with regular market reports and brokers' reports which enable the Directors to understand the views of shareholders.

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 www.workspace.co.uk, which additionally contains up-to-date information on the Group's activities and published financial results and presentations.

Annual General Meeting

The Annual General Meeting provides the Board with an opportunity to communicate with, and answer questions from, private and institutional shareholders and the whole Board is available after the meeting, in particular, for shareholders to meet the new Director. Details of the resolutions to be proposed at the Annual General Meeting on 15 July 2015 can be found in the Notice of Annual General Meeting which is available at www.workspace.co.uk and will be despatched to shareholders who have requested a hard copy of the documentation from the Company.

The Chairmen of the Audit, Remuneration and Nominations Committees normally attend the Annual General Meeting and are available to answer any questions. All Directors normally attend the meeting.

Nominations Committee Report

Daniel Kitchen
Chairman of the Nominations Committee

Members of the Committee
- Stephen Hubbard
- Maria Moloney
- Chris Girling
- Damon Russell

For full biographies see pages 62 and 63.

We continue to monitor the composition of the Board so that future succession planning is managed effectively.

Nominations Committee scheduled meetings and attendance

	5 meetings
Daniel Kitchen	●●●●●
Damon Russell	●●●●●
Bernard Cragg[1]	●●●○○
Maria Moloney[2]	●●●●○
Chris Girling	●●●●●
Stephen Hubbard[3]	○○○●●

Notes:
1. Bernard Cragg retired from the Board on 16 July 2014.
2. Maria Moloney did not attend one meeting of the Nominations Committee given that the meeting was to review and approve her reappointment.
3. Stephen Hubbard was appointed to the Board with effect from 16 July 2014; consequently, Mr Hubbard attended his first Board Meeting on 16 July 2014.

Dear Shareholder

I would like to welcome you to the report of the Nominations Committee.

Each year the Nominations Committee undertakes a review of succession planning to ensure that the membership and composition of the Board, including the mix and balance of skills, continue to be appropriate. This year, the Committee's main focus has been the recruitment, appointment and induction of our new Non-Executive Director, Stephen Hubbard who joined the Board on 16 July 2014. The appointment process is described in more detail on page 74. We are already benefiting from the wealth of experience that he brings in property as well as his sound judgement on all Board matters.

Again, in line with our action plan from last year, we have and will continue to focus on ensuring that succession is a key agenda item. We have spent time looking at succession planning for the Executive Director team as well as the Board over the medium to long term.

Daniel Kitchen
Chairman of the Nominations Committee
2 June 2015

The Nominations Committee and advisers

The Nominations Committee has responsibility for making recommendations on Board and Committee composition, appointments and for developing succession plans for the Board.

The members of the Nominations Committee as at 31 March 2015 and at the date of this report are listed above. The Nominations Committee met five times during the year, and attendance at these meetings is shown on page 66.

During the year, Spencer Stuart was appointed as external recruitment consultants to conduct the search for a new Non-Executive Director, which culminated in the appointment of Mr Stephen Hubbard on 16 July 2014. Spencer Stuart has no other connection with the Company.

Matters considered by the Committee during the year

- Reviewed the performance of the Company Chairman and recommended to the Board that Mr Daniel Kitchen's appointment as Company Chairman is extended for a further three-year term from 6 June 2014. This meeting was chaired by Mr Bernard Cragg who was Senior Independent Director at that time. Mr Cragg retired from the Board in July 2014.
- Discussed Board composition and determined the ongoing skills and experience required on the Board;
- External search agents, Spencer Stuart, were engaged to assist in finding a new Non-Executive Director;
- Prepared candidate specifications for potential Non-Executive Director candidates with Spencer Stuart;
- The Committee met with a number of candidates to assess their appropriateness;
- Recommendation to the Board that Stephen Hubbard be appointed as Non-Executive Director;
- Review of succession plans for the Executive Directors and key senior managers with the Chief Executive Officer; and
- Recommended to the Board that Dr Maria Moloney's appointment as Non-Executive Director and Chair of the Remuneration Committee be extended for a further three-year term from 22 May 2015.

Non-Executive Director appointment

In making recommendations to the Board on Non-Executive Director appointments, the Nominations Committee will consider the expected time commitment of the proposed Non-Executive Director and other commitments they already have to ensure that they have sufficient time available to devote to the Company.

Following the ongoing review of succession planning by the Nominations Committee and the skills, knowledge and experience required of Board members, the Committee agreed that a new Non-Executive Director should be recruited with specific property expertise.

Spencer Stuart was appointed to assist with the recruitment process and a broad brief was provided to ensure that the long list of candidates reflected the experience and skills required to complement the Board. The Chairman met with a number of candidates and reviewed the respective skills, experience and fit of each with the Board's candidate profile. Members of the Committee then met with the shortlisted candidates. The preferred candidate, Mr Stephen Hubbard, also met with the Executive Directors. Following these meetings, a recommendation was made to the Board that, based on his significant property experience, Stephen Hubbard be appointed to the Board with effect from 16 July 2014. The basis of Stephen Hubbard's induction was also agreed and included property tours, meetings with the senior management team as well as appropriate background reading.

The full terms of reference of the Nominations Committee are available for inspection on the Company's website at www.workspace.co.uk.

Audit Committee Report

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

Members of the Committee
- Maria Moloney
- Damon Russell
- Stephen Hubbard

For full biographies see pages 62 and 63.

Audit Committee scheduled meetings and attendance

	4 meetings
Chris Girling	●●●●
Damon Russell	●●●●
Bernard Cragg[1]	●●○○
Maria Moloney	●●●●
Stephen Hubbard[2]	○○●●

Notes:
1. Bernard Cragg retired from the Board on 16 July 2014.
2. Stephen Hubbard was appointed to the Board with effect from 16 July 2014; consequently, Mr Hubbard attended his first Board Meeting on 16 July 2014.

Dear Shareholder

On behalf of the Audit Committee, I am pleased to present its report for the year ended 31 March 2015. Although this is my first report as Chairman of the Committee, I have been a member of the Committee since my appointment on 7 February 2013. I succeeded Bernard Cragg who stepped down after last year's Annual General Meeting after more than 10 years' service. I would like to thank Bernard for his considerable contribution to the work of the Committee.

This 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, monitors the effectiveness of internal control, risk management and the statutory audit and monitors the independence of the statutory auditors and the provision of non-audit services.

A new audit partner has been appointed this year following the completion of the five-year rotation period by the previous partner.

The Audit Committee met four times during the year. Attendance at these meetings is shown in the table opposite. By invitation, there were a number of attendees at each of the Committee's meetings. Regular attendees included the Chairman of the Company, the Chief Executive Officer, the Chief Financial Officer, Head of Finance and external auditors. The Committee also met privately during the year with the external auditors.

During the year under review the Audit Committee considered a number of topics, the most significant of which are described below. A description of the main activities and information on the other significant issues that the Committee considered during the year can be found on pages 76 and 77.

Chris Girling
Chairman of the Audit Committee
2 June 2015

The Audit Committee ensures the integrity of financial reporting and audit processes and the maintenance of a sound internal control and risk management system, details of which are described on pages 78 and 79. The Committee's main role and responsibilities are set out in its terms of reference and are available on the Company's website at www.workspace.co.uk.

The Audit Committee comprises all the Non-Executive Directors, except the Chairman, and is chaired by Chris Girling. During the year, Stephen Hubbard joined the Committee. The Group audit partner from the external auditors attends the Audit Committee Meeting at least twice a year.

The Board is satisfied that Chris Girling has the required level of relevant financial and accounting experience required by the provisions of the Code, having previously held chief financial officer positions in public companies. Chris, who is a Chartered Accountant is currently a Non-Executive Director and Chairman of the Audit Committees of Keller PLC and South East Water Limited.

The Audit Committee collectively has the skills and experience required to fully discharge its duties, and it has access to independent advice at the Company's expense.

During the year, the Committee met twice in private sessions with its external auditors, PricewaterhouseCoopers LLP ('PwC'), in the absence of management.

Committee meetings

Meetings of the Audit Committee coincide with key dates in the financial reporting and audit cycle. The Committee Chairman reports the outcome of meetings to the Board. During the year under review the Committee met four times.

The Committee has a rolling agenda that ensures it gives thorough consideration to matters of particular importance to the Company, and additional matters are considered when 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.

The Chairman of the Company, the Chief Executive Officer, the Chief Financial Officer and other members of the Senior Management team together with senior representatives of the external auditor are invited to attend all or part of meetings as appropriate.

Main activities during the year

The agendas for the four scheduled meetings of the Committee during the year under review were organised around the Company's reporting schedule. The Committee considered amongst other matters:

- the interim and annual financial statements and matters raised by management and the external auditors;
- the appropriateness of the Group's accounting policies and practices;
- the full and half year valuations and the external valuation process;
- the review of the Group's system of internal controls and risk management;
- health and safety update;
- representation letters to the external auditors;
- the strategic risks for the Group and emerging risks;
- determining and recommending to the Board that the Annual Report taken as a whole was fair, balanced and understandable;
- review of a Cyber Risk Assessment developed by members of the Risk Committee following a workshop held in December 2014;
- reviewed accounting for the Glebe Proceeds Share Agreement and terms of buyout completed in December 2014;
- corporate reporting updates and approach to the 2015 Annual Report;
- the Group's compliance with REIT legislation;
- the Company's approach to compliance with legislation and regulations, including arrangements for staff to raise concerns in confidence and ensures independent investigation of any such matter;
- the performance of the external auditor, the external audit process, the audit and non-audit fee and independence and taking into consideration relevant professional and regulatory developments including mandatory auditor tendering;
- the need and use for an internal audit function and specific reviews carried out by head office staff;
- the review of fraud risk; and
- the terms of reference of the Audit Committee.

Significant issues considered by the Committee

The Audit Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results, or the level of complexity, judgement or estimation involved in their application on the consolidated financial statements. The main areas of focus during the year are set out below:

Matter considered	Action taken by the Committee
Valuation of the investment property portfolio	The valuation of the investment property portfolio is inherently subjective, requiring significant judgement. The outcome is significant for the Group in terms of its investment decisions, results and remuneration. 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 valuers proposed significant increases in the values, particularly in relation to properties where developments have progressed and active management has increased current rents. These values were discussed in detail by the Audit Committee in consideration of the current market outlook and the stage of progress on significant developments. The objectivity and independence of the valuers is monitored by the Audit Committee. PwC also met with the valuers and presented their views on the valuation to the Committee. 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.
Settlement of the Glebe Proceeds Share Agreement	During the year, the Group has accounted for the Glebe Proceeds Share Agreement ('Proceeds Share') as an equity instrument under IAS 32 representing a non-controlling interest (NCI) in the assets of Workspace Glebe Limited. The agreement was terminated in December 2014 and the NCI was extinguished. The Group was previously in discussions with the Financial Reporting Council (FRC) regarding the accounting for the Glebe Proceeds Share Agreement. As a result of these discussions, the Directors revised the application of the accounting policy so that a liability was only recorded when the Group had an unconditional legal obligation to make a distribution to the non-controlling interests. As such the amount of £11m calculated as attributable to the former lenders at 31 March 2014 was reclassified during the year and reported as a non-controlling interest rather than as a liability. The discussions with the FRC were concluded following the adjustments and disclosures made in the Interim Statement. In December 2014 an agreement was reached with the former lenders to terminate the Proceeds Share Agreement for a cash settlement of £30m. As at the date of settlement, the non-controlling interest recognised in relation to the Proceeds Share had a carrying value of £20m. As a result of this settlement, the Group extinguished non-controlling interests of £20m and recorded a decrease in equity attributable to owners of the parent of £10m. The Audit Committee considered the accounting treatment of the Proceeds Share Agreement at both the 30 September 2014 and 31 March 2015 and believes that the Group's accounting for, and disclosures of, the Proceeds Share are appropriate.
Compliance with the REIT regime	As a Real Estate Investment Trust (REIT) Workspace must comply with specific rules so as to benefit from a tax exempt status. These rules are complex and the tax exempt status has a significant impact on the Group's business and financial statements. Management monitor REIT compliance on an ongoing basis. The Group is in ongoing discussions with HMRC regarding the application of certain criteria. The Audit Committee has kept the position under review and does not consider that these discussions have any immediate financial impact and no further action is required until the discussions are concluded.

In addition, the Audit Committee has considered a number of other judgements which have been made by management, none of which had a material impact on the Group results.

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 instructs the undertaking of a programme of financial, operational and health and safety internal audits at its estates. 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.

Audit tendering

PwC has been Workspace's auditor since 1988 following the last competitive tender that the Group held. A new PwC audit partner has been appointed to the role this year. However, it is currently expected that we will look to rotate PwC inside the timeframe required under both the EU and UK Competition and Markets Authority transitional rules on mandatory firm rotation and tendering. Thereafter a policy of putting the external audit contract out to tender at least every 10 years will be adopted.

A resolution to reappoint PwC for the 2016 audit will be proposed at the AGM.

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 external auditors. The process requires prior approval by the Audit Committee Chairman for non-audit work exceeding £50,000.

The Group uses the external auditor for relevant financial work for a variety of reasons, including their knowledge of the Group, the audit-related nature of the work and the need to maintain confidentiality.

At each meeting, the Audit Committee will be advised of any significant non-audit work awarded to the external auditor since the previous meeting and the related fees. At the annual May meeting, the Audit Committee receive a report of fees, both audit and non-audit from PwC for the past financial year. The Committee has considered in detail the nature and level of non-audit services provided by PwC and the related fees. The Committee may challenge and in some instances refuse proposals in respect of non-audit work to be performed by the external auditor.

In addition, the Audit Committee will assess the threats of self-review by the external auditors, self-interest, advocacy, familiarity and management. These are set out below and considered in relation to PwC's services:

1. A self-review threat – this is where, in providing a service, the PwC audit team could potentially evaluate the results of a previous PwC service.

The Audit Committee specifically will not allow the auditors to:

- Provide accounting or book-keeping services.
- Prepare financial statement disclosure items.

2. A self-interest threat – where a financial or other interest (of an individual or PwC) will 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, their scope of work and fees must be approved in advance by the Chief Financial Officer and the Committee Secretary and, in the case of fees in excess of £50,000 for a single project, by the Audit Committee (or if approval is required before the next meeting, by the Audit Committee Chairman). 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 does not accept significant contingent fee arrangements with the external auditors.

3. An advocacy threat – this is where PwC or PwC personnel promote an audit client's position to the extent where PwC's objectivity as auditor is compromised.

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

4. 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. However, there have been no instances of this occurring. In addition, PwC will rotate their lead audit partner every five years. Sonia Copeland has taken over as lead partner for the year ended 31 March 2015, replacing Bowker Andrews who completed his five years in the role as lead partner.
- The Audit Committee will monitor on an ongoing basis the relationship with the external auditors to ensure their continuing independence, objectivity and effectiveness by reviewing their tenure, quality and fees.

5. 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 PwC for any services which would be considered management responsibility.

Audit fees

Fees paid to PwC can be found in note 2 on page 118.

Financial reporting

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.

The Directors are responsible for preparing the Annual Report. At the request of the Board, the Committee considered whether the 2015 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess Workspace's performance, business model and strategy. It was satisfied that, taken as a whole, the 2015 Annual Report is fair, balanced and understandable and included the necessary information. It confirmed this to the Board, whose statement in this regard is set out in the Directors' Responsibility Statement on page 104.

Internal control and risk management

The Board has ultimate responsibility for the Group's risk management framework and system of internal control and the ongoing review of their effectiveness. The Board has reviewed the Group's system of controls including financial, operational, compliance and risk management on a regular basis throughout the year. However, any such system can only provide reasonable and not absolute assurance against any material misstatement or loss.

The Company has established processes and procedures necessary to enable the Directors to report on internal controls in compliance with the Code. These processes and procedures involve the analysis, evaluation and management of the key risks to the Group.

The other 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 twice a year; and
- a programme of site audit visits, covering a significant proportion of the sites each year. Although the Group does not have a dedicated internal audit function, an operational, finance and health and safety audit are carried out at the estates by qualified Head Office personnel. The results of the audits are reported to and reviewed by the Risk and Audit Committees and appropriate action taken as required.

The Risk Committee reviews and identifies risks facing the Group and ensures that appropriate controls are in place to review each issue raised. Each identified risk is assigned a 'Risk Owner'. The Risk Committee have also devised an annual plan of work where a review is undertaken of particular areas of the business. Depending on the nature of the project, a third-party consultant may be appointed to assist in the review.

The Group has continued to develop its risk management framework and has reappraised its risks, including the impact of cyber security, in light of the changes in the external environment during the last year.

The Group has also considered the requirements of the Bribery Act 2010 and taken steps to ensure that it has adequate procedures as set out by the Act.

The Group continues to strengthen its risk management processes to ensure these are embedded as part of the Group's culture. The Turnbull Guidance sets out best practice on internal control to assist companies in applying the Code's principles with regards to internal control. The Board, with advice from the Audit Committee continues to review the effectiveness of internal control with no significant failings or weaknesses identified.

Further information on the Group's risks is detailed on pages 27 to 33.

Whistleblowing

The Group has a 'whistleblowing procedure' by which employees may report suspicion of fraud, financial irregularity or other malpractice. There is also a process in place for staff to report operational risks and issues to the Risk Committee.

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.

Directors' Remuneration Report

Maria Moloney
Chairman of the Remuneration Committee

Members of the Committee
- Stephen Hubbard
- Chris Girling
- Daniel Kitchen
- Damon Russell

For full biographies see pages 62 to 63.

The key objectives for the Remuneration Committee are to ensure that the remuneration arrangements strongly underpin the overall Group strategy and to allow us to attract and retain critical talent to continue to drive a performance culture which brings long-term outstanding corporate results and market-leading returns to our shareholders.

Remuneration Committee scheduled meetings and attendance

	8 meetings
Maria Moloney	●●●●●●●●
Daniel Kitchen	●●●●●●●●
Damon Russell	●●●●●●●●
Bernard Cragg[1]	●●●●○○○○
Chris Girling	●●●●●●●●
Stephen Hubbard[2]	○○○○●●●●

Notes:
1. Bernard Cragg retired from the Board on 16 July 2014.
2. Stephen Hubbard was appointed to the Board with effect from 16 July 2014; consequently, Mr Hubbard attended his first Board Meeting on 16 July 2014.

Dear Shareholder

Annual statement
Our first remuneration report presented in line with the new reporting regulations received over 99% support at the 2014 AGM. This year we are not proposing any changes to that policy.

Our aim is to ensure that our shareholders are presented, through this communication, with a clear and comprehensive report on the implementation of that policy, to provide the best balance between better disclosure and less complicated presentation of information and very importantly, to provide reassurance that the work of the Committee is taken very seriously in the interests of the Company and its shareholders alike.

A very successful year

As you will have read earlier in the Annual Report, this has been another successful year for the Company. In assessing performance against strategic and personal objectives this year, Workspace has again outperformed. This is reflected in our revenues and profits which have again grown strongly.

Such statements do not imply complacency but it is gratifying that over several years, the Company has delivered attractive returns for shareholders with continued strong operational and financial performance.

Actual performance of strategic and financial measures

The following table shows a number of the Company's KPIs and how their satisfaction is targeted by the incentive arrangements:

- ● LTIP (blue)
- ● Annual Bonus (black)

2015	2014
47% ● **Total Shareholder Return** (LTIP)	**76%** ● **Total Shareholder Return** (LTIP)
+30% ● **Trading profit after interest (adjusted)** Up 30% to £26.6m (Annual Bonus)	**+15%** ● **Trading profit after interest (adjusted)** Up 14.5% to £20.5m (Annual Bonus)
+42% ● **Net Asset Value per share** Up 42% to £7.03 (LTIP)	**+43%** ● **Net Asset Value per share** Up 43% to £4.96 (LTIP)
+37% ● **Capital Return of 37% vs 17% for IPD quarterly Universe** (Annual Bonus)	**+35%** ● **Capital Return of 35% vs 14% for IPD quarterly Universe** (Annual Bonus)
+13% ● **Dividend per share for full year** Up 13% to 12.04p (LTIP)	**+10%** ● **Dividend per share for full year** Up 10% to 10.63p (LTIP)
77% ● **Customer satisfaction** (Annual Bonus)	**78%** ● **Customer satisfaction** (Annual Bonus)

In addition, the underlying property valuation is up 30% (£328m) in the year to £1,423m.

Three year TSR of c.278% places Workspace top of its comparator group by a considerable margin.

The final dividend per share increased by 15% to 8.15 pence (2014: 7.09 pence).

Outperformance and reward

The results speak for themselves and are testament to a highly motivated corporate culture and a highly achieving corporate team.

As a Remuneration Committee, we constantly seek to challenge ourselves to ensure that our remuneration policy continues to be fit for purpose to underpin our wider corporate strategy.

We are very aware that the retention, motivation and attraction of a high performing leadership team, focused on the delivery of business priorities and continued strong shareholder returns is critical to our continued success.

Furthermore, in the context of the London property market, our reward packages must be competitive relative to our peers as we enter the next phase of the Company's development.

One challenge we have faced over the last few years, particularly in light of the success of the Company and the increase in the scale and complexity of the business, is that our Executive salaries and fair value of total remuneration are no longer competitive.

Addressing this challenge has not been approached lightly. We have expended considerable time and effort to ensure that we fully understand our remuneration structure and how it is aligned with the business strategy as well as how it compares to the market.

As part of our constant drive to be rigorously up to date with and close to any changes in the remuneration landscape as well as to encourage a two-way discussion with our investors on remuneration matters, which we particularly value, the Chairman of the Company and I had the benefit of consulting with major shareholders who collectively hold over 65% of the Company's issued share capital.

Salary adjustments

In light of the above, and following our consultation with major shareholders, the Remuneration Committee considered it appropriate to make use of the flexibility approved within our policy to move the salaries of our Executive Directors closer to median, from 1 April 2015 by:

- increasing the CEO's salary from £419,020 to £450,000 (c.7% increase); and
- increasing the CFO's salary from £261,890 to £275,000 (5% increase)

The Committee also increased the pension contribution for the CEO from 15% to 16.5% which is consistent with that of the CFO.

It was very gratifying for the Committee to not only have the support of the majority of the shareholders consulted but also to see their recognition of both the strength of the returns to shareholders over recent years and the contribution of the management team in achieving this success.

The wider Company
It is important to note that, as a Committee, we are very conscious of the need to take a strong interest in the remuneration of all employees below Board level to ensure that the remuneration arrangements across the business are consistent and foster the strong performance culture that drives our business.

Highlights of other elements of remuneration
Bonus
Reflecting the outstanding results outlined above and also strong individual performance, each Executive Director was awarded an annual bonus equivalent to 116.6% of salary. See page 89.

