

# WORKSPACE UNDERSTANDS WORK SPACE

ANNUAL REPORT  
AND ACCOUNTS 2016



WORKSPACE®

# 2016 Financial Highlights

**Profit Before Tax**  
(£m)

**+9%**

<b>2016</b>	<b>391.3</b>
2015	360.0
2014	252.5

**Trading Profit After Interest** (£m)

**+65%**

<b>2016</b>	<b>43.9</b>
2015	26.6
2014	20.5

**EPRA NAV Per Share**  
(£)

**+31%**

<b>2016</b>	<b>9.23</b>
2015	7.03
2014	4.96

**Dividend Per Share**  
(pence)

**+25%**

<b>2016</b>	<b>15.05</b>
2015	12.04
2014	10.63

**Like-for-like Rent Roll**  
(£m)

**+15%**

<b>2016</b>	<b>48.8</b>
2015	42.3

**Like-for-like Rent Per sq. ft.**  
(£)

**+16%**

<b>2016</b>	<b>22.37</b>
2015	19.22

**Property Valuation**  
(£m)

**+21%**

<b>2016</b>	<b>1,779</b>
2015	1,423
2014	1,078

**Total Return**  
(%)

**26%**

<b>2016</b>	<b>26.3</b>
2015	36.7
2014	34.7

**Total Shareholder Return**  
(%)

**-7%**

<b>2016</b>	<b>-7</b>
2015	47
2014	76

**Customer Satisfaction**  
(%)

**76%**

<b>2016</b>	<b>76</b>
2015	77
2014	78

## Online

For the latest news and information about Workspace's properties and customer offer go to [www.workspace.co.uk](http://www.workspace.co.uk)

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# Strong performance from active management and capital recycling

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IBC Workspace Group Online

**Our business has two distinct parts that come together to create superior value for shareholders**

### Workspace is a property company

### Workspace is a FTSE 250 Real Estate Investment Trust with a portfolio worth £1.8bn.

We own properties in London and invest heavily in the development and design of our buildings, transforming them to meet our customers' needs. We make strategic acquisitions to meet the growing demand for our type of space, buying in both established and up-and-coming locations where we see opportunities to create value.

#### We refurbish

Undertake major refurbishment projects to add new space by adding floors and expanding existing buildings, or upgrade existing space. We design smart, dynamic and comfortable environments creating new atriums, terraces, cafés, co-working areas and meeting rooms.



#### We reposition

Carry out light, internal refurbishments to enhance space and bring it up to the exacting standards of our discerning customers.



#### We redevelop

Partner with residential developers to transform light industrial sites into mixed-use schemes, creating brand new business centres and generating significant returns.



#### We provide business-grade connectivity

Provide a digital infrastructure that offers business-class connected services to support growing businesses. The secure, super-fast and resilient network allows us to enable our buildings with intelligent Wi-Fi so our customers can work how and where they want.



Entrance at Cargo Works,  
Southbank

## Workspace is an operator focused on its customers

### We are home to around 4,000 New and Growing Companies in some 70 properties across London.

We build long-term relationships with our customers, a hugely diverse spread of the New and Growing Companies who are driving the London economy. Our Centre Managers get to know the people in their buildings but give them freedom, making it easy for them to come and go as their companies evolve and grow.

#### With the customer every step of the way

Workspace is unique in that every touch point with its customers, from their initial enquiry to the lease negotiation, is handled by a member of the in-house team.



#### 1. Search for space

The majority of customers find Workspace online thanks to our in-house Marketing team and digital marketing strategy, while we also have a strong recommendation rate from existing customers and their clients.

#### 2. Enquiry

The Workspace Enquiries team speaks to the customer about their requirements and outlines available options.

#### 3. Viewings

Workspace Centre Managers show the customer around multiple sites and units, enabling them to make the right decision.

#### 4. Lease negotiation

The Workspace Lettings team draws up an offer letter for the chosen office space and negotiates the lease with the customer.

#### 5. Moving day

The customer moves in with support from their dedicated Centre Manager and immediately becomes a member of the Workspace community.

#### 6. Renewal

If a customer wants to stay, the Workspace Renewals team draws up a new lease and, in many cases, supports an expansion or move to a new Workspace centre.