LTIP
The LTIP awards granted in 2012 are due to vest in June 2015 (November 2015 for the CEO). The three-year performance period of the 2012 LTIP awards ended on 31 March 2015.

Over the three years from 1 April 2012 to 31 March 2015, the Company's TSR and NAV performance conditions were met in full. After considering the underlying performance of the Company, the Committee confirmed that overall Workspace's performance warranted 100% vesting of the 2012 LTIP awards. Further details can be found on page 92.

Looking to the future
This has been a busy year but, equally, we are very aware of the tasks ahead. For example, in light of recent changes to the UK Corporate Governance Code, the Committee intends to review the new provisions during the next financial year. In relation to holding periods, for LTIP awards granted from 2013 onwards, net vested LTIP shares are required to be held for a one year holding period before the shares can be sold. Clawback provisions also apply during the holding period, details of which can be found on page 85.

Finally, I would like to thank my fellow Committee members for their hard work and support, including Bernard Cragg who retired from the Committee in July 2014. We welcome Stephen Hubbard who has joined us. The Committee has been completely renewed over the last few years. It is entirely committed to ensuring that we are totally on top of changes within the remuneration landscape in all we do, whether it be developments in corporate governance, legislation, shareholder consultation or shareholder views.

We seek to provide a strong and independent direction on remuneration policy and implementation with clear disclosure and transparency.

We remain committed to hearing and taking an active interest in your views as shareholders and we hope to receive your support at the AGM.

Dr Maria V Moloney
Chairman of the Remuneration Committee
2 June 2015

Compliance statement
This Remuneration Report has been prepared on behalf of the Board by the Remuneration Committee ('the Committee') in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Committee adopts the principles of good governance as set out in the UK Corporate Governance Code and complies with the UKLA Listing Code. The first part of this report, which is not subject to audit, sets out a summary of the Company's remuneration policy. The second part, the Annual Report on Remuneration, provides information on how the policy was implemented during the year and how Workspace intends to implement the policy in 2015/16. The sections subject to audit are highlighted accordingly.

1. Summary of the policy

Introduction
This section provides a summary of the relevant elements of the remuneration policy for Executive and Non-Executive Directors which shareholders approved at our 2014 AGM on 16 July 2014, and took effect from that date. This policy will continue to apply until our 2017 AGM unless a revised policy receives shareholder approval and becomes applicable prior to this date.

We have summarised below how the policy was operated in 2014/15 and how it is intended to be operated in 2015/16.

Objectives of the policy
Workspace's remuneration policy is designed to reinforce the Company's goals, and to provide effective incentives for exceptional Company and individual performance. The Committee regularly reviews the remuneration structure in place at Workspace to ensure it remains aligned with our business strategy, reinforces our success, and aligns reward with the creation of shareholder value.

Remuneration packages are designed to attract, retain and motivate Directors of the highest calibre who have the experience, skills and talent to manage and develop the business successfully. A significant part of executive remuneration is variable and is determined by the Group's success and directly links reward with Group and individual performance. The Committee strives to ensure that shareholders' interests are served by creating an appropriate balance between fixed and performance-related pay. A considerable part of the reward package is linked to share price performance, is delivered in shares that have to be retained until minimum shareholding requirements have been met, and requires Executives to invest their own funds in Company shares.

Consideration of shareholder views

The Committee is committed to ongoing dialogue with shareholders and welcomes feedback on Directors' remuneration. It is the Remuneration Committee's policy to consult with major shareholders prior to making any significant changes to its remuneration policy and the Committee also considers AGM feedback when reviewing remuneration policy and considering its implementation. The Committee also considers guidance from investors more generally.

During the year, the Committee consulted with major shareholders holding over 65% of the Company's issued share capital regarding executive remuneration proposals for 2015 and the Committee is pleased to report there was good support for the proposals and a very gratifying understanding of both the strength of the returns to shareholders over recent years and the contribution of the management team to achieve such levels.

Summary table

Purpose and link to strategy	Operation	Opportunity	Operation in the Year ended 31 March 2015 2014/15	Operation in the Year ended 31 March 2016 2015/16
Base salary To reflect market value of the role and an individual's experience, performance and contribution.	Reviewed on an annual basis, with any increases normally taking effect from 1 April. It is payable in cash. The Committee reviews base salaries with reference to: – the individual's role, performance and experience; – business performance and the external economic environment; – salary levels for similar roles at relevant comparators; and – salary increases across the Group.	Base salary increases are applied in line with the outcome of the review. There is no prescribed maximum. Salary increases for Executive Directors will not normally exceed those of the wider workforce on an annualised basis over the term of this policy. Increases may be above this level if there is an increase in the scale, scope, market comparability or responsibilities of the role. Where increases are awarded in excess of the wider employee population, the Committee will provide an explanation in the relevant year's Remuneration Report.	Jamie Hopkins (CEO) £419,020. Graham Clemett (CFO) £261,890.	Jamie Hopkins (CEO) £450,000 (7% increase). Graham Clemett (CFO) £275,000 (5% increase). For further information please see the Directors' Annual Report on Remuneration on page 89.
Pension To provide cost-effective retirement benefits.	Executives participate in a defined contribution pension scheme or may receive a cash allowance in lieu of pension contribution.	Up to 16.5% of salary. This may be exceeded in exceptional circumstances (e.g. recruitment).	Jamie Hopkins (CEO) 15% of salary. Graham Clemett (CFO) 16.5% of salary.	Both Executive Directors 16.5% of salary. For further information please see the Directors' Annual Report on Remuneration on page 89.
Benefits To provide market competitive benefits.	Benefits typically include car allowance, private health insurance, and death in service cover. Where appropriate, other benefits may be offered including, but not limited to, allowances for relocation.	Benefits may vary by role and individual circumstance and are reviewed periodically.	Company mobile phone, a car allowance, private health insurance and death in service cover.	No change.

Purpose and link to strategy	Operation	Opportunity	Operation in the Year ended 31 March 2015 2014/15	Operation in the Year ended 31 March 2016 2015/16
Annual bonus To reinforce and reward delivery of annual strategic business priorities, based on a scorecard of KPIs relating to both Group and individual performance. Bonus deferral and LTIP investment provide further alignment with shareholder interests.	KPIs and weightings are reviewed prior to the start of the year to ensure they remain appropriate and reinforce the business strategy. Stretching targets are set. At the end of the year the Committee determines the extent to which these targets were achieved. The Committee may vary the mix of cash and deferred bonus shares from year to year. The minimum deferral requirement is normally 25% of bonus earned. The Committee retains the discretion to mandate deferral of a percentage of bonus earned (which will normally vest after two years) or allow Executives to make an equivalent investment in the LTIP. Dividends may accrue on deferred bonus shares and be paid on those shares which vest. Awards under the bonus are non-pensionable.	The maximum bonus potential for Executive Directors is 120% of salary p.a. For Threshold performance, the bonus opportunity is typically up to 20% of maximum. In the event there is no bonus for Group performance, the Committee has discretion to award a bonus of up to 20% of salary for exceptional individual performance.	Performance conditions and weightings ('WT'): **Corporate** Wt. – Measure 50% – Trading profit before tax (% growth on prior year) 30% – Capital Return from portfolio versus a defined comparator Benchmark compiled by IPD 10% – Customer satisfaction **Personal** Wt. – Measure Corporate performance bonus may be adjusted by a factor in the range of 0.67 to 1.33 (with factors greater than 1.0 reflecting superior performance) Annual bonus (% of salary) 120% Maximum opportunity for: Jamie Hopkins (CEO) Up to 120% of salary Graham Clemett (CFO) Up to 120% of salary For further information on the performance targets, their level of satisfaction and the corresponding bonus earned please see the Directors' Annual Report on Remuneration on pages 89 and 90.	No change to type of performance condition or maximum bonus potential for the Executive Directors. 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 performance periods so shareholders can fully assess the basis for any pay-outs under the annual bonus.

Purpose and link to strategy	Operation	Opportunity	Operation in the Year ended 31 March 2015 2014/15	Operation in the Year ended 31 March 2016 2015/16
LTIP To reinforce delivery of sustained long-term sector out-performance; and to align the interests of participants with those of shareholders.	The Committee may grant annual awards of performance shares and matching shares (subject to participant investment). Awards may be in the form of nominal priced options or conditional shares, which normally vest after three years, subject to performance conditions. The performance period is normally three years and runs from the start of the financial year in which the awards are granted. From 2013 LTIP awards, inclusive, 100% of net vested shares are subject to a further holding period during which clawback provisions apply. The holding period is normally at least one year. LTIP awards subject to the holding period may be reduced in circumstances where the Company becomes aware of a material misstatement of the Company's financial accounts for any financial year during the performance period or a participant's gross misconduct. The award levels and performance conditions are reviewed in advance of grant by the Remuneration Committee to ensure they remain appropriate. Dividends may accrue on LTIP awards and be paid on those shares which vest. Non-pensionable.	Plan provides for annual awards of: – performance shares of up to 100% of salary (200% in exceptional circumstances); and – matching share awards of up to 2 for 1 on investments in Workspace shares of up to 50% of net salary. The maximum matching share award that may be granted to the Executive Directors is 100% of their annual basic salary. The Company awards matching shares in respect of an amount equivalent to two times the grossed up (for income tax and National Insurance) amount invested by the participant. Threshold performance typically warrants 20% vesting.	Grant sizes for: Jamie Hopkins (CEO) – Performance Awards (100% of salary) – Matching Awards (82% of salary) Graham Clemett (CFO) – Performance Awards (100% of salary) – Matching Awards (100% of salary) Performance conditions for performance shares and matching shares are: – 1/3rd Growth in Net Asset Value relative to comparators; – 1/3rd TSR (share price growth plus reinvested dividends) relative to comparators; – 1/3rd Absolute TSR. For any shares to vest on Absolute TSR, the Company's TSR must exceed the median TSR for the comparator group over the performance period. For full details of the 2014 LTIP awards please see page 91 of the Directors' Annual Report on Remuneration.	No change to maximum LTIP opportunities or the performance conditions. The Committee reviewed the LTIP comparator group and decided to exclude Agencies from the FTSE 350 Real Estate comparator group as these operate a different business model. Please see pages 91 and 92 of the Directors' Annual Report on Remuneration for further details of the proposed 2015 LTIP operation.
Shareholding guidelines To encourage long-term share ownership and support alignment with shareholders.	Executive Directors are encouraged to build and hold Workspace shares equivalent to 150% of salary in normal circumstances within five years of appointment.	150% of salary.	Current shareholding as a percentage of salary (based on a share price of 854.5 pence at 31 March 2015). CEO 303% of salary. CFO 239% of salary. Therefore both Executive Directors have met their shareholding guidelines.	No change.
Save As You Earn (SAYE) **Share Incentive Plan (SIP)** To encourage wide employee share ownership.	In line with HMRC rules from time to time.	Executive Directors are eligible to participate in these Plans on the same basis as other employees of the Company.	For full details please see pages 93 and 96 of the Directors' Annual Report on Remuneration.	No change.

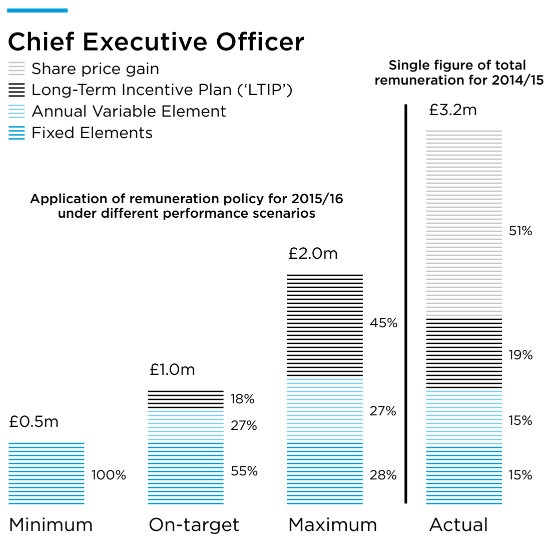
In designing the remuneration policy, the Committee has considered the requirements of schedule A of the UK Corporate Governance Code (the 'Code') and will review the revisions to the Code in the next financial year.

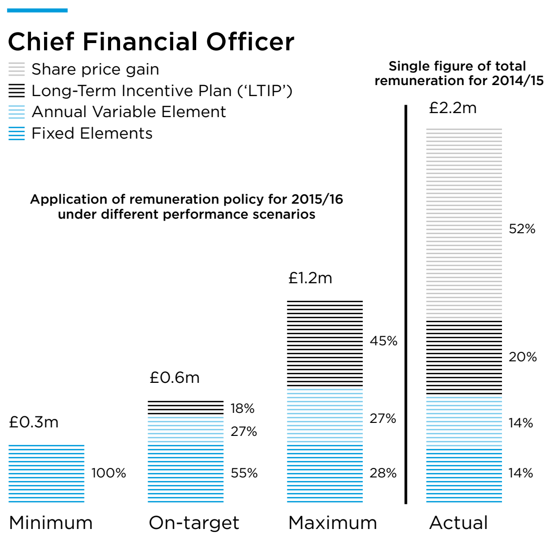
External appointments

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. Currently the Executive Directors do not hold any appointments.

Remuneration policy scenarios for 2015/16 compared to single figure of total remuneration for 2014/15

The following charts illustrate the application of the remuneration policy for 2015/16 under different performance scenarios for the Executive Directors of the Company compared to the single figure of total remuneration for 2014/15 which includes the vesting of the 2012 LTIP.





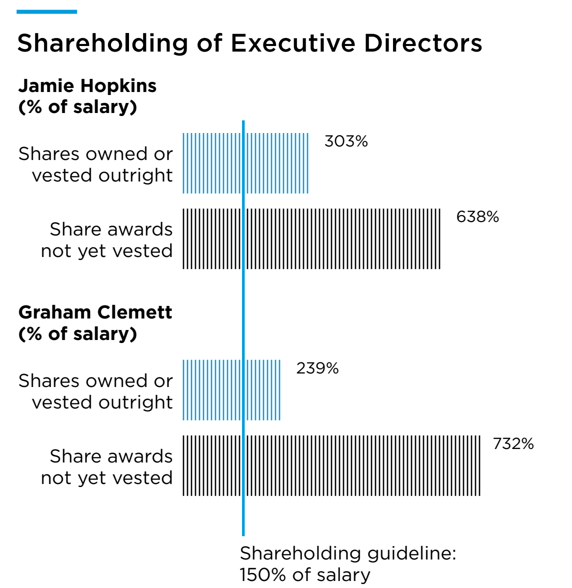
The policy scenarios are based on 2015/16 salary, bonus, pension and LTIP opportunities, and benefits are as per the single figure table. It should be noted that LTIP awards granted do not normally vest until the third anniversary of the date of grant and a holding period applies to net vested shares of one year for those awards granted from 2013. The projected value of the LTIP excludes the impact of share price movement.

For the policy scenarios the following assumptions have been made:

	Component	'Minimum'	'On-target'	'Maximum'
Fixed	Base salary	2015/16 salary		
	Pension	2015/16 contribution rate		
	Other benefits	Benefits as provided in the single figure table on page 88		
Annual Bonus (Annual Variable Element)		No bonus payable	Target bonus (50% of max)	Maximum bonus
LTIP		No LTIP vesting	Assumes full take-up of investment opportunity, and Threshold vesting (20% of max)	Maximum vesting

Shareholding of Executive Directors

The following chart shows the interests in shares held by the Executive Directors as at 31 March 2015. Full details are provided on page 93 of the Directors' Annual Report on Remuneration:



Notes:
Value of shares was calculated with reference to share price on 31 March 2015 of £8.545. For further details of outstanding shares see page 94.

The value of share awards not yet vested represents the maximum award available assuming 100% vesting and is calculated on a net of tax basis assuming a tax rate of 47%.

Remuneration policy for the Chairman and Non-Executive Directors

The Board determines the remuneration policy and level of fees for the Non-Executive Directors within the limits set out in the Articles of Association. The Remuneration Committee recommends the remuneration policy and level of fees for the Chairman of the Board. The current policy is:

Purpose and link to strategy	Operation	Opportunity	Operation in the Year ended 31 March 2015 2014/15	Operation in the Year ended 31 March 2016 2015/16
Fees To reflect the time commitment in performing the duties and responsibilities of the role.	Annual fee for the Chairman. Annual base fee for the Non-Executive Directors. Additional fees are paid to Non-Executive Directors for additional responsibilities such as chairing a Board Committee. Fees are reviewed from time to time, taking into account time commitment, responsibilities and fees paid by companies of a similar size and complexity. Payable in cash.	Fee increases are applied in line with the outcome of the review	Chairman's Fee £135,000 NED Base Fee £45,000 Chair of Audit Committee Fee £10,000 Chair of Remuneration Committee Fee £10,000	No change.

Wider approach to remuneration throughout the Company

The Group's wider people policies are reported separately on pages 101 and 102. Following probationary periods, all staff in the Company are eligible to participate in the Company's bonus scheme, SAYE, SIP, pension scheme, life assurance arrangements and medical insurance benefits. All members of the Executive Committee and some senior staff are eligible to participate in the Company's LTIP. During the year, we extended LTIP participation to a wider group of employees. Some senior executives are also required to adhere to the Company's shareholding guidelines.

In making remuneration decisions for the Executive Directors, the Committee considers the pay and employment conditions elsewhere in the Group. To assist in this the Committee members receive updates from the Executives on their discussions and consultations with employees. The Committee also monitors information with regard to bonus payments and share awards made to the management of the Group.

In addition, the following table demonstrates how key objectives are reflected consistently in plans operating at all levels within the Company.

Plan	Purpose	Eligibility	Objectives			
			Financial performance	Strategic and operational goals	Long-term value creation (encouraged through equity retention)	Share ownership
SAYE and SIP	To broaden share ownership and share in corporate success over the medium term.	All employees			✓	✓
Annual bonus	Incentivise and reward short-term performance	All employees	✓	✓		
LTIP	Incentivise and reward long-term performance	Executive Directors and management	✓		✓	✓

2. The Directors' Annual Report on Remuneration

The following section provides details of how the remuneration policy was implemented during the year and how the Committee intends to implement the policy in 2015/16. Disclosure also details outstanding awards to Directors.

Single figure of Executive Director total remuneration (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 March 2015 and the prior year:

	Jamie Hopkins		Graham Clemett	
	2014/15 £000	2013/14 £000	**2014/15 £000**	2013/14 £000
Salary	**419.0**	408.8	**261.9**	255.5
Benefits[1]	**17.5**	17.3	**19.1**	18.7
Annual bonus[2]	**488.6**	479.5	**305.4**	299.7
LTIP[3]	**2,259.0**	n/a	**1,618.0**	897.7
Other – SAYE, SIP[4]	**n/a**	n/a	**2.2**	n/a
Pension[5]	**62.9**	61.3	**43.2**	42.2
Total	**3,247.0**	966.9	**2,249.8**	1,513.8

Notes:

1. **Benefits:** Taxable value of benefits received in the year by Executive Directors includes Company mobile phone, a car allowance, private health insurance and death in service cover.
2. **Annual bonus:** This is the total bonus earned in respect of performance during the relevant year. For 2014/15 (and 2013/14), the Committee set a minimum deferral requirement of 25% of the bonus earned. For 2014/15, this deferral was equivalent to £122,144 for Mr Hopkins and £76,343 for Mr Clement. For 2013/14, this was equivalent to £119,880 for Mr Hopkins and £74,925 for Mr Clement. Further details of annual bonus awards for 2014/15 can be found in the Annual Report on Remuneration on pages 89 and 90.
3. **LTIP:** The 2014/15 figure includes the estimated value of 2012 LTIP shares that vested on performance to 31 March 2015; 100% of the 2012 LTIP awards vested on performance. The share price is the trailing three-month average share price to 31 March 2015 of 816.4 pence. This will be reported in the 2015/16 Remuneration Report based on the share price on date of vesting. Further details of the 2012 LTIP awards vesting can be found in the Annual Report on Remuneration on page 92. The 2013/14 figure for Mr Clemett includes the value of 2011 LTIP shares at vesting. As described in last year's Remuneration Report, the value has been updated based on the share price on the date of vesting (3 August 2014) of 607.5 pence. The value of LTIP awards vesting is higher than the value shown in the pay scenario charts on page 86 due to the impact of share price appreciation between grant and vesting.
4. Mr Clemett was awarded 1,960 SAYE options on 25 July 2014, and the value is the embedded value at grant, based on an exercise price of £4.59 set at 80% of the market value of a share at the invitation date.
5. Company's contribution to defined contribution plan or cash allowance in lieu of pension contribution. No further breakdown is required.

Single figure of Non-Executive Director remuneration and Non-Executive Director fees (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 2015 and the prior year:

	Daniel Kitchen		Bernard Cragg[1]		Maria Moloney		Chris Girling		Damon Russell		Stephen Hubbard[2]	
Non-Executive Director	**2014/15 £000**	2013/14 £000	**2014/15 £000**	2013/14 £000	**2014/15 £000**	2013/14 £000	**2014/15 £000**	2013/14 £000	**2014/15 £000**	2013/14 £000	**2014/15 £000**	2013/14 £000
Base fee	**135.0**	125.0	**13.3**	40.0	**45.0**	40.0	**44.9**	40.0	**45.0**	33.8	**32.1**	–
Additional fees	**-**	–	**3.0**	5.0	**10.0**	3.3	**7.5**	–	**-**	–	**-**	–
Total	**135.0**	**125.0**	**16.3**	**45.0**	**55.0**	**43.3**	**52.4**	**40.0**	**45.0**	**33.8**	**32.1**	**-**

Notes:

1. Bernard Cragg retired as a Director on 16 July 2014.
2. Stephen Hubbard was appointed as a Director on 16 July 2014.

Base salary and pension

In line with the remuneration policy, the Committee reviews base salaries annually with any changes normally taking effect from 1 April. As foreshadowed in the Chairman's statement, during the year the Committee conducted a detailed review of the base salaries of the CEO and the CFO taking into account a wide range of factors including the external economic environment, Company and individual performance, experience, rates of salary for similar jobs in companies of a similar sector and size and overall impact on total remuneration. Following its review and consultation with major shareholders and shareholder bodies, the Committee increased the CEO's salary from £419,020 to £450,000 (a c.7% increase) and the CFO's salary from £261,890 to £275,000 (a 5% increase) from 1 April 2015. The next salary review date for Executive Directors will be 1 April 2016.

For the year under review, the CEO and CFO received an employer's pension contribution equal to 15% and 16.5% of basic salary respectively. Following its review and consultation with shareholders the Committee increased the CEO's pension contribution from 15% to 16.5% of salary from 1 April 2015, consistent with that for the CFO.

Since April 2014, no further pension contributions have been made to Mr Clemett, but he receives instead an equivalent cash allowance of 16.5% per annum in lieu of pension. For Mr Hopkins, the Company will make pension contributions up to the Annual Allowance and provide a cash allowance above this, up to 16.5% of salary.

The average salary increase across the Group for the year commencing 1 April 2015 is 5%. Additionally all employees participate in annual bonuses and during the year LTIP awards were granted to a wider group of employees to further reinforce the strong performance culture.

Annual bonus scheme (audited)

The Group operates an annual bonus scheme which provides for a capped variable performance-related bonus.

For 2014/15, the maximum bonus potential for the Executive Directors was set at 120% of basic annual salary. The Committee sets a minimum deferral or investment each year into Workspace shares; for 2014/15 the Committee set a minimum deferral requirement of 25% of the bonus earned.

The preferred mechanism for meeting this deferral requirement is participant investment in the LTIP. However, the Committee retains the discretion to mandate deferral of 25% of bonus earned (which will vest after two years, subject to continued employment) or allow executives to make an equivalent investment in the LTIP. For 2014/15 the Committee allowed Executive Directors to make an equivalent investment in the LTIP.

The performance measures, targets and outcomes for 2014/15 Executive Director annual bonuses are shown below. Against each measure the bonus starts to be paid on the achievement of a threshold performance, increasing on a straight-line basis until stretch performance is achieved, at which point the full bonus potential for that measure is earned.

The performance measures, targets and outcomes for 2014/15

						Performance achieved (% of bonus earned)	
Measure	Weighting	Measure	Threshold[1]	Stretch[1]	Actual performance	Jamie Hopkins	Graham Clemett
Corporate	50%	Trading profit before tax (% growth on prior year)	5%	10%	30%	50%	50%
	30%	Capital Return from portfolio versus a defined comparator Benchmark compiled by IPD	Benchmark	Benchmark +2%	Benchmark +16.3%	30%	30%
	10%	Customer satisfaction	70%	80%	77%	7.7%	7.7%
Personal	Corporate performance bonus may be adjusted by a factor in the range of 0.67 to 1.33 (with factors greater than 1.0 reflecting superior performance)			Subject to Committee assessment	See commentary below	1.33	1.33
Annual bonus (% of salary)	120%					116.6%	116.6%

The Committee also assessed performance against strategic and personal objectives and was pleased to note that during the year the Company outperformed on every measure. The Committee noted the following achievements in particular:

Objective	Result
Financial and Corporate	
– Deliver Budget – Broaden Portfolio Profile	– Budget exceeded by 21%; – Trading profit after interest up 30% to £26.6m; – Outperformed IPD quarterly Universe by 19.6% and outperformed the comparator Benchmark by 16.3%; – Property Valuation up 30% to £1,423m; – Total Dividend up 13% to 12.04p per share; – Net Asset Value up 42% to £7.03 per share; – Total Shareholder Return for the year of 47%;
– Diversify funding	– Successful completion of Cash Box Placing raising gross proceeds of approximately £96.5m.
Operational	
– Deliver marketing plan	– Strong customer demand and pricing increases;
– Deliver new and refurbished buildings	– All delivered on time with strong lettings momentum;
– Increase brand awareness and customer service	– Roll out of new centre staff operating model;
– Accelerate change of use planning applications	– Four mixed-use consents achieved and five schemes sold.
Investment	
– Complementary acquisitions	– Five acquisitions completed in strategic London locations for £80m;
– Non-core disposals	– Disposal of a portfolio of 10 non-core industrial estates for gross proceeds of £44m;
– Grow alternative income streams	– Initiatives including ClubWorkspace, technology offering and design services continue to develop.

Following consideration of the above, the Committee awarded Jamie Hopkins and Graham Clemett a gross bonus of £488,577 and £305,375 respectively. 25% of earned bonuses will be invested in the LTIP.

2015/16 annual bonus framework

The framework for 2015/16 is unchanged from 2014/15. The Committee intends to disclose incentive targets retrospectively at the time that bonuses are paid provided that they are not considered to be commercially sensitive at that time.

LTIP awards (audited)

LTIP awards are granted as performance shares of up to 100% of salary and matching share awards of up to 2 for 1 on investments in Workspace of up to 50% of net salary. The maximum matching share award that may be granted to the Executive Directors is 100% of their annual basic salary. The Company awards matching shares in respect of an amount equivalent to two times the grossed up (for income tax and National Insurance) amount invested by the participant in Invested Shares.

Vesting of performance shares and matching shares is based 1/3, 1/3, 1/3 on three-year relative NAV growth, relative TSR and absolute TSR. For the 2012, 2013 and 2014 LTIP cycles, relative performance is measured against the constituents of the FTSE 350 Real Estate Index. In addition, for any shares to vest on TSR, the Committee must satisfy itself that the recorded TSR is a genuine reflection of the underlying business performance of Workspace. For LTIP awards granted in 2013 onwards, net vested LTIP shares are required to be held for a one-year holding period before the shares can be sold.

Clawback provisions apply during the holding period in the event of a material misstatement of the Company's financial statements for any financial year during the performance period of a participant's gross misconduct.

A summary of performance measures, weightings and targets for 2014 LTIP awards granted during the year is provided below:

	One-third		**One-third**		**One-third**	
Performance condition	Growth in Net Asset Value relative to comparators[1]		TSR (share price growth plus reinvested dividends) relative to comparators[1]		Absolute TSR[2]	
Level of performance	Company's percentile rank	% of award vesting[3]	Company's percentile rank	% of award vesting[3]	Company's performance	% of award vesting[3]
Threshold	51st percentile	20%	51st percentile	20%	8% p.a.	20%
Maximum	75th percentile	100%	75th percentile	100%	17% p.a.	100%

Notes:
1. The comparator group for the 2014 LTIP cycle is the constituents of the FTSE 350 Real Estate Index.
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 2014 LTIP.

			Performance share award			**Matching share award[1]**		
				Face value			Face value	
	Date of grant	Market price at date of award[2]	Number of shares	£	% of salary	Number of shares	£	% of salary
CEO	26 June 2014	£5.7033	73,469	419,020	100%	60,378	344,350	82%
CFO	26 June 2014	£5.7033	45,918	261,890	100%	45,918	261,890	100%

Notes:
1. Matching share awards of up to 100% of salary. Actual awards to the Executive Directors reflected their investments.
2. The share price for calculating the levels of awards was £5.7033, the average mid-market closing price over the three dealing days 17, 18 and 19 June 2014.

2015 LTIP awards

The Committee intends to grant 2015 LTIP awards following the release of the Company's preliminary results announcement. During the year, the Committee reviewed the LTIP comparator group and decided to exclude Agencies from the FTSE 350 Real Estate comparator group as these operate a different business model. The performance conditions are otherwise unchanged from those for the 2014 LTIP awards. The anticipated maximum opportunity for awards is detailed below.

Director	Performance Award	Maximum potential Matching Award[1]
CEO	100% of salary	100% of salary
CFO	100% of salary	100% of salary

Notes:
1. Subject to committing invested shares equivalent to 50% of salary.

Recap of performance conditions for existing LTIP awards

	One-third		One-third		One-third	
Performance condition	Growth in Net Asset Value relative to comparators[1]		TSR (share price growth plus reinvested dividends) relative to comparators[1]		Absolute TSR[2]	
Level of performance	Company's percentile rank	% of award vesting	Company's percentile rank	% of award vesting	Company's performance	% of award vesting
Awards made in 2013 and 2014[3]						
Threshold	51st percentile	20%	51st percentile	20%	8% p.a.	20%
Maximum	75th percentile	100%	75th percentile	100%	17% p.a.	100%
Awards made in 2012[3,4]						
Threshold	51st percentile	20%	Median	20%	11% p.a.	20%
Maximum	75th percentile	100%	Median + 7.5% p.a.	100%	20% p.a.	100%

Notes:
1. The comparator group for the 2012, 2013 and 2014 LTIP cycles is the constituents of the FTSE 350 Real Estate Index.
2. For any shares to vest on absolute TSR for the 2013 and 2014 LTIP awards, the Company's TSR must exceed the median TSR of the comparator group over the performance period. For the 2012 LTIP awards, for any shares to vest on absolute TSR, the Company's TSR must exceed the median TSR of the comparator group by + 1.5% p.a over the performance period.
3. There is straight-line vesting between the 'Threshold' and 'Maximum' performance levels.
4. As described in prior years' Remuneration Reports, the 2012 matching share award for the CEO may vest subject to the achievement of an absolute TSR underpin of 4% p.a.

LTIP vesting outcome in 2014/15 (audited)

The three-year performance period of 2012 LTIP awards ended on 31 March 2015.

Over the three years from 1 April 2012 to 31 March 2015, Workspace's three-year NAV growth of 32.1% p.a. placed it 1st (100th percentile) against its comparator group (the FTSE 350 Real Estate) which warranted 100% of this element vesting (equivalent to 33.3% of LTIP shares awarded). Workspace's three-year TSR outperformed the median TSR of the FTSE 350 Real Estate by 23.8% p.a. which warranted 100% of this element vesting (equivalent to 33.3% of LTIP shares awarded). Workspace's three-year absolute TSR of 55.8% p.a. warranted 100% of the absolute TSR element vesting (equivalent to 33.3% of LTIP shares awarded).

As described in prior years' Remuneration Reports, the 2012 matching share award for the CEO was subject to the achievement of an absolute TSR underpin of 4% p.a. Over the three years from 1 April 2012 to 31 March 2015, Workspace's three-year absolute TSR of 55.8% p.a. warranted 100% of this award vesting.

The Committee considered this together with the underlying business performance of Workspace and concluded that 100% of the 2012 LTIP shares awarded to the Executive Directors would vest. These awards are due to vest on 18 June 2015 for the CFO and 19 November 2015 for the CEO.

The table below summarises the LTIP interests held by the CEO and CFO and the estimated value at vesting:

	Interests held[1]	Vesting %	Number of shares vesting	Date vesting	Value[2]
CEO	276,642	100%	276,642	19 November 2015	£2,258,505
CFO	198,168	100%	198,168	18 June 2015	£1,617,843

Notes:
1. For the CEO, LTIP interests held comprises 164,117 performance shares and 112,525 matching shares. Similarly, for the CFO, it comprises 99,084 performance shares and 99,084 matching shares.
2. The value is calculated as the number of shares vesting multiplied by the average three-month share price to 31 March 2015 of 816.4 pence. These awards will be reported in the 2016 Remuneration Report based on the share price on date of vesting.

Save As You Earn (SAYE)
On 25 July 2014, 1,960 options were granted to the CFO to buy shares in the Company at an option exercise price of £4.59 based on 80% of the market value of a share at the invitation date. The contract maturity date is 1 September 2017. SAYE awards are offered on consistent terms to all employees.

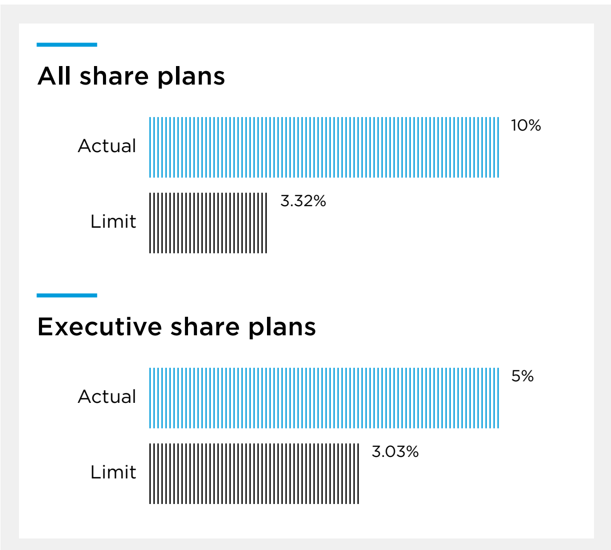
Share Incentive Plan (SIP)
The Company implemented a SIP in 2013 and, in March 2013, the Company granted one-off share awards under the SIP (although the SIP rules are flexible enough to accommodate subsequent offers) of up to £1,000 of free shares per employee.

The Company purchased shares on the market to satisfy the grant of free shares and these are held in a UK resident trust. The free shares are to be held in the Trust for a minimum period of three years before they can be withdrawn by the employees.

No awards were granted, exercised or lapsed by the Executive Directors under the SIP during the year.

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 ('IA') 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 2014 is detailed below.

As of 31 March 2015, around 5.3m (3.3%) and 4.9m (3%) 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.



Payments for loss of office (audited)
There were no payments for loss of office during the year, or in 2014.

Payments to past Directors (audited)
There were no payments to past Directors during the year.

As reported in the 2014 Directors' Remuneration Report, Harry Platt retained an interest in the 2011 LTIP grant after pro-rating for time. The vesting of these shares was subject to the same performance conditions as for other Executives. Based on performance to 31 March 2014, 100% of the shares vested (corresponding to 74,970 shares). The value given in the 2014 Report was based on a three-month average share price to 31 March 2014 of 565.2 pence. The actual value at vesting was £455,443 based on the closing share price on the date of vesting (3 August 2014) of 607.5 pence.

Share ownership and share interests (audited)
The Committee has adopted guidelines for Executive Directors and other senior Executives to encourage substantial long-term share ownership. In 2013, the Remuneration Committee agreed that shareholding guidelines would be increased to 150% of salary to be achieved within five years of appointment from 1 April 2013. The CEO and CFO exceed these requirements; the shareholding of the CEO is equivalent to 303% of salary and the CFO is equivalent to 239% of salary based on a share price of 854.5 pence at 31 March 2015.

The table below shows the interests of the Directors and connected persons in shares. There have been no changes in the interests in the period between 31 March 2015 and 2 June 2015.

	31 March 2015	31 March 2014
Chairman		
Daniel Kitchen[1]	**37,500**	37,500
Executive Directors		
Jamie Hopkins	**148,756**	137,757
Graham Clemett	**73,159**	106,657
Non-Executive Directors		
Bernard Cragg[2]	**66,590**	66,590
Maria Moloney	**Nil**	Nil
Chris Girling	**Nil**	Nil
Damon Russell	**Nil**	Nil
Stephen Hubbard[3]	**Nil**	Nil

Notes:
1. Daniel Kitchen acquired 1,000 6% sterling Bonds on 2 October 2012 at a price of £100 per Bond.
2. The interest in shares for Mr Cragg is at the date of his retirement on 16 July 2014.
3. Mr Hubbard was appointed as a Director on 16 July 2014.

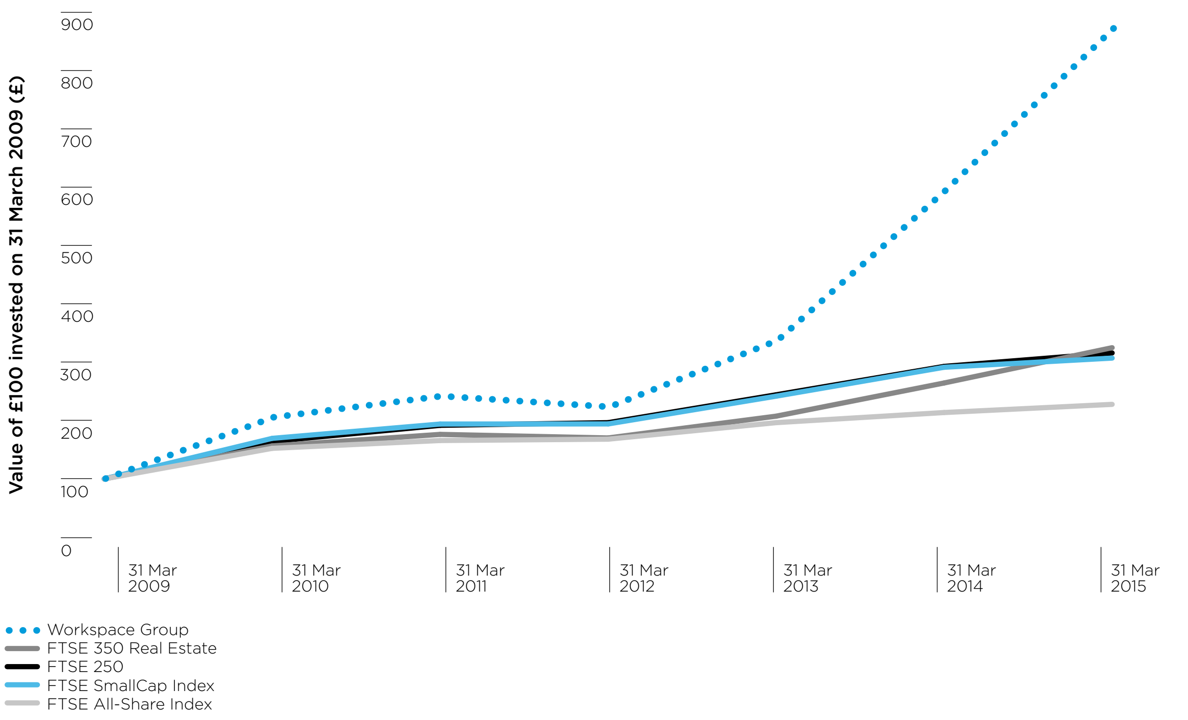
The table below shows the Executive Directors' interests in shares.

Executive Director	Type	Owned or vested outright	Unvested and subject to deferral[2]	Subject to performance[3]	Total
Graham Clemett	Shares	73,159	198,460	218,018	489,637
	Nil cost options	Nil	Nil	Nil	Nil
	Market value options[1]	Nil	6,623	Nil	6,623
Jamie Hopkins	Shares	148,756	276,934	308,871	734,561
	Nil-cost options	Nil	Nil	Nil	Nil
	Market value options[1]	Nil	4,663	Nil	4,663

Notes:
1. Market value options include SAYE options outstanding and not yet matured as at 31 March 2015. The exercise price of these was set at 80% of the market value of a share at the invitation date.
2. For Mr Clemett, the interest in shares of 198,460 consists of 198,168 LTIP awards granted in 2012 which are no longer subject to performance but are due to vest on 18 June 2015 and 292 SIP shares granted in March 2013. Similarly, for Mr Hopkins, the interest in shares of 276,934 consists of 276,642 LTIP awards granted in 2012 which are no longer subject to performance but are due to vest on 19 November 2015 and 292 SIP shares granted in March 2013.
3. The interest in shares of 218,018 for Mr Clemett, and the interest in shares of 308,871 for Mr Hopkins consist of the total LTIP awards made in 2013 and 2014, details of which can be found on page 96 of this Report.

Six-year TSR performance review and CEO single figure

The chart below compares the Total Shareholder Return performance (TSR) of the Group with benchmark indices over the last six years. Given the differing benchmarks used for such performance measurement your Board has decided to undertake this comparison against all of the FTSE 250, FTSE All Share, FTSE Small Cap and FTSE 350 Real Estate indices. In the opinion of the Directors, these are the most appropriate published indices against which the Total Shareholder Return of Workspace Group PLC should be measured.



CEO single figure of total remuneration

	2010 £000	2011 £000	2012 £000	2013 £000	2014 £000	**2015 £000**
CEO single figure of total remuneration (£000)						
Jamie Hopkins[1]			27.4	960.3	966.9	**3,247.0**
Harry Platt[2]	573.7	748.7	1,359.6	–	–	**-**
Annual bonus pay-out						
Jamie Hopkins (% of maximum opportunity)	–	–	–	100%	97.8%	**97.2%**
£000				480.0	479.5	**488.6**
Harry Platt (% of maximum opportunity)	41.7%	85.5%	75%	–	–	**-**
£000	165.3	339.4	303.7	–	–	**-**
LTIP vesting						
Jamie Hopkins (% of maximum opportunity)	–	–	–	–	–	**100%**
£000	–	–	–	–	–	**2,259.0**
Harry Platt (% of maximum opportunity)	0%	0%	66.5%	–	–	**-**
£000	–	–	642.9	–	–	**-**

Notes:
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.

Percentage change in CEO remuneration

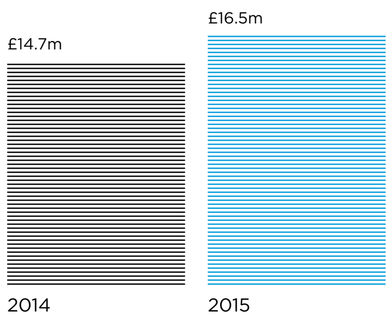
The table below shows the percentage change in CEO remuneration, comprising salary, taxable benefits, and annual bonus, and comparable data for the average of employees within the Company. The comparator group is based on all employees (excluding the CEO), normalised for joiners and leavers during the year. The average number of people employed by the Group during the year was 207, the majority of whom are involved in property management. All employees are eligible for consideration of an annual bonus.

	CEO			All other employees
Executive Director	**2015**	2014	% change	% change
Salary	£419.0k	£408.8k	2.5%	3.9%
Taxable benefits	£17.5k	£17.3k	1.2%	5.9%
Annual variable	£488.6k	£479.5k	1.9%	11.0%
Total	£925.1k	£905.6k	2.2%	5.7%

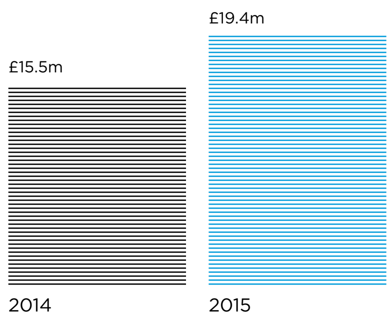
Relative importance of spend on pay

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 2014 and ended 31 March 2015.

Employee remuneration
12.2%



Distribution to shareholders
25.2%



Supplementary information on Directors' remuneration

Long-term equity incentive plan 2008

Details of current awards outstanding to the Executive Directors are detailed below.