#### Customer base – top 10 categories

Marketing		Architect	
Fashion		Software Design	
Finance		Brand Design	
Business Consultancy		IT	
Not-For-Profit		Film	

# Chairman's Statement

The last few years have seen Workspace develop a very clear strategy of providing a home for New and Growing Companies ('NGCs') in London and intensively managing the buildings in which our customers work. This approach continues to prove successful and has resulted in another year of strong revenue growth and record profit. Group net rental income was £74.1m, an increase of 28.4%, profit before tax was £391.3m, up 8.7% over last year, and EPRA NAV per share was £9.23, an increase of 31.3%.

Reflecting the continued momentum in income generation thanks to these strong results, the Board is recommending an increase in the final dividend to 10.19p per share. This represents an increase in the total dividend for the year of 25% to 15.05p per share.

Having a clear strategy is one thing, but our ability to deliver it operationally is the real key to our success. In our case, from the Asset Management teams with their understanding of individual customer needs, to the deep expertise and market knowledge in our Development and Investment teams, our people work together with a single-minded focus on delivering for our customers. On behalf of the Board, I would like to thank them for the expertise and dedication that continues to bring our strategy to life and produce such outstanding results.

This deep well of expertise has helped us remain alive to the changing needs of our customers and the way in which working in London is evolving. We are seeing continued strong demand from NGCs for office space in different areas and in different sizes, and are delighted with the pace of letting up at our new or upgraded business centres. Therefore, we are adding judiciously to our portfolio and have been disposing of light industrial assets, recycling capital into business centres where we can add more value.

Of course, as we grow and widen our presence across London, we do so with recognition of the role we must play in the local community. We work hard to look at ways in which our presence can benefit those around us and we are proud of the way in which, for example, our annual Inspiresme Week enables us to connect our customers and their businesses with the local young people who will be core to the future economic success of London.

That the UK's capital city is robust and growing healthily is not in doubt. The outcome of the EU referendum and the appointment of the new London mayor will provide new challenges and opportunities to its future. As home to New and Growing Companies, I believe that we have the right strategy to continue to be responsive to the Capital's evolution and, in playing our part in support of these customers, continue to provide exceptional value to all of our stakeholders.



**Daniel Kitchen**  
**Non-Executive Chairman**

**Daniel Kitchen**  
Non-Executive  
Chairman

Photographed  
on the March  
Board tour  
talking to  
Chris Nobbs of  
MBJ London at  
Canalot Studios,  
Ladbroke Grove.

Being alive  
to changing  
customer trends  
and to an evolving  
London economy  
allows us to move  
quickly to position  
our portfolio and  
continue to  
generate growth.

## Our Market

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Café at Grand Union Studios,  
Ladbroke Grove



## London property market

London continues to be one of the world's most attractive cities for investment in commercial real estate. In the first three months of 2016, a total of £3.5bn was invested in London offices, with total investment volumes remaining on a par with the same period in 2015. The market continues to be dominated by international investors, who were involved in 67% of all transactions<sup>1</sup>.

At Workspace, we have been successful in acquiring five new properties in the year and have stepped away from many more transactions where we've seen pricing move beyond levels we are comfortable with, given our robust IRR targets. During the year, we have seen the market shift as geopolitical uncertainties, including concerns over a slowdown in China and the EU referendum in the UK, have led to a pause for breath from some capital market investors.

Our confidence in our business model is high, with our business centres proving hugely popular across a wide range of London locations. With the proven success of our model in newly developed buildings, converted warehouses and refurbished mid-century office blocks, we are able to take advantage of a wider variety of acquisition opportunities. In the last year, for example, we have acquired successfully in core locations, such as Clerkenwell and Islington, as well as in emerging areas of London, such as Wood Green, Surrey Quays and Earlsfield.

## London development market

In the first quarter of 2016, construction of commercial property in London was at its highest level since 2008 with construction starts up about 20% from the previous quarter<sup>2</sup>. This is in response to a vacancy rate in London running at 2.8% compared to a long-term average of 5.3%<sup>3</sup>. Construction inflation has continued to rise in London, with contractors being selective in the size and types of contract they are prepared to bid on.

1. Source: CBRE.

2. Source: The JLL and Glenigan UK Commercial Construction Activity Index.

3. Source: CBRE.

In response to the tight construction market, Workspace has forged long-term relationships with a select number of contractors and trade contractors in order to ensure that competitive prices are achieved for new construction projects. In addition, Workspace's redevelopment model, whereby third party developers or housebuilders build and return new commercial property to Workspace, has proved particularly successful in removing the risk of inflation.