	At 1 April 2014			Lapsed during the year		Vested during the year			At 31 March 2015		
	Performance	Invested	Matching	Performance	Matching	Performance	Invested	Matching	Performance	Invested	Matching
Jamie Hopkins											
19/11/2012	164,117	112,525	112,525	–	–	–	–	–	164,117	112,525	112,525
26/06/2013	100,945	19,631	74,079	–	–	–	–	–	100,945	19,631	74,079
26/06/2014	–	–	–	–	–	–	–	–	73,469	16,000	60,378
Graham Clemett											
03/08/2011	73,882	17,732	73,882	–	–	(73,882)	(17,732)	(73,882)	–	–	–
18/06/2012	99,084	23,780	99,084	–	–	–	–	–	99,084	23,780	99,084
26/06/2013	63,091	16,719	63,091	–	–	–	–	–	63,091	16,719	63,091
26/06/2014	–	–	–	–	–	–	–	–	45,918	12,168	45,918
Harry Platt											
03/08/2011	37,485	26,989	37,485	–	–	(37,485)	(26,989)	(37,485)	–	–	–

Notes:

1. Awards will vest subject to the satisfaction of performance conditions detailed on pages 90 to 92 over the three-year performance period.
2. Performance Awards made to the Executive Directors: Awards in July 2011 were in respect of 90% of annual salary based on a share price at date of award of 27 pence; in June 2012 in respect of 90% of annual salary for Mr Clemett based on a share price at date of award of £2.2708 and in November 2012 in respect of 125% of gross salary for Mr Hopkins based on a share price of £3.0466. In June 2013, awards were in respect of 100% of salary based on a share price at date of award of £4.0497 and in June 2014, awards were in respect of 100% of salary based on a share price at date of award of £5.7033.
3. Matching Awards were granted to participants who purchased Invested Shares or who used shares acquired during and since the Rights Issue as Invested Shares. In 2011, Executive Directors received matching share awards of 90% of salary (subject to investing an amount equal to 45% of their net annual basic salary in Invested Shares). In 2012, Mr Clemett received a matching share award of 90% of salary; Mr Hopkins received a matching share award of 112,525 (subject to overall cap of 1x salary at grant) in November 2012 based on a share price of £3.0466 vesting based on the achievement of an absolute TSR underpin of 4% p.a. In 2013, matching shares granted were up to 100% of salary for Mr Clemett and 73% of salary for Mr Hopkins and in 2014, matching shares granted were up to 100% of salary for Mr Clemett and 82% of salary for Mr Hopkins.
4. 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 93 of this Report.

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.

Director	At 01/04/2014	Granted during the year	Lapsed during the year	Exercised in year	At 31/03/2015	Exercise price	Normal exercise date From	Normal exercise date To
Jamie Hopkins	4,663[1]	–	–	–	4,663	£1.93	01.09.2015	01.03.2016
	292[2]	–	–	–	292		22.03.2016	–
Graham Clemett	4,663[1]	–	–	–	4,663	£1.93	01.09.2015	01.03.2016
	–	1,960[1]	–	–	1,960	£4.59	01.09.2017	01.03.2018
	292[2]	–	–	–	292		22.03.2016	–

There have been no changes in Directors' interests over options in the period between the balance sheet date and 2 June 2015.

1. SAYE scheme.
2. SIP scheme.

Service contracts

The Executive Directors are employed under contracts of employment with Workspace Group PLC. The principal terms of the Executive Directors' service contracts are as follows:

Executive Director	Position	Effective date of contract	Notice period From Company	Notice period From Director
Jamie Hopkins	Chief Executive Officer	3 February 2012	12 months	12 months
Graham Clemett	Chief Financial Officer	31 July 2007	12 months	12 months

The Chairman and Non-Executive Directors have letters of appointment. Dates of the Directors' letters of appointment and the unexpired period of their appointments (where appropriate after extension by re-election) are set out below:

Name	Date of original appointment (date of reappointment)	Unexpired term as at 31 March 2015	Date of appointment/last reappointment at AGM	Notice period
Daniel Kitchen	6 June 2011 (6 June 2014)	27 months	2014	6 months
Maria Moloney	22 May 2012 (22 May 2015)[1]	2 months	2014	3 months
Chris Girling	7 February 2013	11 months	2014	3 months
Damon Russell	29 May 2013	14 months	2014	3 months
Stephen Hubbard	16 July 2014	28 months	2014	3 months

Notes
1. On 22 April 2015 and on the recommendation of the Nominations Committee, The Board agreed to renew Dr Moloney's letter of appointment, extending her tenure for a further three-year term from 22 May 2015.

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.

Remuneration Committee membership in 2014/15

The Committee met formally on eight occasions during the year under review. Attendance by individual Committee members at meetings is detailed below.

Committee member	Member throughout 2014/15	Number of meetings attended
Maria Moloney	Yes	●●●●●●●●
Bernard Cragg[1]	No	●●●●○○○○
Daniel Kitchen	Yes	●●●●●●●●
Chris Girling	Yes	●●●●●●●●
Damon Russell	Yes	●●●●●●●●
Stephen Hubbard[2]	No	○○○○●●●●

Notes:
1. Bernard Cragg retired as a Director on 16 July 2014.
2. Stephen Hubbard was appointed as a Director on 16 July 2014.

During the year, the Committee 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 senior managers. 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.

Advisers

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. To this end, for the year under review the Committee continued to retain the services of Kepler Associates as the principal external advisers to the Committee. The Committee evaluates the support provided by its advisers annually and is comfortable that Kepler Associates provides independent remuneration advice to the Committee and does not have any connections with Workspace that may impair their independence. Kepler Associates is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. During the year, Kepler Associates provided independent advice on a wide range of remuneration matters including current market practice and corporate governance guidance, benchmarking of executive pay and incentive design, and independent monitoring of TSR. Kepler Associates does not provide any other services to the Company.

Grant Thornton was engaged by the Company Secretary to advise the Committee and the Company generally on the administration of the Company's share plans. Slaughter and May LLP was also engaged by the Company Secretary to provide legal advice to the Committee and employment law advice concerning senior Executives of the Company.

The Committee continually assesses ongoing advice provided by its advisers on all remuneration matters.

The fees paid to advisers in respect of support to the Committee during the year under review are shown in the table below:

	Kepler Associates[1]	Grant Thornton	Slaughter and May LLP
Remuneration Committee support	£80,020	£17,500	£1,750

Note:
1. Fees paid are on the basis of time and materials.

Key activities of the Remuneration Committee during the year

Meeting date	Key activities
April 2014	Review of: – Effectiveness of the Committee through the Board evaluation process. – Review of Committee Terms of Reference. – Proposed salary increases across the Group. – Draft 2014 Directors' Remuneration Report and key decisions taken in light of the new reporting requirements. – Executive remuneration with reference to total remuneration benchmarking. Approval of: – Chairman fees with effect from 1 April 2014.
May 2014	Review of: – Executive Director and senior manager corporate bonus plan targets. – Vesting of 2011 LTIP Awards. – Grant of 2014 Performance and Matching Share Awards, considering performance measures and targets and impact on dilution. – Draft Directors' Remuneration Report. Approval of: – Executive Director annual bonus awards for 2013/14 performance.
June 2014	Approval of: – LTIP vesting outcome.
November 2014	Review of: – Trends in Executive remuneration and developments in corporate governance.
January 2015	Review of: – Approach to Executive Director remuneration and benchmarking. – LTIP comparator group. – Terms of Reference of the Committee.
February 2015	Review of: – Executive Director remuneration arrangements for 2015. – Approach to shareholder consultation. – Draft Directors' Remuneration Report for 2015.

Summary of shareholder voting at the 2014 AGM

The table below shows the results of the advisory vote on the 2013/14 Remuneration Report at the 2014 AGM on 16 July 2014. It is the Remuneration Committee's policy to consult with major shareholders prior to any major changes to its Executive Director remuneration structure. The Committee views this level of shareholder support as a strong endorsement of the Company's policy and its implementation.

	Approve Policy Report		Approve Annual Report On Remuneration	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	86,708,943	99.26%	86,731,134	99.28%
Against	649,528	0.74%	627,337	0.72%
Total votes cast (excluding withheld votes)	**87,358,471**	**100%**	**87,358,471**	**100%**
Votes withheld[1]	43,394		43,394	
Total votes cast (including withheld votes)	**87,401,865**		**87,401,865**	

Note:
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.

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
2 June 2015

Carmelina Carfora
Company Secretary

The Directors present their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2015.

Principal activities and business review

The Group is engaged in property investment in the form of letting of business space to new and growing companies located in London. At 31 March 2015 the Company had 12 active subsidiaries, six of which are property investment companies owning properties in Greater London. The other six companies include: Workspace Management Limited which acts as manager for all the Group's property investment companies and the BlackRock Workspace Property Trust; Workspace 16 (Jersey) Limited which invests in the BlackRock Workspace Property Trust, LI Property Services Limited which procures insurance on behalf of the Group and Anyspacedirect.co.uk Limited. Workspace Holdings Limited and Workspace Glebe Limited are intermediate holding companies. The Group currently has three joint ventures, BlackRock Workspace Property Trust, Enterprise House Investments LLP and Generate Studio Limited. A full list of the Company's trading subsidiaries appears on page 139.

Significant events which occurred during the year are detailed in the Chairman's introduction on page 14, the Chief Executive Officer's Strategic Review on page 18 and the Business Review on pages 44 to 53.

Business review and future developments

The Group's 2015 Strategic Report, on pages 18 to 53 includes a review of the business of the Group during the financial year and at the year-end together with a description of its strategy and prospects and an analysis using key performance indicators.

This information, together with a description of the principal risks and uncertainties facing the Company, details of the Company's health and safety policies and its environmental and corporate responsibility activities can be found in the following sections of the Annual Report:

Directors

With the exception of Mr Hubbard who was appointed as a Director at the conclusion of the AGM on 16 July 2014 and Bernard Cragg who retired as a Director on 16 July 2014, the Directors of the Company all held office throughout the year. The current Directors and their biographies can be found on pages 62 to 63. Details of the Directors' shareholdings and options over shares are provided on pages 93 and 96.

All the Directors will retire at the Annual General Meeting and, being eligible, will offer themselves up for re-election.

Directors' indemnities and insurance

As permitted under the Companies Act 2006 and the Company's Articles of Association, the Company has executed a Deed Poll under which it will indemnify its Directors, subject to certain limitations and as permitted by law, for liabilities incurred in connection with their appointment as a Director and in certain circumstances fund a Director's expenditure on defending criminal or civil proceedings brought against the Director in connection with his position as a Director of the Company or of any Group Company.

The indemnity provision was in force during the year and at the date of approval of the Directors' Report.

The Company maintains Directors' and Officers' liability insurance which is reviewed annually.

Directors' conflicts of interest

No Director had, during the year, 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 Workspace Group PLC, they are required to notify the Board in writing or verbally at the next Board Meeting.

Corporate governance

The Company and the Group are committed to high standards of corporate governance, details of which are given in the Chairman's overview and Corporate Governance Report on pages 56 to 79 and in the Directors' Remuneration Report on pages 80 to 99.

Profit and dividends

The Group's profit after tax for the year attributable to shareholders amounted to £350.9m (2014: £241.4m).

The interim dividend of 3.89 pence (2014: 3.54 pence) was paid in February 2015 and the Board is proposing to recommend the payment of a final dividend of 8.15 pence (2014: 7.09 pence) per share to be paid on 7 August 2015 to shareholders whose names are on the Register of Members at the close of business on 10 July 2015. This makes a total dividend of 12.04 pence (2014: 10.63 pence) for the year.

Going concern

The Group's activities, strategy and performance are explained in the Strategic Report on pages 18 to 53.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 109 to 140.

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 the 12 months from the date of this report. For this reason, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Group's accounts.

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 are supplemented by updates on the intranet. These briefings also serve as an informal forum for employees to ask questions about the Company.

Employees are appraised regularly. The appraisal process has been designed to link closely with the business planning process and provides employees with a clear set of business and personal objectives.

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 (SAYE).

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, where diversity is valued.

The Company remains supportive of the employment and advancement of disabled persons and ensures its promotion and recruitment practices are fair and objective.

The Company encourages the continuous development and training of its 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 28 on page 140.

Share capital and control

Full details of share options and awards under the terms of the Company's share incentive plans can be found on pages 136 to 138.

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.

As at 31 March 2015, the Company's issued share capital comprised a single class of 161,107,649 ordinary shares of £1.00 each. Details of the Company's issued share capital are set out on page 135. In November 2014 the Company successfully completed a Share Placing issuing up to 14,627,492 Ordinary Shares which raised net proceeds £96.5m.

Substantial shareholdings in the company

As at 31 March 2015 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*	43,505,488	27.00%
BlackRock Inc.	13,402,300	8.32%
Old Mutual PLC	11,512,054	7.15%
Standard Life PLC	8,305,135	5.16%
Invesco Ltd	7,057,246	4.38%
Aberdeen Group	5,727,410	3.56%
Principal Financial Group	5,630,684	3.49%
Legal & General Group PLC	5,396,486	3.35%

As at 21 May 2015 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*	43,505,488	27.00%
BlackRock Inc	13,463,478	8.36%
Old Mutual PLC	11,518,255	7.15%
Standard Life PLC	7,665,942	4.76%
Invesco Ltd	7,258,572	4.51%
Aberdeen Group	5,715,943	3.55%
Principal Financial Group	5,502,293	3.42%
Legal & General Group PLC	5,380,061	3.34%

* Full name of shareholders include Rovida Holdings Limited, RR Investment Company Ltd, Mingulay Holdings Ltd, SN Roditi, Mrs P Roditi and The Belvedere Realty Investment Company.

Health and safety

We are committed to health and safety best practice as an integral part of our business activities and our drive for high performance.

The Group's policy is to provide and maintain safe and healthy working conditions, equipment and systems of work for all its employees, customers and anyone affected by our business and to provide such information, training and supervision as they need for this purpose.

Whilst all employees of the Group have a responsibility in relation to health and safety matters, certain staff have been designated 'workplace' responsibilities or other co-ordinating responsibilities throughout the Group, and ultimately, at Board level, the Chief Executive Officer has overall responsibility.

Financial risk management

The financial risk management objectives and policies of the Company are set out in note 17 to the financial statements and in the Corporate Governance section of this report on pages 64 to 79.

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.

Independent auditors

The auditors, PricewaterhouseCoopers LLP ('PwC'), have indicated their willingness to continue in office and a resolution that they will be reappointed will be included as ordinary business at the Annual General Meeting.

Greenhouse gas (GHG) emissions

As indicated in our 2013/14 report we will continue to quantify and report any emissions resulting from our business activities. These are calculated from the following sources:

Scope 1 Emissions – Direct Emissions	Scope 2 Emissions – Indirect Emissions
On-site Fuel Combustion: Gas or oil purchased for our Assets.	**Purchased Electricity:** Electricity purchased for our Assets. This includes tenant electricity consumption where we procure energy on their behalf.
Fugitive Emissions: Refrigerant leaks from owned air-conditioning (RAC) equipment.	
Company Vehicles: Fuel combustion and refrigerant leakage.	

Carbon emissions by source (tCO_2e)

Source of Emissions	2012/13	2013/14	**2014/15**	% Change
Scope 1 (Direct Emissions)				
Workspace				
Gas	3,959	3,535	**3,194**	(9.6)
Fugitive Emissions	169	216	**247**	14.7
Vehicle Emissions	2	2	**4**	103.8
Joint Venture				
Gas	60	64	**51**	(20.3)
Heating Oil	31	28	**20**	(26.1)
Fugitive Emissions	0	2	**2**	(8.9)
Scope 2 (Indirect Emissions)				
Workspace				
Purchased Electricity	10,510	10,956	**12,037**	9.5
Joint Venture				
Purchased Electricity	312	334	**368**	10.2
Total	15,043	15,137	**15,923**	5.1
Net Lettable Area tCO_2e/m^2	0.030	0.031	**0.035**	11.6
Occupied space Area tCO_2e/m^2	0.035	0.036	**0.040**	10.4

Notes:
Previous data has been recalculated to account for discrepancies with JV electricity data and additional gas/electricity meter read information unavailable at the time. Data was still within the 5% materiality threshold.

Previous data has been recalculated to account for changes and additions.

Emissions from vacant units have been omitted from data collection as they are considered to be immaterial. Calculations based upon a 5% materiality threshold.

Joint Venture Emissions are calculated as a proportion based on our equity share.

Defra Environmental Reporting Guidelines and the financial control approach applied.

Overall GHG emissions across the portfolio have increased by 5.2% from last year. This is mainly due to an 11% increase in the emissions factor for grid-purchased electricity.

However, it must be noted that total energy consumption which accounts for a large proportion of our total carbon emissions has decreased this year by 9% compared to our baseline year. We will continue to focus on energy efficiency measures within our buildings and engage with our customers to ensure that our overall carbon intensity ratio is reduced.

Independent verification of our data has been provided by Carbon Credentials Limited.

Disclosure required under the Listing Rules

For the purpose of LR9.8.4C R, the information required to be disclosed by LR 9.8.4R can be found in the Annual Report in following locations:

Section	Topic	Location in the Annual Report
1	Interest capitalised	Financial Statements, page 122, note 10
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	Remuneration Report page 91 to 92 and 96
5	Waiver of emoluments by a Director	Not applicable
6	Waiver of future emoluments by a Director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Item (7) in relation to major subsidiary undertakings	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	Not applicable
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	Not applicable
13	Shareholder waivers of future dividends	Not applicable
14	Agreements with controlling shareholders	Not applicable

All the information cross-referenced above is hereby incorporated by reference into this Directors' Report.

2015 Annual General Meeting

The 29th Annual General Meeting of the Company will be held at Chester House, Kennington Park, 1-3 Brixton Road, London SW9 6DE on Wednesday 15 July 2015 at 11.00am. 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 and is also available on the Company's website.

By order of the Board

Carmelina Carfora
Company Secretary
2 June 2015

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts, including the Group and the Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Standards (United Kingdom Accounting Standards and applicable law). 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 Parent Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's corporate website (investors.workspace.co.uk). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts 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.

Each of the Directors, whose names and functions are detailed on pages 62 and 63 of the Annual Report, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained in pages 16 to 53 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board on 2 June 2015 by:

Jamie Hopkins
Chief Executive Officer

Graham Clemett
Chief Financial Officer

Report on the Group financial statements

Our opinion

In our opinion, Workspace Group PLC's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 March 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

Workspace Group PLC's financial statements comprise:

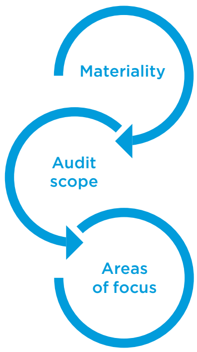
- the Consolidated Balance Sheet as at 31 March 2015;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview



- Overall Group materiality: £13.4m, which represents 1% of total assets.
- Specific materiality of £2.0m used for certain income statement line items, being a percentage of the profit before tax excluding changes in fair value of investment properties and net finance costs.

- The Group team carried out an audit of the complete financial information of all the components within the Group, the consolidation and of the Group's share of the profit and net assets of the joint ventures.

- Valuation of investment properties due to materiality and the level of judgement involved.
- Accounting for the Glebe Proceeds Share Agreement (PSA) due to its technical complexity and the judgements involved.
- Compliance with REIT regime due to the impact of the tax exempt status on the Group's business and the financial statements.
- Investments in joint ventures due to the application of IFRS 11 for the first time in the current year.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Overview 01-15
Strategy and performance 16-53
Governance 54-104
Financial statements 105-147
Additional information 148-153

Area of focus	How our audit addressed the area of focus
Valuation of investment properties	
Refer to page 77 (Audit Committee Report), pages 122 to 124 (Notes to the financial statements – Note 10) and page 113 (Significant judgements, key assumptions and estimates). We focused on this area due to the magnitude of the investment property balance and because the assumptions used in determining the fair value of the investment properties involve significant judgements and estimates. The Group's investment properties were valued at £1,408.9m as at 31 March 2015 and the revaluation gain of £318.0m is included within 'Change in fair value of investment properties' in the Consolidated Income Statement. The property valuations are carried out by third party valuers in accordance with the RICS Valuation – Professional Standards and Workspace's Group accounting policies which incorporate the requirements of International Accounting Standard 40, Investment property. The Group's property portfolio consists of office and industrial properties located in London and includes: – Properties held at investment value: These are existing properties that are currently let and generate rental income. They are valued using the income capitalisation method as explained in note 10. – Properties held at development value: These are properties currently being refurbished, under development or identified for future development. They have a different risk and investment profile to the properties held at investment value and are valued using the residual value method as explained in note 10. The most significant judgements affecting all the valuations include yields and estimated rental value ("ERV") growth (as described in note 10 of the financial statements). For properties held at development value, other assumptions including costs to complete, property specific factors and the likelihood of achieving planning consent are also factored into the valuation. Where available, the valuations take into account evidence of market transactions for properties and locations comparable to those of the Group.	In order to assess the accuracy of the valuation of the property portfolio as at 31 March 2015 and to identify those properties which needed further investigation, we undertook an analysis of each property valuation and compared the yield adopted and movement in capital value over the year with expected market benchmarks. We evaluated the underlying valuation methodology and assumptions used by the valuer and met with the Group's Development Director to understand property specific factors. The external valuer used by the Group is CB Richard Ellis (CBRE). We assessed the competence, capabilities and objectivity of CBRE and verified its qualifications. We also discussed the scope of its work and reviewed the terms of its engagements. We found no unusual terms or fee arrangements that might affect its objectivity. We met with CBRE to discuss and challenge the valuation process, key assumptions and the rationale behind the more significant movements since 1 April 2014. Where relevant, we were able to corroborate the explanations for yields and ERV movements with comparable property transactions and market benchmarks. We found that yield rates and ERVs were predominantly consistent with comparable benchmarking information for the locations of the assets and assumptions appropriately reflected available comparable market transactions. Where assumptions did not fall within our expected range, we assessed whether additional evidence presented in arriving at the final valuation was appropriate, and, whether this was robustly challenged by the external independent valuers. We were satisfied that variances were predominantly due to property specific factors such as new lettings at higher rents, increased average rents or capital improvements to the properties. In addition, we were able to obtain evidence to support the valuation from the results of the following procedures which did not identify any material misstatements. We: – checked the accuracy of the underlying lease and occupancy data used by CBRE in their valuation of the portfolio by tracing the data back to the Workspace accounting records and signed leases on a sample basis; – for the properties held at development value, evaluated the underlying assumptions around the gross development value, construction costs and property specific factors within the development appraisals by comparing them to available market information and underlying project plans; – agreed the acquisitions and disposals in the year to the underlying agreements, cash payments and receipts and title deeds; – agreed a sample of capital expenditure items to invoices and cash to check that they had been correctly capitalised; and – visited selected properties within the portfolio over the course of the year. CBRE also valued the share of proceeds of any future sale of the residential developments from a number of historical property disposals ("overages"). Based on the timing and likelihood of receipt, these are classified within investment properties or receivables. We agreed the arrangements to the signed sales contracts; verified the assumptions underpinning the valuation to supporting documentation; and agreed the classification of the amounts within investment properties or receivables based on the timing and likelihood of receipt.
Accounting for the Glebe Proceeds Share Agreement (PSA)	
Refer to page 77 (Audit Committee Report), pages 133 to 134 (Notes to the financial statements – Notes 19 and 20) and page 113 (Significant judgements, key assumptions and estimates). On 22 December 2014, Workspace terminated the Glebe PSA following a payment of £30m to the joint venture's former lenders, resulting in the non-controlling interest (NCI) being extinguished. At the point of settlement, Workspace had profit attributable to the NCI of £20m in accordance with the accounting policies on pages 116. We focused on the Glebe PSA because the accounting treatment of the NCI up to the date of settlement was complex and judgemental, and because we needed to check that the termination itself was accounted for appropriately, including whether adequate disclosure had been made in the Annual Report. In the prior year, the accounting treatment had been the subject of scrutiny by the Financial Reporting Council (FRC) (refer to page 134). During the current year, their enquiries were concluded on the basis of the adjustments and disclosures made in the Interim Statement.	In the current year, we tested the application of the accounting policy up to the termination date by confirming that properties where there was a legal or constructive obligation to sell had been identified in determining the amount attributable to NCI. We also checked that the amounts had been included at an appropriate fair value by reference to the CBRE valuation or other corroborative evidence and checked that the amount recognised as NCI up to the date of termination had been calculated in accordance with the accounting policy. We obtained and read the termination agreement and, having agreed the cash settlement to bank statements, we were satisfied that the settlement had been appropriately accounted for by reference to applicable accounting standards. Additionally, we checked, and were satisfied with, the disclosures in relation to the recognition of NCI up to the date of termination and of the subsequent termination of the agreement.
Compliance with the REIT regime	
Refer to page 77 (Audit Committee Report) and page 113 (Significant judgements, key assumptions and estimates). Workspace converted to a Real Estate Investment Trust (REIT) in 2007. The UK REIT regime grants companies tax exempt status provided they meet the specific requirements within the regime. We focused on this because the rules are complex and the tax exempt status has a significant impact on the Group's business and the financial statements.	We confirmed our understanding of management's approach to ensuring compliance with the REIT regime requirements. We obtained management's calculations and supporting documentation, checking the accuracy by verifying the inputs, calculation and application of the rules. We note that the Group is currently in discussions with HMRC regarding the application of the REIT criteria to certain aspects of the Group's business. We discussed this with management and their tax advisors and, based on the evidence we obtained, we are satisfied that the Group's view of the matter (which is set out in the Audit Committee Report) is reasonable.

Area of focus	How our audit addressed the area of focus
Investments in joint ventures *Refer to pages 125 to 126 (Notes to the financial statements – Note 12(a)) and page 115 (Significant accounting policies).* We focused on this area because 31 March 2015 is the first year that IFRS 11 'Joint Arrangements' is applicable for the Consolidated Financial Statements. IFRS 11 requires that joint arrangements are classified as either joint operations or joint ventures. In the case of joint operations, the parties have rights and obligations relating to the assets and liabilities relating to the arrangement and should account for their own rights and obligations. In the case of joint ventures, the parties have rights to the net assets of the arrangement and should equity account. There was particular judgement to be applied in the case of BlackRock Workspace Property Trust JV (BWPT), where Workspace owns 20.1% of the arrangement. Management concluded that, based on their day to day operation and the contractual arrangements in place, all the Group's arrangements, including BWPT, are joint ventures and should be equity accounted in the Consolidated Financial Statements.	We obtained and read the documentation and contracts governing the structure of the joint arrangements, the relevant Board minutes and other supporting documents. This provided sufficient evidence to confirm that Workspace has shared control over the key strategic and operational decisions, meaning that it was appropriate for the joint arrangements to be equity accounted for as joint ventures. We are also satisfied that sufficient and appropriate disclosures in accordance with IFRS 11 are included in the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Workspace Group PLC provides commercial property to let throughout London. The Group financial statements are a consolidation of the eight trading entities, two investment holding companies, one service company, the Parent Company entity and the Group's three joint ventures.

Except for the joint ventures, where we focused our work on the share of profits and net assets (including investment properties) that are recognised in the Group financial statements, all entities were identified as requiring an audit of their complete financial information, either due to their size or their risk characteristics and all the audit work was performed by the Group audit team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£13.4m (2014: £11.2m)
How we determined it	1% of total assets
Rationale for benchmark applied	The key driver of the business and determinant of the Group's value is direct property investments. Due to this, the key area of focus in the audit is the valuation of investment properties. On this basis, consistent with last year, we set an overall Group materiality based on total assets.
Specific materiality	£2.0m (2014: £1.9m)
How we determined it	As a percentage of profit before tax excluding changes in fair value of investment properties and net finance costs.
Rationale for benchmark applied	A number of key performance indicators of the Group are driven by income statement items and we therefore applied, consistent with last year, a lower specific materiality to audit net rental income, finance costs, administrative expenses and the related working capital balances.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2m (2014: £0.2m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Report of the Directors, set out on page 100 to 104, in relation to going concern. We have nothing to report having performed our review.

As noted in the Report of the Directors, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting
Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

– information in the Annual Report and Accounts is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report arising from this responsibility.
– the statement given by the Directors on page 104, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report and Accounts taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
– the section of the Annual Report and Accounts on page 76, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company's compliance with 10 provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit
Our responsibilities and those of the Directors
As explained more fully in the Statement of Directors' responsibilities set out on page 104, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:
- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter
We have reported separately on the Parent Company financial statements of Workspace Group PLC for the year ended 31 March 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.

Sonia Copeland
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 June 2015

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	**2015 £m**	2014 £m
Revenue	1	**83.6**	73.6
Direct costs	1	**(25.9)**	(23.3)
Net rental income	1	**57.7**	50.3
Administrative expenses	2	**(13.8)**	(12.4)
Trading profit excluding share of joint ventures		**43.9**	37.9
Profit on disposal of investment properties	3(a)	**0.3**	1.6
Other income	3(b)	**10.1**	4.2
Change in fair value of investment properties	10	**318.0**	221.9
Operating profit	2	**372.3**	265.6
Finance income	4	**0.1**	0.1
Finance costs	4	**(18.6)**	(18.6)
Exceptional finance costs	4	**-**	(1.9)
Total finance costs		**(18.6)**	(20.5)
Change in fair value of derivative financial instruments	4	**(2.2)**	2.2
Gains from share in joint ventures	12(a)	**8.4**	5.1
Profit before tax		**360.0**	252.5
Taxation	6	**(0.1)**	(0.1)
Profit for the year after tax		**359.9**	252.4
Attributable to:			
– Owners of the parent		**350.9**	241.4
– Non-controlling interests	20	**9.0**	11.0
		359.9	252.4
Basic earnings per share (pence)	8	**231.4p**	166.8p
Diluted earnings per share (pence)	8	**227.4p**	163.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	**2015 £m**	2014 £m
Profit for the financial year		**359.9**	252.4
Items that may be classified subsequently to profit or loss:			
Change in fair value of derivative financial instruments (cash flow hedge)	16(f)	**(0.3)**	(2.9)
Total comprehensive income for the year		**359.6**	249.5
Attributable to:			
– Owners of the parent		**350.6**	238.5
– Non-controlling interests	20	**9.0**	11.0
		359.6	249.5

The notes on pages 113 to 140 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2015

	Notes	2015 £m	2014 £m
Non-current assets			
Investment properties	10	**1,408.9**	1,068.3
Intangible assets		**0.4**	0.4
Property, plant and equipment	11	**2.0**	2.0
Investment in joint ventures	12(a)	**28.6**	23.1
Other investments	12(b)	**1.0**	–
Trade and other receivables	13	**8.7**	11.2
Derivative financial instruments	16(f)	**0.3**	–
		1,449.9	1,105.0
Current assets			
Trade and other receivables	13	**18.9**	7.1
Cash and cash equivalents	14	**42.6**	3.7
Corporation tax asset		**-**	0.3
Assets held for sale	10	**0.3**	–
		61.8	11.1
Total assets		**1,511.7**	1,116.1
Current liabilities			
Trade and other payables	15	**(45.4)**	(36.0)
		(45.4)	(36.0)
Non-current liabilities			
Borrowings	16(a)	**(317.4)**	(335.8)
Derivative financial instruments	16(e) & (f)	**(2.6)**	(7.2)
Other non-current liabilities	19	**-**	(11.0)
		(320.0)	(354.0)
Total liabilities		**(365.4)**	(390.0)
Net assets		**1,146.3**	726.1
Shareholders' equity			
Share capital	21	**161.1**	145.6
Share premium	21	**136.8**	58.2
Investment in own shares	23	**(8.8)**	(8.9)
Other reserves	22	**15.7**	14.0
Retained earnings		**841.5**	517.2
Total shareholders' equity		**1,146.3**	726.1
Non-controlling interests	20	**-**	–
Total equity		**1,146.3**	726.1
EPRA net asset value per share	9	**£7.03**	£4.96

The notes on pages 113 to 140 form part of these financial statements.

The financial statements on pages 109 to 140 were approved and authorised for issue by the Board of Directors on 2 June 2015 and signed on its behalf by:

J Hopkins
G Clemett
Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	Attributable to owners of the Parent: Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total Share-holders' Equity £m	Non-controlling interests £m	Total Equity £m
Balance at 31 March 2013		144.9	58.8	(8.9)	15.3	290.3	500.4	–	500.4
Profit for the year		–	–	–	–	241.4	241.4	11.0	252.4
Change in fair value of derivatives	22	–	–	–	(2.9)	–	(2.9)	–	(2.9)
Total comprehensive income		–	–	–	(2.9)	241.4	238.5	11.0	249.5
Transactions with owners:									
Share issues	21	0.7	(0.6)	–	–	–	0.1	–	0.1
Dividends paid	7	–	–	–	–	(14.5)	(14.5)	–	(14.5)
Distributions	19 & 20	–	–	–	–	–	–	(11.0)	(11.0)
Share based payments	24	–	–	–	1.6	–	1.6	–	1.6
Balance at 31 March 2014		145.6	58.2	(8.9)	14.0	517.2	726.1	–	726.1
Profit for the year		**-**	**-**	**-**	**-**	**350.9**	**350.9**	**9.0**	**359.9**
Change in fair value of derivatives	22	**-**	**-**	**-**	**(0.3)**	**-**	**(0.3)**	**-**	**(0.3)**
Total comprehensive income		**-**	**-**	**-**	**(0.3)**	**350.9**	**350.6**	**9.0**	**359.6**
Transactions with owners:									
Share issues	21	**15.5**	**78.6**	**0.1**	**-**	**-**	**94.2**	**-**	**94.2**
Dividends paid	7	**-**	**-**	**-**	**-**	**(16.6)**	**(16.6)**	**-**	**(16.6)**
Reclassification	20	**-**	**-**	**-**	**-**	**-**	**-**	**11.0**	**11.0**
Acquisition of non-controlling interests	20	**-**	**-**	**-**	**-**	**(10.0)**	**(10.0)**	**(20.0)**	**(30.0)**
Share based payments	24	**-**	**-**	**-**	**2.0**	**-**	**2.0**	**-**	**2.0**
Balance at 31 March 2015		**161.1**	**136.8**	**(8.8)**	**15.7**	**841.5**	**1,146.3**	**-**	**1,146.3**

The notes on pages 113 to 140 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	**2015 £m**	2014 £m
Cash flows from operating activities			
Cash generated from operations	18	**54.3**	43.0
Interest received		**0.1**	0.1
Interest paid		**(18.5)**	(17.4)
Tax refunded		**0.2**	0.4
Net cash inflow from operating activities		**36.1**	26.1
Cash flows from investing activities			
Purchase of investment properties		**(79.7)**	(19.2)
Capital expenditure on investment properties		**(35.8)**	(28.9)
Proceeds from disposal of investment properties (net of sale costs)		**99.4**	29.1
Purchase of intangible assets		**(0.3)**	(0.1)
Purchase of property, plant and equipment		**(0.7)**	(0.9)
Capital distributions from joint ventures	12(a)	**2.0**	1.6
Purchase of investments		**(1.0)**	–
Movement in funding balances with joint ventures		**0.2**	(0.5)
Distributions received from joint ventures	12(a)	**1.1**	1.1
Net cash outflow from investing activities		**(14.8)**	(17.8)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	21	**96.7**	0.1
Fees paid on share issue		**(2.6)**	–
Finance costs for new/amended borrowing facilities		**–**	(3.5)
Settlement and re-couponing of derivative financial instruments		**–**	(8.5)
Repayment of bank borrowings	16(b)	**(30.0)**	(280.0)
Drawdown of bank borrowings		**–**	80.0
Drawdown of other borrowings		**–**	202.5
Inflow on bank facility rental income accounts		**–**	7.4
Acquisition of non-controlling interests	20	**(30.0)**	–
Dividends paid	7	**(16.5)**	(14.4)
Net cash inflow/(outflow) from financing activities		**17.6**	(16.4)
Net increase/(decrease) in cash and cash equivalents		**38.9**	(8.1)
Cash and cash equivalents at start of year	18	**3.7**	11.8
Cash and cash equivalents at end of year	18	**42.6**	3.7

The notes on pages 113 to 140 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

Workspace Group PLC ('the Company') and its subsidiaries (together 'the Group') are engaged in property investment in the form of letting of business accommodation to new and growing enterprises 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 financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss or equity.

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 valuers 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.

Joint ventures
IFRS 11 requires that joint arrangements are classified as either joint operations or joint ventures. In the case of joint ventures the parties have rights to the net assets and should be accounted for under the equity method. The Group applied judgement in the case of the BlackRock Workspace Property Trust where it owns 20.1% of the arrangement. Management have concluded that based on their day-to-day operation and the contractual arrangements in place then this arrangement should be accounted for as a joint venture.

Glebe proceeds share agreement
In the year to 31 March 2014 there was a change in accounting policy for the Glebe Proceeds Share Agreement. Previously, the Group considered the Proceeds Share Agreement to be a contingent liability, with a provision under IAS 37 only being recognised if the obligation under the agreement was triggered or it was otherwise considered probable that an outflow of economic benefits would be required. At 31 March 2014, the Group changed its accounting policy so that the Glebe Proceeds Share Agreement was accounted for as an equity instrument under IAS 32 representing a non-controlling interest.

The Group exercised judgement in considering the amounts attributable to non-controlling interest ('NCI') in relation to the Glebe Proceeds Share Agreement. In measuring the amount attributable to the NCI the Group took into account the likelihood that a property will be sold and that a payment may be made. On this basis, the Group attributed amounts to NCI when it was considered probable that it would sell the relevant properties. At this point, the NCI had a demonstrable interest in their portion of the fair value gains to be realised in relation to these properties.

In December 2014 an agreement was reached with the former lenders to terminate the Glebe Proceeds Share Agreement for a cash settlement of £30m. As a result of this settlement, the Group derecognised the NCI of £20m and recorded a decrease in equity attributable to owners of the parent of £10m.

Further details on the methodology, judgements involved and calculation of recognising the attributable amount is given in note 20 and the accounting policy for non-controlling interests.

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 must be distributed.

The Directors intend that the Group should continue as a REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business which is within the REIT structure.

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 2015. 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. They are deconsolidated from 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 income statement.

Assets 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. 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 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 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 by the balance sheet date and completed before the date of signing the financial statements.

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/expense.

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. 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 4-10 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

Investment in unlisted shares are accounted for at cost where the fair value cannot be reliably measured. Subsequently they are reviewed for impairment by management on an annual basis.

Impairments and reversals are recognised through the Consolidated Income Statement.

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/expense.

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 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.

Transaction costs are amortised over the effective life of the amounts borrowed.

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 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 22.

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 other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the 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.

Non-controlling interests

The Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

A non-controlling interest was recognised for the Glebe Proceeds Share Agreement (see note 20). Total comprehensive income and loss were attributed to non-controlling interest in line with the terms of the relevant contract. For the Glebe Proceeds Share Agreement, amounts were attributed to the non-controlling interest when it was considered probable that the Group would sell the relevant properties. At this point, the non-controlling interest had a demonstrable interest in their portion of the fair value gains to be realised in relation to these properties.

Distributions of the amounts payable under the agreement are recognised as liabilities when a contractual obligation is established, with the corresponding entry being against the balance of non-controlling interest (that is, through equity). At 31 March 2014, we considered there to be a contractual obligation once a redevelopment contract had been exchanged with a third party.

During the year, the Group revised the application of this policy such that a liability is only recognised when the Group has an unconditional legal obligation to make a distribution to the NCI that is no longer at its discretion, in accordance with the requirements of IAS 32 'Financial Instruments: Presentation'. This is usually on completion of the redevelopment contract. This resulted in a reclassification from non-current liabilities to the NCI during the year.

The Group analysed key features of the Glebe Proceeds Share Agreement in the context of relevant accounting pronouncements, weighing the importance of each feature in faithfully representing the overall commercial effect and economic substance. The Group believes that the treatment under this new accounting policy best reflects the commercial objectives and economic substance of the contractual arrangement.

Transactions with NCI that do not result in loss of control (such as settlement of the Glebe Proceeds Share Agreement) are accounted for as equity transactions (i.e. as transactions with the owners in their capacity as owners). The difference between fair value of consideration paid and the carrying amount of the NCI acquired is recorded in equity.

Further details can be found in note 20.

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 balance sheet. Rental income from operating leases is recognised in the income statement on a straight line basis over the lease term. Rent received in advance is deferred in the balance sheet and recognised in the period to which it relates to. If the Group provides 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 charge 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 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 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.

New accounting standards, amendments and guidance
a) During the year to 31 March 2015 the Group adopted the following accounting standards and guidance:

Standard or interpretation	Content
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosures of interest in other entities
Amendment: IFRS 10, 11 and 12	On transition guidance
Amendment: IFRS 10, 12 and IAS 27	Consolidation and investment entities
IAS 27 (revised)	Separate financial statements
IAS 28 (revised)	Associates and joint ventures
Amendment: IAS 32	Financial instruments: presentation, on offsetting financial assets and liabilities
Amendment: IAS 36	Impairment of assets
Amendment: IAS 39	Financial instruments: recognition and measurement, on novation of derivatives and hedge accounting

IFRS II resulted in additional disclosures on joint ventures.

The other 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 or not yet endorsed by the EU, and are either 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:

Standard or interpretation	Content
IFRS 9	Financial instruments: classification and measurement
Amendment: IFRS 9	Financial instruments: regarding general hedge accounting
IFRS 15	Revenue from contracts with customers
Amendment: IAS 1	Presentation of financial statements on the disclosure initiative
Amendment: IFRS 11	Joint venture arrangements on acquisition of an interest in a joint operation
Amendment: IAS 27	Separate financial statements on the equity method
Amendment: IFRS 10 and IAS 28	Consolidated financial statements and investments in associates and joint ventures
Amendment: IAS 16 and IAS 38	Property, plant and equipment and intangible assets, on depreciation and amortisation
Annual improvements 2012	Changes to IFRS 2/IFRS 3/ IFRS 8/IFRS 13/IAS 16/IAS 37/ IAS 39
Annual improvements 2013	Changes to IFRS 1/IFRS 3/ IFRS 13/IAS 40
Annual improvements 2014	Changes to IFRS 5/IFRS 7/ IAS 19/IAS 34

1. Analysis of net rental income and segmental information

	2015			2014		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**63.8**	**(2.3)**	**61.5**	55.3	(1.5)	53.8
Service charges	**15.3**	**(17.8)**	**(2.5)**	14.2	(16.3)	(2.1)
Empty rates and other non recoverables	**–**	**(2.8)**	**(2.8)**	–	(2.2)	(2.2)
Services, fees, commissions and sundry income	**4.5**	**(3.0)**	**1.5**	4.1	(3.3)	0.8
	83.6	**(25.9)**	**57.7**	73.6	(23.3)	50.3

All of the properties within the portfolio are geographically close to each other and have similar economic features and risks and all information provided to the Executive Committee is aggregated and reviewed in total as one portfolio. As a result management have determined that the Group operates a single operating segment providing business accommodation for rent in London.

The segmental information has been reclassified to reflect the underlying nature of the balances. Comparatives have been reclassified accordingly.

2. Operating profit

The following items have been charged in arriving at operating profit:

	2015 £m	2014 £m
Depreciation[1]	**0.7**	0.6
Staff costs (including share based costs)[1] (see note 5)	**15.3**	13.9
Repairs and maintenance expenditure on investment properties	**3.5**	3.3
Trade receivables impairment (see note 13)	**0.3**	0.2
Amortisation of intangibles	**0.2**	0.2
Operating lease rentals payable	**0.1**	0.1
Audit fees payable to the Company's auditors	**0.2**	0.2

1. Charged to direct costs and administrative expenses based on the underlying nature of the expenses.

Auditors' remuneration: **Services provided by the Company's auditors and its associates**	**2015 £000**	2014 £000
Audit fees:		
Audit of Parent Company and consolidated financial statements	**143**	136
Audit of subsidiary financial statements	**31**	30
	174	166
Fees for other services:		
Audit related assurance services	**138**	34
Tax advisory, tax compliance and legal services	**20**	108
	158	142

	2015 £m	2014 £m
Total administrative expenses are analysed below:		
Staff costs	**6.8**	6.6
Cash settled share based costs	**1.3**	0.9
Equity settled share based costs	**2.0**	1.6
Other	**3.7**	3.3
	13.8	12.4

3(a). Profit on disposal of investment properties

	2015 £m	2014 £m
Proceeds from sale of investment properties (net of sale costs)	**99.0**	30.6
Book value at time of sale (note 10)	**(98.7)**	(29.0)
Pre-tax profit on sale	**0.3**	1.6

£1.5m (2014: £2.9m) of the proceeds for the year were in the form of deferred consideration, of which £1.5m is outstanding at 31 March 2015 (31 March 2014: £2.9m) and is included in the Consolidated Balance Sheet under non-current and current trade and other receivables.

3(b). Other income

	2015 £m	2014 £m
Change in fair value of deferred consideration	**10.1**	4.2

The value of deferred consideration (cash and overage) from the sale of investment properties has been re-valued by CBRE Limited at 31 March 2015 and 31 March 2014. The amounts receivable are included in the Consolidated Balance Sheet under non-current and current trade and other receivables (see note 13).

4. Finance income and costs

	2015 £m	2014 £m
Interest income on bank deposits	**0.1**	0.1
Finance income	**0.1**	0.1
Interest payable on bank loans and overdrafts	**(3.6)**	(6.3)
Interest payable on other borrowings	**(14.7)**	(11.8)
Amortisation of issue costs of borrowings	**(0.8)**	(1.1)
Interest payable on finance leases	**(0.3)**	(0.2)
Interest capitalised on property refurbishments (note 10)	**0.8**	0.8
Foreign exchange (losses)/gains on financing activities	**(7.2)**	4.3
Cash flow hedge – transfer from equity	**7.2**	(4.3)
Finance costs – underlying	**(18.6)**	(18.6)
Issue costs written off on re-financing (exceptional)	**–**	(1.9)
Total finance costs	**(18.6)**	(20.5)
Change in fair value of financial instruments through the income statement	**(2.2)**	2.2
Net finance costs	**(20.7)**	(18.2)

Exceptional finance costs for the year ended 31 March 2014 of £1.9m related to the write off of unamortised issue costs on bank facilities that were refinanced in the year.

5. Employees and directors

Staff costs for the Group during the year were:	2015 £m	2014 £m
Wages and salaries	**11.2**	10.4
Social security costs	**1.3**	1.2
Other pension costs (see note 28)	**0.7**	0.6
Cash settled share based costs (see note 24)	**1.3**	0.9
Equity settled share based costs (see note 24)	**2.0**	1.6
	16.5	14.7

The above are gross of costs capitalised of £1.2m (2014: £0.8m).

The monthly average number of people employed during the year was:	2015 Number	2014 Number
Head office staff (including Directors)	**85**	81
Estates and property management staff	**114**	106
	199	187

The emoluments and pension benefits of the Directors is determined by the Remuneration Committee of the Board and are set out in detail in the Directors' Remuneration Report on pages 80 to 99. These form part of the financial statements.

6. Taxation

	2015 £m	2014 £m
Current tax:		
UK corporation tax	–	–
Adjustments to tax in respect of previous periods	0.1	0.1
Total taxation charge	0.1	0.1

The tax on the Group's profit for the year differs from the standard applicable corporation tax rate in the UK of 21% (2014: 23%). The differences are explained below:

	2015 £m	2014 £m
Profit on ordinary activities before taxation	360.0	252.5
Adjust gains from share in joint ventures	(8.4)	(5.1)
	351.6	247.4
Tax at standard rate of corporation tax in the UK of 21% (2014: 23%)	73.8	56.9
Effects of:		
REIT exempt income	(5.8)	(4.8)
Changes in fair value not subject to tax as a REIT	(66.3)	(51.6)
Share scheme adjustments	(0.7)	(1.1)
Other income	0.2	(0.9)
Adjustments to tax in respect of previous periods	0.1	0.1
Losses carried forward previously unrecognised	(1.2)	1.5
Total taxation charge	0.1	0.1

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's other income is subject to corporation tax. The Group estimates that as the majority of its future profits will be exempt from tax, it will have a very low tax charge.

The Group currently has unrecognised tax losses carried forward of £3.6m (2014: £5.3m) calculated at a corporation tax rate of 20% (2014: 21%) which is the rate substantively enacted at the Balance Sheet date.

The analysis of deferred tax assets and liabilities is as follows:

	2015 £m	2014 £m
Deferred tax assets:		
– Deferred tax to be recovered within 12 months	2.3	–
Deferred tax liabilities		
– Deferred tax liabilities to be recovered within 12 months	(2.3)	–
Deferred tax (net)	–	–

The movement in deferred income taxes 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 2014	–	–
Charged to income statement	2.3	2.3
At 31 March 2015	2.3	2.3

Deferred tax assets	**Tax losses £m**	**Total £m**
At 1 April 2014	–	–
Credited to income statement	(2.3)	(2.3)
At 31 March 2015	(2.3)	(2.3)

7. Dividends

Ordinary dividends paid	Payment date	Per share	2015 £m	2014 £m
For the year ended 31 March 2013:				
Final dividend	August 2013	6.45p	–	9.3
For the year ended 31 March 2014:				
Interim dividend	February 2014	3.54p	–	5.2
Final dividend	August 2014	7.09p	**10.3**	–
For the year ended 31 March 2015:				
Interim dividend	February 2015	3.89p	**6.3**	–
Dividends for the year			**16.6**	14.5
Timing difference on payment of withholding tax			**(0.1)**	(0.1)
Dividends cash paid			**16.5**	14.4

In addition the Directors are proposing a final dividend in respect of the financial year ended 31 March 2015 of 8.15 pence per ordinary share which will absorb an estimated £13.1m of revenue reserves and cash. If approved by the shareholders at the AGM, it will be paid on 7 August 2015 to shareholders who are on the register of members on 10 July 2015. 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:	2015 £m	2014 £m
Basic and diluted earnings (attributable to owners of the parent)	**350.9**	241.4
Change in fair value of investment property	**(318.0)**	(221.9)
Adjustments for non-controlling interests share of change in fair value of investment property	**3.7**	11.0
Profit/(loss) on disposal of investment properties	**(0.3)**	(1.6)
Movement in fair value of derivative financial instruments	**2.2**	(2.2)
Group's share of EPRA adjustments of joint ventures	**(9.3)**	(4.0)
EPRA adjusted earnings	**29.2**	22.7
Adjustment for non-trading items:		
Group's share of joint ventures other expenses	**2.1**	–
Other income	**(10.1)**	(4.2)
Exceptional finance costs	**–**	1.9
Non-controlling interests (less adjustment above)	**5.3**	–
Taxation	**0.1**	0.1
Adjusted underlying earnings	**26.6**	20.5

Earnings have been adjusted and calculated on a diluted basis to derive an earnings per share measure as defined by the European Public Real Estate Association (EPRA) and an underlying earnings measure with additional company adjustments for non-trading items.

Number of shares used for calculating earnings per share:	2015 Number	2014 Number
Weighted average number of shares (excluding own shares held in trust)	**151,635,965**	144,705,947
Dilution due to share option schemes	**2,649,360**	3,122,782
Weighted average number of shares for diluted earnings per share	**154,285,325**	147,828,729

In pence:	2015	2014
Basic earnings per share	**231.4p**	166.8p
Diluted earnings per share	**227.4p**	163.3p
EPRA earnings per share[1]	**18.9p**	15.4p
Adjusted underlying earnings per share[1]	**17.2p**	13.9p

1. EPRA earnings per share and adjusted underlying earnings per share are calculated on a diluted basis.

9. Net assets per share

Net assets used for calculating net assets per share:	2015 £m	2014 £m
Net assets at end of year (basic)	**1,146.3**	726.1
Derivative financial instruments at fair value	**2.3**	7.2
EPRA net assets	**1,148.6**	733.3

Number of shares used for calculating net assets per share:	2015 Number	2014 Number
Shares in issue at year-end	**161,107,649**	145,616,695
Less own shares held in trust at year-end	**(114,354)**	(157,846)
Number of shares for calculating basic net assets per share	**160,993,295**	145,458,849
Dilution due to share option schemes	**2,462,487**	2,526,414
Number of shares for calculating diluted adjusted net assets per share	**163,455,782**	147,985,263

	2015	2014
EPRA net assets per share	**£7.03**	£4.96

Net assets have been adjusted and calculated on a diluted basis to derive a net asset per share measure as defined by the European Public Real Estate Association (EPRA).

10. Investment properties

	2015 £m	2014 £m
Balance at 1 April	**1,068.3**	825.9
Purchase of investment properties	**80.0**	19.0
Acquisition of finance leases	**3.6**	–
Capital expenditure	**37.2**	29.7
Capitalised interest on refurbishments (note 4)	**0.8**	0.8
Disposals during the year	**(98.7)**	(29.0)
Change in fair value of investment properties	**318.0**	221.9
Balance at 31 March	**1,409.2**	1,068.3
Less: classified as held for sale	**(0.3)**	–
Total investment properties	**1,408.9**	1,068.3

Investment properties represent a single class of property being business accommodation for rent in London.

Capitalised interest is included at a rate of capitalisation of 5.2% (2014: 5.1%). The total amount of capitalised interest included in investment properties is £5.8m (2014: £5.0m).

The change in fair value of investment properties is recognised in the Consolidated Income Statement.

Details of acquisitions and disposals during the year are provided on page 49.

Investment property includes buildings under finance leases of which the carrying amount is £7.1m (2014: £3.5m). Investment property finance lease commitment details are shown in note 16(h).

Valuation

The Group's investment properties are held at fair value and were revalued at 31 March 2015 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.

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.

An increase/decrease to ERVs (Estimated Rental Values) will increase/decrease valuations respectively, while an increase/decrease to yields will decrease/increase valuations respectively. There are interrelationships between these inputs as they are partially determined by market conditions.

An increase/decrease in costs to complete and the discount factor will decrease/increase valuations respectively.

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:

	2015 £m	2014 £m
Total per CBRE valuation report	**1,423.4**	1,078.0
Deferred consideration on sale of property	**(21.3)**	(13.2)
Assets held for sale	**(0.3)**	–
Head leases treated as finance leases under IAS 17	**7.1**	3.5
Total investment properties per balance sheet	**1,408.9**	1,068.3

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.

10. Investment properties continued
Key unobservable inputs:

Property category	Valuation £m	Valuation technique	ERVs – per sq. ft. Range	Weighted average	Equivalent yields Range	Weighted average
Like-for-like	768	1	£5–£81	£20	5.0%–9.0%	6.5%
Completed projects (refurbishments)	179	1	£8–£51	£24	6.1%–6.7%	6.0%
Refurbishments	177	2	£19–£55	£34	5.5%–7.3%	6.1%
Redevelopments	176	2	£9–£30	£20	6.0%–10.0%	6.7%
Other	102	1	£30–£53	£41	5.4%–6.5%	6.2%
Head leases	7	n/a				
Total	1,409					

1 = Income capitalisation method.
2 = Residual value method.

Sensitivity analysis:

A +/- 10% movement in ERVs or a +/- 25 basis points movement in yields would result in the following increase/ decrease in the valuation.

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+77/-77	-29/+31
Completed projects (refurbishments)	+18/-18	-7/+8
Refurbishments	+23/-23	-9/+10
Redevelopments	+9/-9	-4/+4
Other	+10/-10	-4/+4

11. Property, plant and equipment

Cost or valuation	Equipment and fixtures £m	Total £m
Balance at 31 March 2013	6.3	6.3
Additions during the year	0.9	0.9
Balance at 31 March 2014	7.2	7.2
Additions during the year	0.7	0.7
Balance at 31 March 2015	**7.9**	**7.9**
Accumulated depreciation		
Balance at 31 March 2013	4.6	4.6
Charge for the year	0.6	0.6
Balance at 31 March 2014	5.2	5.2
Charge for the year	0.7	0.7
Balance at 31 March 2015	**5.9**	**5.9**
Net book amount at 31 March 2015	**2.0**	**2.0**
Net book amount at 31 March 2014	2.0	2.0

12(a). Joint ventures

The Group's investment in joint ventures represents:

	2015 £m	2014 £m
Balance at 1 April	**23.1**	20.7
Capital distributions	**(2.0)**	(1.6)
Loans to joint ventures	**0.2**	–
Share of gains	**8.4**	5.1
Income distributions received	**(1.1)**	(1.1)
Balance at 31 March	**28.6**	23.1

The Group has the following joint ventures:

	Partner	Established	Ownership	Measurement Method
BlackRock Workspace Property Trust	BlackRock UK Property Fund	February 2011	20.1%	Equity
Enterprise House Investments LLP	Polar Properties Limited	April 2012	50%	Equity
Generate Studio Limited	Whitebox Creative Limited	February 2014	50%	Equity

BlackRock Workspace Property Trust is a Jersey property unit trust established in February 2011 whose aim was to build a fund of up to £100m of office and industrial property in and around London. The Group holds a 20.1% interest however strategic decisions are taken with the agreement of both parties and no one party has control on their own. The Group is also property manager with significant delegated powers including responsibility for asset management and recommending acquisitions and disposals. As a result there is shared control and so the joint venture has been equity accounted in the Consolidated Financial Statements.

Enterprise House Investments LLP has been established to obtain mixed use planning consent and redevelop Enterprise House, Hayes, UB3 for new residential and commercial space. The Group sold this property to the joint venture in April 2012.

Generate Studio Limited is engaged in the design and project management of office fit outs and workplace consultancy both for Group properties and third parties.

The Group has no funding commitments relating to its joint ventures.

The summarised balance sheets and income statements of the joint ventures are shown below:

Balance sheets of joint ventures	2015 £m	2014 £m
Investment properties	**139.7**	108.0
Cash and cash equivalents	**8.0**	6.7
Other current assets	**1.5**	0.7
Current liabilities	**(14.5)**	(3.8)
Net assets	**134.7**	111.6

Income statements of joint ventures	2015 £m	2014 £m
Revenue	**9.8**	8.7
Direct costs	**(3.0)**	(2.8)
Net rental income	**6.8**	5.9
Administrative expenses	**(1.9)**	(1.2)
Other expenses	**(10.2)**	–
Profit on disposal of investment properties	**5.7**	1.4
Change in fair value of investment properties	**36.6**	17.9
Profit before tax	**37.0**	24.0
Taxation	**–**	–
Profit after tax	**37.0**	24.0

The information above has been adjusted where necessary for differences in accounting policies between the Group and the joint ventures.

12(a). Joint ventures continued

The reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in the joint ventures is shown below:

Summarised financial information	2015 £m	2014 £m
Opening net assets 1 April	**111.6**	100.5
Profit for the period	**37.0**	24.0
Capital distributions	**(10.0)**	(8.2)
Income distributions	**(4.3)**	(4.7)
Loans to joint ventures	**0.4**	–
Closing net assets 31 March	**134.7**	111.6
Group's interest	**29.1**	23.6
Unrealised surplus on sale of properties to joint ventures	**(0.5)**	(0.5)
Carrying amount	**28.6**	23.1

12(b). Other investments

During the year the Group purchased 10% of the share capital of Mailstorage Ltd for £1.0m.

13. Trade and other receivables

Non-current trade and other receivables	2015 £m	2014 £m
Deferred consideration on sale of investment property:		
Balance at 1 April	**11.2**	6.1
Additions (cash receivable)	**1.5**	0.9
Less: classified as current	**(14.1)**	–
Change in fair value (see note 3(b))	**10.1**	4.2
Balance at 31 March	**8.7**	11.2

The non-current receivables relate to deferred consideration (cash and overage) arising on the sale of investment properties. The conditional value of the portion of the receivable that relates to overage is held at fair value through profit and loss – £7.2m (2014: £10.2m). It has been fair valued by CBRE Limited on the basis of residual value, 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 methodology and significant assumptions used in the valuation are consistent with those disclosed in note 10. The change in fair value recorded in the Consolidated Income Statement was a profit of £10.1m (31 March 2014: £4.2m) (see note 3(b)).

Current trade and other receivables	2015 £m	2014 £m
Trade receivables	**2.8**	2.3
Less provision for impairment of receivables	**(0.4)**	(0.3)
Trade receivables – net	**2.4**	2.0
Prepayments and accrued income	**2.4**	2.8
Amounts due from related parties (see note 25)	**–**	0.3
Deferred consideration on sale of investment property	**14.1**	2.0
	18.9	7.1

Receivables at fair value:

Included within deferred consideration on sale of investment property is £13.1m (2014: £nil) of overage which is held at fair value through profit and loss. The amount is receivable within the following 12 months and has therefore been classified from non-current to current receivables.

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:

	2015 £m	2014 £m
Balance at 1 April	**0.3**	0.4
Increase in provision for impairment of trade receivables	**0.3**	0.2
Receivables written off during the year	**(0.2)**	(0.3)
Balance at 31 March	**0.4**	0.3

As at 31 March 2015, the ageing of trade receivables past due but not impaired was as follows:

	Total 2015 £m	Impaired 2015 £m	Not impaired 2015 £m	Total 2014 £m	Impaired 2014 £m	Not impaired 2014 £m
Up to 3 months past due	**2.4**	**(0.1)**	**2.3**	2.0	(0.1)	1.9
3 to 6 months past due	**0.2**	**(0.1)**	**0.1**	0.1	(0.1)	–
Over 6 months past due	**0.2**	**(0.2)**	**–**	0.2	(0.1)	0.1
	2.8	**(0.4)**	**2.4**	2.3	(0.3)	2.0

The trade receivables balance is deemed to be all past due as rental payments are due on demand. Trade receivables that are not impaired are expected to be fully recovered as there is no recent history of default or indications that debtors will not meet their obligations. Impaired receivables are provided against based on expected recoverability.

14. Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	**40.3**	2.0
Restricted cash – tenants' deposit deeds	**2.3**	1.7
	42.6	3.7

Tenants' deposit deeds represent returnable cash security deposits received from tenants and are ring-fenced under the terms of the individual lease contracts.

Bank overdrafts are included within cash and cash equivalents for the purpose of the cash flow statement.

15. Trade and other payables

	2015 £m	2014 £m
Trade payables	**3.9**	4.4
Other tax and social security payable	**3.9**	2.5
Tenants' deposit deeds (see note 14)	**2.3**	1.7
Tenants' deposits	**13.3**	10.1
Accrued expenses	**18.8**	14.3
Amounts due to related parties (see note 25)	**0.4**	0.3
Deferred income – rent and service charges	**2.8**	2.7
	45.4	36.0

There is no material difference between the above amounts and their fair values due to the short-term nature of the payables.

16. Borrowings
(a) Balances

	2015 £m	2014 £m
Non-current		
Bank loans (unsecured)	**48.8**	78.3
6% Retail Bond (unsecured)	**56.8**	56.6
5.6% Senior US Dollar Notes 2023 (unsecured)	**67.6**	60.4
5.53% Senior Notes 2023 (unsecured)	**83.7**	83.7
Senior Floating Rate Notes 2020 (unsecured)	**9.0**	9.0
Other term loan (unsecured)	**44.4**	44.3
Finance lease obligations	**7.1**	3.5
	317.4	335.8

(b) Net Debt

	2015 £m	2014 £m
Borrowings per (a) above	**317.4**	335.8
Adjust for:		
Finance leases	**(7.1)**	(3.5)
Cost of raising finance	**3.0**	3.8
Foreign exchange differences	**(3.3)**	3.9
	310.0	340.0
Cash at bank and in hand (note 14)	**(40.3)**	(2.0)
Net Debt	**269.7**	338.0

At 31 March 2015 the Group had £100m (2014: £70m) of undrawn bank facilities and £40.3m of unrestricted cash (2014: £2m). £30m of bank borrowings were repaid during the year.

(c) Maturity

	2015 £m	2014 £m
Repayable between three years and four years	**50.0**	–
Repayable between four years and five years	**57.5**	80.0
Repayable in five years or more	**202.5**	260.0
	310.0	340.0
Cost of raising finance	**(3.0)**	(3.8)
Foreign exchange differences and hedge adjustment	**3.3**	(3.9)
	310.3	332.3
Finance leases		
Repayable in five years or more	**7.1**	3.5
	317.4	335.8

(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
Other term loan	22.5	LIBOR +3.5%	Quarterly	May 2022
	22.5	LIBOR +3.5%	Quarterly	May 2023
Term loan	50.0	LIBOR +2.5%	Quarterly	June 2018
Revolver loan	–	LIBOR +2.3%	Monthly	June 2018
6% Retail Bond	57.5	6.0%	Half Yearly	October 2019
	310.0			

(e) Derivative financial instruments

The following derivative financial instruments are held:

	Amount	Rate payable (or cap strike rate) (%)	Term/expiry
Interest rate swap	£95m	1.87%	June 2018
Cash flow hedge – cross currency swap	$100m/£64.5m	5.66%	June 2023

The interest rate swap is treated as a financial instrument at fair value with changes in value dealt with in the Consolidated Income Statement during each reporting year.

The Group has entered into 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 swap the Group has created a synthetic sterling fixed rate liability totalling £64.5m. This swap has been designated as a cash flow hedge with changes in fair value dealt with in equity.

(f) Financial instruments and fair values

	2015 Book Value £m	**2015 Fair Value £m**	2014 Book Value £m	2014 Fair Value £m
Financial liabilities held at amortised cost				
Bank loans	**48.8**	**48.8**	78.3	78.3
6% Retail Bond	**56.8**	**62.1**	56.6	60.5
Private Placement Notes	**160.3**	**160.3**	153.1	153.1
Other term loan	**44.4**	**44.4**	44.3	44.3
Finance lease obligations	**7.1**	**7.1**	3.5	3.5
	317.4	**322.7**	335.8	339.7
Financial liabilities at fair value through profit or loss				
Derivative financial instruments:				
Interest rate swaps	**2.6**	**2.6**	0.5	0.5
Financial (assets)/liabilities at fair value through equity				
Derivative financial instruments:				
Cash flow hedge – derivatives used for hedging	**(0.3)**	**(0.3)**	6.7	6.7
	2.3	**2.3**	7.2	7.2
Financial assets at fair value through profit or loss				
Deferred consideration (see note 13)	**20.3**	**20.3**	10.2	10.2

The fair value of the Retail Bond has been established from the quoted market price at 31 March 2015 and is thus a Level 1 valuation as defined by IFRS 13.

16. Borrowings continued

In accordance with IFRS 13 disclosure is required for financial instruments that are carried in the financial statements at fair value. The fair values of all the Group's financial derivatives have been determined by reference to market prices and discounted expected cash flows at prevailing interest rates and are Level 2 valuations. There have been no transfers between levels in the year.

The different levels of valuation hierarchy as defined by IFRS 13 are set out in note 10.

The total change in fair value of derivative financial instruments recorded in the income statement was a loss of £2.2m (2014: profit of £2.2m).

The total change in fair value of derivative financial instruments recorded in other comprehensive income was a loss of £0.3m (2014: £2.9m).

(g) Financial instruments by category

Assets	2015 £m	2014 £m
a) Derivatives used for hedging		
Derivative financial instruments	**0.3**	–
b) Assets at value through profit or loss		
Financial assets at fair value through profit or loss	**20.3**	10.2
c) Loans and receivables		
Cash and cash equivalents	**42.6**	3.7
Trade and other receivables excluding prepayments[1]	**4.9**	5.3
	47.5	9.0
Total	**68.1**	19.2

Liabilities	2015 £m	2014 £m
a) Liabilities at fair value through profit or loss		
Derivative financial instruments	**2.6**	0.5
b) Derivatives used for hedging		
Derivative financial instruments	**–**	6.7
c) Other financial liabilities at amortised cost		
Borrowings (excluding finance leases)	**310.3**	332.3
Finance lease liabilities	**7.1**	3.5
Trade and other payables excluding non-finance liabilities[2]	**38.7**	30.8
	356.1	366.6
Total	**358.7**	373.8

1. Trade and other receivables exclude prepayments of £2.4m (2014: £2.8m) and non cash deferred consideration of £20.3m (2014: £10.2m).
2. Trade and other payables exclude other tax and social security of £3.9m (2014: £2.5m) and deferred income of £2.8m (2014: £2.7m).

(h) Finance leases

Finance lease liabilities are in respect of leased investment property.

Minimum lease payments under finance leases fall due as follows:

	2015 £m	2014 £m
Within one year	**0.5**	0.2
Between two and five years	**1.8**	1.0
Beyond five years	**49.3**	21.0
	51.6	22.2
Future finance charges on finance leases	**(44.5)**	(18.7)
Present value of finance lease liabilities	**7.1**	3.5

£3.6m of finance leases were acquired in the year (see note 10).

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 2015 97% (2014: 89%) 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 and equity respectively by £0.1m (2014: £0.2m).

(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 4,000 tenants over approximately 100 properties. The largest 10 single tenants generate less than 7% (2014: 6%) 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 £15.6m (2014: £11.8m). 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 debtor recovery is consistently high and as such is deemed a low risk area.

Deferred consideration on the sale of investment property 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:

	2015 £m	2014 £m
Cash and cash equivalents (note 14)	**42.6**	3.7
Trade receivables – current (note 13)	**2.4**	2.0
Deferred consideration – current (note 13)	**14.1**	2.0
Deferred consideration – non current (note 13)	**8.7**	11.2
	67.8	18.9

17. Financial risk management objectives and policy continued

(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 ensure it will always have sufficient funds to meet 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.

To ensure it can effectively manage its liquidity risk, the Group has an overdraft facility of £4m and a revolving loan facility of £100m. At 31 March 2015 headroom excluding overdraft and cash was £100m (31 March 2014: £70m).

Cash flow is monitored formally on a monthly basis as part of internal performance monitoring with regular daily monitoring and forecasting undertaken to manage day-to-day cash flows and any balances which are ring-fenced by lenders. 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.

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 2015	**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	**50.0**	**1.5**	**1.5**	**51.8**	**–**	**54.8**
6% Retail Bond	**57.5**	**3.5**	**3.5**	**3.5**	**62.7**	**73.2**
Private Placement Notes	**157.5**	**8.7**	**8.7**	**8.7**	**200.5**	**226.6**
Other term loan	**45.0**	**1.8**	**1.8**	**1.8**	**53.3**	**58.7**
Derivative financial instruments	**2.6**	**1.8**	**1.8**	**1.8**	**0.3**	**5.7**
Finance lease liabilities	**7.1**	**0.5**	**0.5**	**0.5**	**50.1**	**51.6**
Trade and other payables†	**38.7**	**38.7**	**–**	**–**	**–**	**38.7**
	358.4	**56.5**	**17.8**	**68.1**	**366.9**	**509.3**

31 March 2014	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	80.0	2.3	2.3	2.3	80.8	87.7
6% Retail Bond	57.5	3.5	3.5	3.5	66.1	76.6
Private Placement Notes	157.5	8.7	8.7	8.7	200.1	226.2
Other term loan	45.0	1.8	1.8	1.8	55.0	60.4
Derivative financial instruments	7.2	1.5	1.5	1.5	2.7	7.2
Finance lease liabilities	3.5	0.2	0.2	0.2	21.6	22.2
Trade and other payables†	30.8	30.8	–	–	–	30.8
	381.5	48.8	18.0	18.0	426.3	511.1

† Trade and other payables exclude other tax and social security of £3.9m (2014: £2.5m) and deferred income of £2.8m (2014: £2.7m).

(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, the Retail Bond, 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 2015 Group equity was £1,146.3m (2014: £726.1m), and Group net debt (debt less cash at bank and in hand) was £269.7m (2014: £338.0m). Group gearing at 31 March 2015 was 24% (2014: 46%).

Following the refinancing in July 2013, the Group's borrowings are now all unsecured. The loan to value covenants applicable to these borrowings range between 60% and 75% and compliance is being met comfortably.

18. Notes to cash flow statement

Reconciliation of profit for the year to cash generated from operations:

	2015 £m	2014 £m
Profit before tax	**360.0**	252.5
Depreciation	**0.7**	0.6
Amortisation of intangibles	**0.2**	0.2
Profit on disposal of investment properties	**(0.3)**	(1.6)
Other income	**(10.1)**	(4.2)
Net gain from change in fair value of investment property	**(318.0)**	(221.9)
Equity settled share based payments	**2.0**	1.6
Change in fair value of financial instruments	**2.2**	(2.2)
Finance income	**(0.1)**	(0.1)
Finance expense	**18.6**	20.5
Gains from share in joint ventures	**(8.4)**	(5.1)
Changes in working capital:		
(Increase) in trade and other receivables	**(0.1)**	(0.4)
Increase in trade and other payables	**7.6**	3.1
Cash generated from operations	**54.3**	43.0

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2015 £m	2014 £m
Cash at bank and in hand	**40.3**	2.0
Restricted cash – tenants' deposit deeds	**2.3**	1.7
	42.6	3.7

19. Other non-current liabilities

	2015 £m	2014 £m
Amount payable re proceeds share agreement	**–**	11.0

This liability was reclassified during the year (see note 20).

20. Non-controlling interests

In December 2009 Workspace acquired full control of its former Workspace Glebe joint venture. The purchase was satisfied by a cash payment of £15m and a debt facility of £68m provided by the former lenders to the joint venture, with further amounts potentially payable under the Glebe Proceeds Share Agreement (GPSA).

The GPSA provided for the former lenders to Workspace Glebe to share in net cash proceeds from disposals from the Glebe property portfolio once Workspace received its priority return. The priority return was £92m. For proceeds up to £170m the lenders' share (after deducting Workspace's priority return) was 50%, from £170m up to £200m it was 30% and nil thereafter. The maximum payable under the GPSA was capped at £48m. All disposals were at the option of Workspace and there are no time limits.

In measuring the amount attributable to NCI, the Group took into account the likelihood that a property would be sold and that a payment may be made. On this basis, the Group attributed amounts to NCI when it considered it probable that it would sell the relevant properties. No amounts were attributed to NCI in relation to properties that the Group had no intention of selling.

In December 2014 an agreement was reached with the former lenders to terminate the GPSA for a cash settlement of £30m.

The total valuation of the Glebe portfolio at the date of settlement was £222m (31 March 2014: £217m). While a number of the assets had residential redevelopment potential a substantial part of the portfolio comprised of investment properties that Workspace had no plans to sell. The value of the properties with redevelopment potential which management considered probable to be sold for cash was £93m at the date of settlement (31 March 2014: £107m).

Total proceeds including cash received to date from disposals of £45m (31 March 2014: £14m) would therefore be £138m (31 March 2014: £121m). It was estimated that net proceeds after costs that would be realised was £131m (31 March 2014: £114m). As a result, the amount attributable to the former lenders (after deducting Workspace's priority return) increased by £9m to £20m at the date of settlement (31 March 2014: £11m). On settlement, the Group derecognised non-controlling interests of £20m and recorded a decrease in equity attributable to owners of the parent of £10m.

In the prior year, the Group was in discussions with the FRC Conduct Committee regarding the accounting for the GPSA. An alternative view of the measurement basis for NCI would be to attribute the maximum amount that would be payable if all of the properties were sold at their carrying value at the balance sheet date. The amounts that would then be recognised as NCI would have been a maximum of £48m as noted above. Management did not believe this approach to be appropriate. In managements view, the measurement basis adopted best reflects the commercial objectives and economic substance of the GPSA, in particular that no amounts should be attributed to NCI for proceeds that are highly unlikely to arise.

Distribution of amounts payable under the GPSA was recognised as a liability when it was considered that a contractual obligation was established. At 31 March 2014, we considered there to be a contractual obligation once a redevelopment contract had been exchanged with a third party. During the year, the Directors further considered the point at which a contractual obligation to pay a distribution arises. At the point of exchange, there are often still a number of conditions to be satisfied before completion of the contract. The Directors therefore revised the application of this policy such that a liability was only recognised when the Group had an unconditional legal obligation to make a distribution to the NCI that was no longer at its discretion, in accordance with the requirements of IAS 32 'Financial Instruments: Presentation'. This is usually on completion of the redevelopment contract. Other amounts attributable to the GPSA were classified as NCI in the balance sheet. Had this principle been applied at 31 March 2014 non-current liabilities would have been reported as being £nil rather than £11m and NCI would have been reported as £11m rather than £nil. The Directors considered this adjustment to be insufficiently material to warrant a prior year adjustment. The Group therefore reclassified the liability to equity during the year. The reclassification has no impact on EPRA NAV or the income statement.

As noted above, during the year an agreement was reached with the former lenders to terminate the GPSA. At the settlement date no amounts were recognised as a liability as there was no contractual obligation to pay a distribution at that time.

Having adopted the accounting policies for the GPSA described above, the discussions with the FRC Conduct Committee were concluded in November 2014.

21. Share capital and share premium

	2015 Number	2014 Number
Issued: Fully paid ordinary shares of £1 each	**161,107,649**	145,616,695

	2015 £m	2014 £m
Issued: Fully paid ordinary shares of £1 each	**161.1**	145.6

Movements in share capital were as follows:	2015 Number	2014 Number
Number of shares at 1 April	**145,616,695**	144,936,155
Issue of shares	**15,490,954**	680,540
Number of shares at 31 March	**161,107,649**	145,616,695

On 12 November 2014 the Group undertook a placement of 14,627,492 shares at 660p per share raising £94.0m net of expenses.

The Group also issued 863,462 (2014: 680,540 shares) shares during the year to satisfy the exercise of share options.

	Share Capital		Share Premium	
	2015 £m	2014 £m	2015 £m	2014 £m
Balance at 1 April	**145.6**	144.9	**58.2**	58.8
Issue of shares	**15.5**	0.7	**78.6**	(0.6)
Balance at 31 March	**161.1**	145.6	**136.8**	58.2

22. Other reserves

	Equity settled share based payments £m	Merger reserve £m	Hedging reserve £m	Total £m
Balance at 31 March 2013	6.6	8.7	–	15.3
Share based payments	1.6	–	–	1.6
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	(2.9)	(2.9)
Balance at 31 March 2014	8.2	8.7	(2.9)	14.0
Share based payments	2.0	–	–	2.0
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	(0.3)	(0.3)
Balance at 31 March 2015	**10.2**	**8.7**	**(3.2)**	**15.7**

23. Investment in own shares

The Company has an Employee Share Ownership Trust (ESOT) to purchase shares in the market for distribution at a later date in accordance with the terms of the Executive Share Option Scheme and Long Term Equity Incentive Plan. The shares are held by an independent trustee and the rights to dividends on the shares have been waived except where the shares are beneficially owned by participants. No shares were purchased for the Trust during the year but 33,740 shares were transferred to employees on the exercise of share options. At 31 March 2015 the number of shares held by the Trust totalled 75,226 (2014: 108,966). At 31 March 2015 the market value of these shares was £0.6m (2014: £0.6m) compared to a nominal value of £0.1m (2014: £0.1m).

The Company has also established an employee Share Incentive Plan (SIP) which is governed by HMRC rules. 51,800 shares were purchased for the Plan in 2013 at a cost of £0.2m. These are being held in a separate trust.

	2015 £m	2014 £m
Balance at 1 April	**8.9**	8.9
Shares issued from the Trust	**(0.1)**	–
Balance at 31 March	**8.8**	8.9

24. Share-based payments

The Group operates a number of share schemes:

I) Long term equity incentive plan (LTIP)

The LTIP scheme is a performance award scheme whereby shares are issued against three Group performance measures which are assessed over the three year vesting period. These are:
- Absolute TSR
- Relative TSR
- Relative NAV.

The shares are issued at nil consideration provided the performance conditions are met.

Under the 2014 LTIP scheme 597,967 performance and matching shares were awarded in June 2014 to Directors and senior management (2013 LTIP scheme: 766,728).

Details of the movements for the LTIP scheme during the year were as follows:

	LTIP Number
At 31 March 2013	3,636,840
Granted	766,728
Exercised	(1,681,747)
Lapsed	(65,932)
At 31 March 2014	2,655,889
Granted	597,967
Exercised	(762,587)
Lapsed	(1,656)
At 31 March 2015	**2,489,613**

The closing share price at the date of exercise of shares exercised during the year was £6.00 (2014: £4.53).

A binomial model was used to determine the fair value of the LTIP grant for the Absolute TSR and Relative TSR elements of the LTIP scheme.

Assumptions used in the model were as follows:

	2015	2014
Share price at grant	**570p**	405p
Exercise price	**Nil**	Nil
Average expected life (years)	**3**	3
Risk free rate	**1%**	0.3%
Expected dividend yield	**2%**	3%
Average share price volatility	**29%**	31%
Fair value per option – Absolute TSR element	**221p**	162p
Fair value per option – Relative TSR element	**211p**	148p

The relative NAV is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 570 pence. At each balance sheet date, the Directors 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 50% of the relative NAV 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.

II) Employee share option schemes

The Group operates a Save As You Earn (SAYE) share option scheme and an Executive Share Option Scheme (ESOS) for which there have been no grants since 2008. Grants under ESOS were normally exercisable between three and ten years from the date of grant and normally granted at the market price ruling at the date of grant.

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 ESOS and SAYE schemes during the year were as follows:

	ESOS		SAYE	
Options outstanding	Number	Weighted exercise price	Number	Weighted exercise price
At 31 March 2013	51,515	£13.22	333,328	£1.74
Options granted	–	–	66,147	£3.47
Options exercised	–	–	(39,168)	£1.63
Options lapsed	(18,950)	£8.25	(19,720)	£2.31
At 31 March 2014	32,565	£16.12	340,587	£2.06
Options granted	–	–	126,060	£4.59
Options exercised	–	–	(100,879)	£1.39
Options lapsed	(14,624)	£13.16	(11,262)	£3.89
At 31 March 2015	**17,941**	**£18.53**	**354,506**	**£3.09**

The exercise of all options, other than those obtained under the Group's SAYE scheme, was dependent upon the Group achieving specified performance targets.
The closing share price at the date of exercise for the SAYE options exercised during the year was £7.30 (2014: £4.50).

126,060 SAYE share options were granted in the year (2014: 66,147 shares).

The fair value has been calculated using the Black-Scholes model. Inputs to the model are summarised as follows:

	2015 SAYE 3 year	**2015 SAYE 5 year**	2014 SAYE 3 year	2014 SAYE 5 year
Weighted average share price at grant	**550p**	**550p**	440p	440p
Exercise price	**459p**	**459p**	347p	347p
Expected volatility	**28%**	**28%**	31%	31%
Average expected life (years)	**3**	**5**	3	5
Risk free rate	**1%**	**1%**	0.3%	0.3%
Expected dividend yield	**2%**	**2%**	3%	3%
Possibility of ceasing employment before vesting	**25%**	**25%**	25%	25%

The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. The expected dividend yield is based on the present value of expected future dividend payments to expiry.

Fair values per share of these options were:

	2015 Grant date	**2015 Fair value of award**	2014 Grant date	2014 Fair value of award
SAYE – 3 year	**25 July 2014**	**135p**	31 July 2013	118p
SAYE – 5 year	**25 July 2014**	**151p**	31 July 2013	124p

III) Share incentive plan (SIP)

On 22 March 2013 all staff were granted £1,000 worth of shares. 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. There were no grants made in the year (2014: nil shares). 1,168 (2014: 2,920) were exercised in the year and 2,044 (2014: 6,424) shares lapsed.

24. Share-based payments continued

IV) Year end summary

At 31 March 2015 in total there were 2,901,188 (2014: 3,071,497) share awards/options exercisable on the Company's ordinary share capital. These are analysed below:

Date of grant LTIP	Exercise Price	Ordinary shares Number	Vested and exercisable	Exercisable between	
18 June 2012	–	865,229	–	18.06.2015	–
19 November 2012	–	276,642	–	19.11.2015	–
26 June 2013	–	751,431	–	26.06.2016	–
26 June 2014	–	596,311	–	26.06.2017	–
ESOS				Exercisable between	
17 June 2005	£17.81	9,681	9,681	17.06.2008	17.06.2015
1 September 2005	£19.37	8,260	8,260	01.09.2008	01.09.2015
SAYE				Exercisable between	
20 July 2010	£1.66	2,983	–	01.09.2015	01.03.2016
30 July 2012	£1.93	151,997	–	01.09.2015	01.03.2016
30 July 2012	£1.93	18,652	–	01.09.2017	01.03.2018
31 July 2013	£3.47	53,873	–	01.09.2016	01.03.2017
31 July 2013	£3.47	8,644	–	01.09.2018	01.03.2019
25 July 2014	£4.59	111,430	–	01.09.2017	01.03.2018
25 July 2014	£4.59	6,927	–	01.09.2019	01.03.2020
SIP				Exercisable between	
22 March 2013	–	39,128	–	22.03.2016	22.03.2018
Total		**2,901,188**	**17,941**		

The weighted average exercise price for vested and exercisable shares at 31 March 2015 is: ESOS – £18.53 (2014: £16.12).

The share awards/options outstanding at 31 March 2015 had a weighted average remaining contractual life of: LTIP – 1.1 years (2014: 1.5 years), ESOS – nil years (2014: nil years), SAYE – 1.4 years (2014: 1.6 years), SIP – 1 year (2014: 2 years).

V) 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.

VI) Share based payment charges

The Group recognised a total charge in relation to share based payments as follows:

	2015 £m	2014 £m
Equity-settled share based payments	**2.0**	1.6
Cash-settled share based payments	**1.3**	0.9
	3.3	2.5

The total liability at the end of the year in respect of cash-settled share based schemes was £1.6m (2014: £0.9m).

25. Related party transactions

	2015 £m	2014 £m
Transactions year ended 31 March:		
Capital distributions from joint ventures (note 12(a))	**2.0**	1.6
Loans to joint ventures (note 12(a))	**(0.2)**	–
Fee income and recharges to joint ventures	**0.9**	0.9
Fee income and recharges from joint ventures	**(0.7)**	–
Distributions received from joint ventures (note 12(a))	**1.1**	1.1
Fees paid to CBRE Limited	**(0.2)**	(0.2)
Balances with joint ventures at 31 March:		
Amounts receivable from joint ventures (note 13)	**–**	0.3
Amounts payable to joint ventures (note 15)	**(0.4)**	(0.3)

The Group as property manager of the BlackRock Workspace joint venture is entitled to a performance fee at the end of the five year initial term of the fund in March 2016. This is based on the Group's performance as property manager and on the basis that all the properties in the joint venture are sold. Under IAS18 recognition rules this has not been recognised as income in the year.

Fees paid to CBRE Limited are in respect of the property valuations.

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:	2015 £m	2014 £m
Short-term employee benefits	**2.9**	2.9
Post-employment benefits	**0.2**	0.2
Share-based payments	**1.1**	1.1
	4.2	4.2

26. Capital commitments

At the year end the estimated amounts of contractual commitments for future capital expenditure not provided for were:

	2015 £m	2014 £m
Funding of joint venture	**–**	3.3
Purchases, construction or redevelopment of investment property	**42.3**	8.9

27. Principal subsidiary undertakings

Except where indicated otherwise, the Company (incorporated in the UK) wholly owns the following active subsidiary undertakings incorporated and operating in the UK, all of which are consolidated in the Group's financial statements:

Name	Nature of business
Workspace 11 Limited	Property Investment
Workspace 12 Limited*	Property Investment
Workspace 13 Limited	Property Investment
Workspace 14 Limited	Property Investment
Workspace 15 Limited	Property Investment
Workspace 16 (Jersey) Limited†	Investor in joint venture
Workspace Glebe Limited	Holding Company
Glebe Three Limited*	Property Investment
Workspace Holdings Limited	Holding Company
LI Property Services Limited	Insurance Agents
Workspace Management Limited	Property Management
Anyspacedirect.co.uk Limited	Property advertising

* The share capital of these subsidiaries is held by other Group companies.
† Company registered in Jersey.

27. Principal subsidiary undertakings continued
The Company has taken advantage of the exemption under section 410 of the Companies Act 2006 only to disclose those subsidiary undertakings that principally affect the financial statements.

A full list of subsidiary undertakings at 31 March 2015 will be appended to the Company's next annual return.

28. Pension commitments
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for this scheme in the year was £0.7m (2014: £0.6m) representing contributions payable by the Group to the fund and is charged through operating profit.

The Group's commitment with regard to pension contributions 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 in the scheme at the year end was 181 (2014: 102).

29. Operating leases
The following future minimum lease payments are due under non-cancellable operating leases:

Motor vehicles and office equipment:	**2015 £m**	2014 £m
Due within one year	**0.1**	0.1
Due between two and five years	**–**	0.1
	0.1	0.2

Land and buildings:	**2015 £m**	2014 £m
Within one year	**29.4**	21.3
Between two and five years	**5.8**	2.4
Beyond five years	**0.5**	0.6
	35.7	24.3

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 month tenant break clause. The future minimum non-cancellable rental receipts under operating leases granted to tenants are as above.

30. Post balance sheet events
In April 2015 the BlackRock joint venture exchanged contracts for the sale of four properties for a cash consideration of £32.1m, in line with their March 2015 valuations.

Clyde House, SL6 was sold for a cash consideration of £0.3m in May 2015, in line with its March 2015 valuation.

In May 2015 the Group exchanged contracts for the purchase of 25 & 28 Easton Street, WC1 for a cash consideration of £16.6m.

In June 2015 the Group exchanged contracts for the purchase of Angel House, EC1 for a cash consideration of £34.0m.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC
(PARENT COMPANY)

Report on the Parent Company financial statements

Our opinion

In our opinion, Workspace Group PLC's Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Parent Company's affairs as at 31 March 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Workspace Group PLC's financial statements comprise:

- the Parent Company Balance Sheet as at 31 March 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 104, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC
(PARENT COMPANY) CONTINUED

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of Workspace Group PLC for the year ended 31 March 2015.

Sonia Copeland
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 June 2015

PARENT COMPANY BALANCE SHEET
AS AT 31 MARCH 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Investments	C	**638.3**	289.6
		638.3	289.6
Current assets			
Debtors	D	**394.2**	495.0
Cash at bank and in hand		**0.6**	0.2
Derivative financial instruments	F	**0.3**	–
		395.1	495.2
Creditors: amounts falling due within one year	E	**(119.7)**	(97.3)
Net current assets		**275.4**	397.9
Total assets less current liabilities		**913.7**	687.5
Creditors: amounts falling due after more than one year	F	**(312.9)**	(350.5)
Net assets		**600.8**	337.0
Capital and reserves			
Called up share capital	G	**161.1**	145.6
Share premium account	G	**136.8**	58.2
Investment in own shares	G	**(8.8)**	(8.9)
Other reserves	G	**15.7**	14.0
Profit and loss account	G	**296.0**	128.1
Total shareholders' funds	H	**600.8**	337.0

The notes on pages 144 to 147 form part of these financial statements.

The financial statements on pages 143 to 147 were approved by the Board of Directors on 2 June 2015 and signed on its behalf by:

J Hopkins
G Clemett
Directors

Workspace Group PLC
Registered number 2041612

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 UK GAAP. The principal accounting policies of the Company which have been applied consistently throughout the year are set out below:

(A) 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. FRS 29 Financial Instruments – Disclosure (the UK GAAP equivalent of IFRS 7 Financial Instruments – Disclosure) has been adopted by the Company, but the disclosure requirements are met in note 17 of the Group financial statements.

(B) Cash flow statement

The Company has taken advantage of the convention not to produce a cash flow statement as one is prepared for the Group financial statements.

(C) 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.

(D) 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 of FRS 20 Share-based payment are met in note 24 of the Group financial statements.

(E) 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.

(F) Derivative financial instruments and hedge accounting

The accounting policy for derivative financial instruments and hedge accounting, under FRS 26 Financial Instruments – Recognition and Measurement, are the same as those for the Group and are set out on page 115. Disclosure requirements are provided in note 16 to the consolidated financial statements.

(G) Foreign currency translation

The accounting policy for foreign currency translation is the same as that for the Group and is set out on page 115.

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 profit attributable to shareholders, before dividend payments, dealt with in the financial statements of the Company was £184.5m (2014: £20.5m). £185m dividends were received in the year from subsidiary undertakings (2014: nil).

Auditors' remuneration of £10,000 (2014: £10,000) has been borne by a subsidiary undertaking.

Proposed dividends are disclosed in note 7 to the consolidated financial statements.

C. Investments

	Investment in subsidiary undertakings £m	Investment in joint ventures £m	Other Investments £m	Total £m
Cost				
Balance at 31 March 2014	313.4	1.6	–	315.0
Additions in the year	315.6	0.2	1.0	316.8
Acquisition of non-controlling interests	30.0	–	–	30.0
Balance at 31 March 2015	659.0	1.8	1.0	661.8
Impairment				
Balance at 31 March 2014	25.4	–	–	25.4
Reversal of impairment loss	(1.9)	–	–	(1.9)
Balance at 31 March 2015	23.5	–	–	23.5
Net book value at 31 March 2015	**635.5**	**1.8**	**1.0**	**638.3**
Net book value at 31 March 2014	288.0	1.6	–	289.6

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Refer to note 27 of the consolidated financial statements for the list of trading subsidiary undertakings.

The Company has a 50% interest in Enterprise House Investments LLP, a partnership incorporated in the UK and a 50% interest in Generate Studio Ltd, a company incorporated in the UK.

During the year, the Company purchased 10% of the share capital of Mailstorage Ltd, a company incorporated in the UK, for £1.0m.

Acquisition of non-controlling interests represents the settlement of the Glebe Proceeds Share Agreement. Other additions to investment in subsidiary undertakings includes £313.6m in respect of the acquisition of Workspace 14 Limited from another Group undertaking.

D. Debtors

	2015 £m	2014 £m
Amounts owed by Group undertakings	**394.0**	494.7
Corporation tax asset	**0.2**	0.3
	394.2	495.0

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

	2015 £m	2014 £m
Amounts owed to Group undertakings	**114.1**	91.8
Taxation and social security	**0.6**	0.5
Accruals and deferred income	**5.0**	5.0
	119.7	97.3

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

	Interest rate	Repayable	**2015 £m**	2014 £m
Bank Loans	LIBOR+2.3% to 2.5%	June 2018	**50.0**	80.0
5.6% Senior US Dollar Notes 2023	5.6%	June 2023	**67.8**	60.6
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
Other term loan	LIBOR+3.5%	May 2022 and May 2023	**45.0**	45.0
6% Retail Bond	6.0%	October 2019	**57.5**	57.5
Total borrowings			**313.3**	336.1
Less cost of raising finance			**(3.0)**	(3.8)
Net borrowings			**310.3**	332.3
Derivative financial instruments			**2.6**	7.2
Other creditors[1]			**–**	11.0
			312.9	350.5

1. Other creditors relate to amounts payable under the Glebe proceeds share agreement. See note 20 of the Group financial statements for further details.

All the above borrowings are unsecured.

Maturity analysis of borrowings:	**2015 £m**	2014 £m
Repayable between three and four years	**50.0**	–
Repayable between four and five years	**57.5**	80.0
Repayable in five years or more	**205.8**	256.1
	313.3	336.1

The following derivative financial instruments are held:

	Amount	Rate payable (or cap strike rate) (%)	Term/ expiry	**2015 £m**	2014 £m
Interest rate swap	£95m	1.87%	June 2018	**2.6**	0.5
Cash flow hedge – cross currency swap[2]	$100m/£64.5m	5.66%	June 2023	**–**	6.7
				2.6	7.2

2. The cash flow hedge this year has been valued as an asset of £0.3m.

G. Capital and reserves

Movements and notes applicable to share capital, share premium account, investment in own shares and share based payment reserve are shown in notes 21 to 24 on pages 135 to 138 and in the consolidated statement of changes in equity of the consolidated financial statements.

Other reserves:	Equity settled share based payments £m	Merger Reserve £m	Hedging Reserve £m	Total £m
Balance at 31 March 2013	6.6	8.7	–	15.3
Share based payments	1.6	–	–	1.6
Change in fair value of derivative financial instruments	–	–	(2.9)	(2.9)
Balance at 31 March 2014	8.2	8.7	(2.9)	14.0
Share based payments	2.0	–	–	2.0
Change in fair value of derivative financial instruments	–	–	(0.3)	(0.3)
Balance at 31 March 2015	**10.2**	**8.7**	**(3.2)**	**15.7**

Profit and loss account:	£m
Balance at 31 March 2014	128.1
Profit for the year	184.5
Dividends paid	(16.6)
Balance at 31 March 2015	**296.0**

H. Reconciliation of movements in shareholders' funds

	2015 £m	2014 £m
Profit for the financial year	**184.5**	20.5
Dividends paid	**(16.6)**	(14.5)
Issue of shares (net of costs)	**94.1**	0.1
Investment in own shares	**0.1**	–
Share based payments	**2.0**	1.6
Change in fair value of derivative financial instruments	**(0.3)**	(2.9)
Net movement in shareholders' funds	**263.8**	4.8
Opening shareholders' funds	**337.0**	332.2
Closing shareholders' funds	**600.8**	337.0

I. Related party transactions

The Company has taken advantage of the exemption under FRS 8 Related Party Disclosures not to disclose related party transactions with wholly owned subsidiary undertakings.

Related party transactions are the same for the Company as for the Group. For details refer to note 25 of the consolidated financial statements on page 139.

FIVE-YEAR PERFORMANCE
2011 – 2015

	31 March 2015 £m	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m	31 March 2011 £m
Rents receivable	**63.8**	55.3	51.4	50.2	52.0
Service charges and other income	**19.8**	18.3	18.1	17.1	16.8
Revenue	**83.6**	73.6	69.5	67.3	68.8
Trading profit before interest including share of joint ventures	**45.1**	39.0	37.2	35.1	36.3
Net interest payable^	**(18.5)**	(18.5)	(19.3)	(19.1)	(22.1)
Trading profit after interest	**26.6**	20.5	17.9	16.0	14.2
Profit before taxation	**360.0**	252.5	76.4	48.5	52.8
Profit after taxation	**359.9**	252.4	76.4	49.0	53.5
Basic earnings per share*	**231.4p**	166.8p	53.3p	36.3p	45.4p
Dividends per share*	**12.04p**	10.63p	9.67p	8.79p	7.99p
Dividends (total)	**19.4**	15.5	13.9	12.6	9.5
Investment properties	**1,408.9**	1,068.3	825.9	759.3	713.4
Other assets less liabilities	**14.5**	(8.4)	2.1	(11.1)	(12.8)
Net borrowings	**(277.1)**	(333.8)	(327.6)	(312.8)	(366.8)
Net assets	**1,146.3**	726.1	500.4	435.4	333.8
Gearing	**24%**	46%	65%	72%	110%
Gearing on EPRA net assets	**24%**	46%	64%	70%	106%
Basic NAV per share*	**£7.12**	£4.99	£3.48	£3.05	£2.83
EPRA NAV per share*	**£7.03**	£4.96	£3.48	£3.08	£2.86

* Earnings per share, dividends per share and net assets per share have been restated to reflect adjustment for the Rights Issue, in July 2011 and share consolidation in August 2011.
^ Excludes exceptional items.

PERFORMANCE METRICS

	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Workspace Group:					
Number of estates	**75**	83	86	92	96
Lettable floorspace (million sq. ft.)	**4.2**	4.5	4.7	5.0	5.1
Number of lettable units	**4,525**	4,653	4,626	4,668	4,856
Average unit size (sq. ft.)	**919**	967	1,011	1,070	1,049
Rent roll of occupied units	**£69.4m**	£58.3m	£52.7m	£50.2m	£48.9m
Overall rent per sq. ft.	**£18.79**	£15.12	£12.98	£11.79	£11.47
Overall occupancy	**88.7%**	85.8%	87.0%	85.3%	83.6%
Enquiries (number)	**14,664**	12,754	12,440	12,103	11,535
Lettings (number)	**1,313**	1,020	1,014	981	1,051
BlackRock Workspace Property Trust:					
Number of estates	**12**	14	16	11	8
Lettable floorspace (million sq. ft.)	**0.5**	0.5	0.5	0.4	0.3
Number of lettable units	**318**	410	435	313	281
Average unit size (sq. ft.)	**1,756**	1,300	1,260	1,407	1,147
Rent roll of occupied units	**£7.1m**	£6.4m	£7.0m	£4.7m	£3.1m
Average rent per sq. ft.	**£16.13**	£14.66	£14.20	£11.82	£10.57
Overall occupancy	**93.9%**	87.7%	90.4%	89.8%	92.1%
EPRA Measures					
EPRA Earnings per share	**18.9p**	15.4p	–	–	–
EPRA Net Asset Value per share	**£7.03**	£4.96	–	–	–
EPRA NNNAV	**£7.01**	£4.91	–	–	–
EPRA Cost Ratio	**34%**	33%	–	–	–

PROPERTY PORTFOLIO 2015

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000s	ERV £000s
Acton Business Centre	NW10 6TD	Like-for-like	51,040	698,334	744,836
Archer Street Studios	W1D 7AZ	Like-for-like	14,984	978,666	1,207,500
Arches Business Centre	UB2 4AU	Redevelopment	40,725	303,452	374,300
Atlas Business Centre	NW2 7HJ	Like-for-like	152,501	1,272,368	1,301,177
Baden Place*	SE1 1YW	Joint Venture	25,472	569,169	799,550
Barley Mow Centre	W4 4PH	Refurbishment	70,232	1,613,281	1,886,945
Belgravia Workshops	N19 4NF	Like-for-like	32,373	426,365	477,822
Bounds Green Industrial Estate	N11 2UL	Refurbishment	121,902	848,947	959,770
Bow Enterprise Park	E3 3QY	Redevelopment	12,000	78,000	78,000
Bow Office Exchange	E3 3QP	Like-for-like	36,962	310,807	345,300
Burford Road Business Centre*	E15 2ST	Joint Venture	21,284	331,762	338,500
Canalot Studios	W10 5BN	Like-for-like	49,746	1,266,412	1,674,193
Cargo Works	SE1 9PG	Refurbishment	71,770	2,537,112	3,720,780
Chandelier Building*	NW10 6RB	Joint Venture	46,178	550,069	580,719
Charles House*	UB2 4BD	Joint Venture	72,097	1,260,151	1,258,550
Chiswick Studios	W4 5PY	Like-for-like	14,255	230,240	233,592
Chocolate Factory	N22 6XJ	Like-for-like	117,454	1,003,063	1,422,651
City Road*	EC1V 1JN	Joint Venture	32,584	443,366	1,192,250
Clerkenwell Workshops	EC1R 0AT	Like-for-like	52,879	3,450,633	3,878,235
Clyde House	SL6 8BR	Redevelopment	29,686	6,043	243,360
Cremer Business Centre	E2 8HD	Refurbishment	41,395	753,569	780,980
2 Cullen Way	NW10 6JZ	Like-for-like	1,562	16,532	16,400
10 Cullen Way	NW10 7JH	Like-for-like	10,304	31,712	51,600
E1 Business Centre	E1 1DU	Like-for-like	40,077	879,321	927,382
Edinburgh House	SE11 5DP	Acquisition	68,468	1,500,001	2,054,000
Enterprise House Hayes**	UB3 1DD	Joint Venture	86,590	226,637	343,352
Europa Studios*	NW10 6ND	Joint Venture	26,114	457,775	442,710
Exmouth House	EC1R 0JH	Like-for-like	58,931	2,481,634	3,196,330
Fairways Business Centre	E10 7QT	Like-for-like	47,091	412,835	455,266
160 Fleet Street	EC4A 2DQ	Acquisition	41,111	1,250,093	2,153,070
Grand Union Studios	W10 5AS	Redevelopment	2,000	33,800	33,800
60 Gray's Inn Road	WC1X 8AQ	Acquisition	35,716	630,540	1,877,900
12-13 Greville Street	EC1N 8SB	Refurbishment	3,888	74,353	–
14 Greville Street	EC1N 8SB	Refurbishment	10,961	428,132	575,435
Hamilton Road Industrial Estate	SE27 9SF	Like-for-like	23,531	200,114	205,535
Hatton Square Business Centre	EC1N 7RJ	Refurbishment	–	–	–
Havelock Terrace	SW8 4AS	Like-for-like	58,100	918,989	1,152,890
Highway Business Park	E1 9HR	Redevelopment	19,786	271,585	333,440
Holywell Centre	EC2A 4PS	Refurbishment	21,798	543,622	644,271
Horton Road Industrial Estate*	UB7 8JD	Joint Venture	39,077	278,696	290,070
Kennington Park – Investment	SW9 6DE	Like-for-like	373,495	5,676,155	8,816,187
Kingsmill Business Park*	KT1 3AP	Joint Venture	40,151	473,382	472,400
Leroy House	N1 3QP	Like-for-like	46,564	1,020,845	1,067,021
Leyton Industrial Village	E10 7QP	Refurbishment	132,024	1,071,372	1,243,553
Linton House	SE1 0LH	Refurbishment	23,339	582,150	907,794
Little London*	SE1 2BA	Joint Venture	31,101	681,134	823,700
6 Lloyds Avenue*	EC3N 3AX	Joint Venture	34,645	1,083,204	1,327,566
Lombard House	CR0 3JP	Redevelopment	64,310	377,019	673,870
Mallard Place	N22 6TS	Like-for-like	10,150	82,500	82,500
Mare Street Studios	E8 3QE	Like-for-like	38,312	466,331	585,863
Marshgate Business Centre	E15 2NH	Redevelopment	92,673	295,050	498,710

PROPERTY PORTFOLIO 2015 CONTINUED

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000s	ERV £000s
Metal Box Factory	SE1 0HS	Refurbishment	103,501	2,903,560	5,315,022
Morie Street Business Centre	SW18 1SL	Like-for-like	21,696	491,600	643,300
Pall Mall Deposit	W10 6BL	Like-for-like	49,350	870,205	1,159,419
Park Royal Business Centre	NW10 7LQ	Like-for-like	30,306	327,493	408,070
Park Royal House	NW10 7JH	Redevelopment	10,289	15,734	88,588
Parkhall Business Centre	SE21 8EN	Like-for-like	117,815	1,144,311	1,376,669
Parma House	N22 6XF	Like-for-like	34,984	396,084	498,750
Peer House	WC1X 8LZ	Acquisition	10,077	210,353	456,500
Pill Box	E2 6GG	Refurbishment	50,409	1,301,556	1,686,826
Poplar Business Park	E14 9RL	Redevelopment	58,849	888,846	967,640
Progress Way Business Park*	CR0 4XD	Joint Venture	31,002	264,120	318,900
Q West	TW8 0GP	Like-for-like	40,447	437,555	507,000
Quality Court	WC2A 1HR	Like-for-like	16,924	894,102	1,076,300
Quicksilver Place	N22 6XH	Like-for-like	27,810	195,000	195,000
Rainbow Industrial Estate	SW20 0JK	Redevelopment	1,000	486,056	607,369
Riverside	SW18 4UQ	Like-for-like	99,493	1,211,283	1,340,178
ScreenWorks	N5 2EF	Redevelopment	61,867	1,880,464	2,269,287
Shaftesbury Centre	W10 6BN	Like-for-like	12,617	187,917	301,649
Southbank House	SE1 7SJ	Like-for-like	63,137	1,771,853	1,950,291
Spectrum House	NW5 1LP	Like-for-like	46,463	728,770	730,720
Stratford Office Village	E15 4BZ	Like-for-like	52,137	821,394	851,240
The Biscuit Factory – Investment	SE16 4DG	Like-for-like	216,485	2,879,818	3,127,274
The Biscuit Factory – Redevelopment	SE16 4DG	Redevelopment	89,067	304,862	397,400
The Faircharm	SE8 3DX	Redevelopment	–	–	–
The Ivories	N1 2HY	Like-for-like	24,814	488,263	585,660
The Leathermarket	SE1 3ER	Like-for-like	125,785	4,495,356	4,525,967
The Light Box	W4 5PY	Like-for-like	61,964	1,187,897	1,535,205
The Light Bulb	SW18 4GQ	Redevelopment	52,126	195,628	1,172,910
The Wenlock	N1 7EU	Like-for-like	31,152	1,037,631	1,299,054
Thurston Road	SE13 7SH	Redevelopment	–	–	561,000
Union Court*	SW4 6JP	Joint Venture	67,794	688,091	1,037,412
Uplands Business Park	E17 5QN	Like-for-like	280,497	1,640,125	1,615,758
Vestry Street Studios	N1 7RE	Acquisition	22,759	490,991	947,200
Westbourne Studios	W10 5JJ	Like-for-like	56,484	2,032,632	2,260,806
Westminster Business Square	SE11 5JH	Refurbishment	57,133	1,044,038	1,218,641
Whitechapel Technology Centre	E1 1DU	Like-for-like	37,935	760,199	881,239
Zennor Tradepark	SW12 0PS	Like-for-like	66,054	687,572	826,446

* BlackRock Joint Venture
** Enterprise House Hayes LLP Joint Venture

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) 870 707 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

Registered office and headquarters

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Company Secretary

Carmelina Carfora

The Company's advisers include:

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Chartered Accountants and Statutory Auditors
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London WC2N 6RH

Solicitors

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Clearing bankers

The Royal Bank of Scotland
280 Bishopsgate
London EC2M 4RB

Joint stockbrokers

Bank of America Merrill Lynch
2 King Edward Street
London EC1A 1HQ

Liberum Capital Limited
Ropemaker Place
Level 12
25 Ropemaker Street
London EC2Y 9LY

GLOSSARY OF TERMS

Adjusted underlying earnings are based on trading profit after interest adjusted to exclude exceptional items.

BWPT BlackRock Workspace Property Trust, a joint venture property fund with the BlackRock UK Property Fund in which the Group holds a 20.1% interest.

Cash rent roll is the current net rents receivable for occupied units.

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 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.

Gearing on adjusted net assets is the Group's net debt as a percentage of net assets excluding mark to market derivative adjustments.

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 operating profit.

IPD is the Investment Property Databank Ltd, a company that produces an independent benchmark of property returns.

IPD Quarterly Universe is the IPD quarterly universe property fund benchmark of approximately 250 (£50bn) 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 the current loan balance divided by the current value of properties owned by the Group.

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 bank debt is the amount drawn on bank facilities, including overdrafts, less cash deposits.

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 (see cash rent roll).

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.

Small and medium sized enterprises (SMEs) are those businesses with a turnover of less than £1m p.a. or staff of less than 50. Most Workspace customers are SME businesses with staffing of up to 20.

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

Trading profit after interest is net rental income, joint venture trading and finance income, less administrative expenses, less finance costs.

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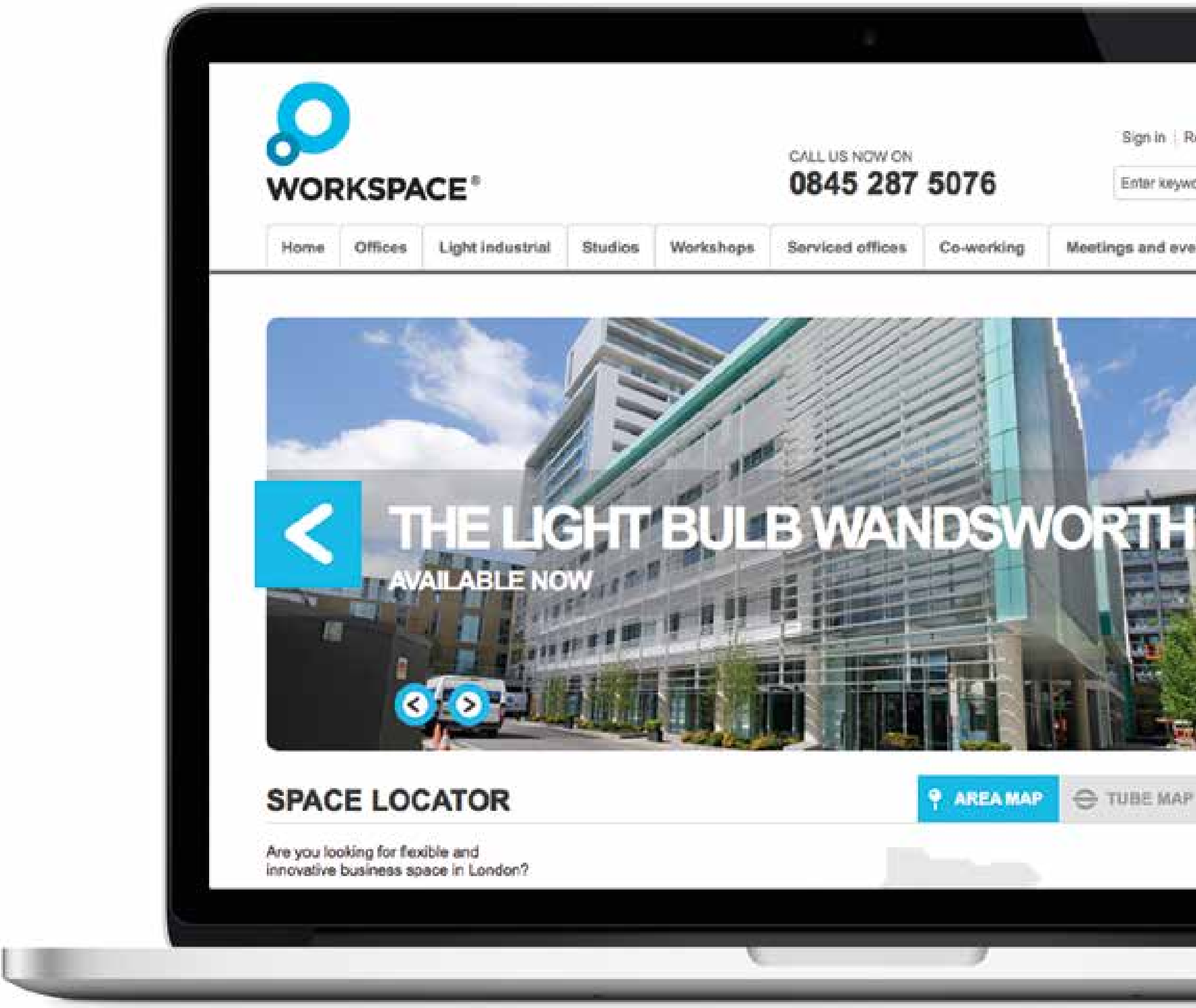

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