### **London for New and Growing Companies**

London continues to be a vibrant home for business and is maintaining its draw for highly skilled individuals seeking employment. It is the leading global centre for talent and high-skills work, employing 47% of all high-skill workers across Europe's leading business cities<sup>1</sup>. It is little wonder then that the demand for office space in London is increasing. Office employment rose by 29.3% in the 10 years to 2014 and it is forecasted to rise by a further 11% in the subsequent five years<sup>2</sup>.

Against this backdrop, Workspace is seeing continued strong demand for the tailored product we provide in our business centres for New and Growing Companies.

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**The forecast rise in office employment between 2014 and 2019**

**+11%**

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**London is the leading global centre for talent and high-skills work**

**No.1**

1. Source: Deloitte.  
2. Source: Oxford Economics.

## Responding to market trends

### Market trend

The population of London continues to grow and more and more small businesses are making London their home.

Investment in infrastructure in London continues apace and improved transport links are opening up new areas of London, as well as encouraging more travel into the city.

Ways of working continue to adapt with small businesses becoming increasingly mobile and less tied to a fixed location.

Businesses are becoming more and more digitally dependent and have greater requirements than ever for high-speed, resilient connectivity.

Co-working has moved to the mainstream as the importance of the community has grown, whether online or physical.

Occupiers are expressing a deeper interest in their environmental footprint and their impact on the communities in which they operate.

### Workspace response

**We continue to add business centre space all over London and expect to deliver nearly 600,000 sq. ft. of new and upgraded space in the next three years to cater for the ongoing demand from New and Growing Companies.**

**We are acquiring and refurbishing or redeveloping properties in areas where we see regeneration potential. For example, our properties in and around Farringdon will greatly benefit from Crossrail.**

**We are rolling out building-wide Wi-Fi across our portfolio so that customers can move between them and remain connected to their network.**

**We invest heavily in the technology infrastructure in our buildings and have developed a tailored, business grade connected services offer for customers. We continue to invest in technology for our own business and operating systems to ensure we remain ahead of customer trends.**

**Workspace was an early mover into co-working, opening Club Workspace in 2011, and we have continued to expand that offer, now with 16 locations around London. In addition, our programme of business insight events for all customers encourages networking and inter-trading.**

**We have engaged Jones Lang LaSalle to undertake a 'Healthy Buildings' study assessing the sustainability of our buildings and the impact of that on our customers.**

**We run a number of programmes to engage with our local communities, including Inspiresme Week, which saw 71 students take up work placements with Workspace and its customers and resulted in four students being offered further employment.**

## **Workspace in the competitive landscape**

Investors often ask who our competitors are and it's a difficult question to answer as our business model is unique.

The commercial real estate landscape in London, and the various offers that are available to business occupiers in that market, sits along a spectrum that covers everything from the conventional landlord on the one hand to the fully serviced office operator on the other.

On one end are traditional landlords who own freehold portfolios and let large amounts of space, unfurnished, to tenants on long-form leases with little or no flexibility. The landlords provide very limited services and the buildings, which tend to have a corporate design, require minimal operational management or interaction with customers.

On the other end of the spectrum, serviced office operators take space on a long leasehold basis and sublet it, fully furnished, typically charging tenants by the desk, plus additional charges for bureau services ranging from concierge and admin support to call answering. Historically the space let by these operators again leaned towards corporate design, however over the last few years, new players have entered the serviced office market bringing with them more modern designs and a bias towards co-working and break-out spaces.

Workspace has long sat in the middle of this spectrum for several reasons. In one sense, we are a conventional landlord as we own our real estate. However, we are unique in letting our space on flexible leases that can be broken at short notice. We refer to customers, rather than tenants, and build relationships with them to better understand how we can meet their needs and help their businesses grow. We charge by the square foot with a service charge that covers communal facilities, such as lifts, and customers pay for their connected services and utilities on top. We ensure that all our business centres are equipped with facilities such as on-site cafés, break-out spaces for networking and a rolling calendar of business insight events. Unlike serviced office operators, we do not furnish the units we let as we know our customers want to personalise their space, putting their own brand on it.

# What makes us different in the market?

# Understanding what **works** for our properties, customers and our shareholders...



## **Ownership works**

We own the freehold of our properties which allows us to reshape our portfolio as and when we choose. This year we were able to move quickly in selling light industrial properties when we saw opportunities to capture significant value.

Ownership also gives us the freedom to adapt our buildings as customer requirements and trends evolve. We can refurbish, redevelop and reposition our properties, adding more space where possible and constantly upgrading the offer.

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**Number of properties owned by Workspace**

69

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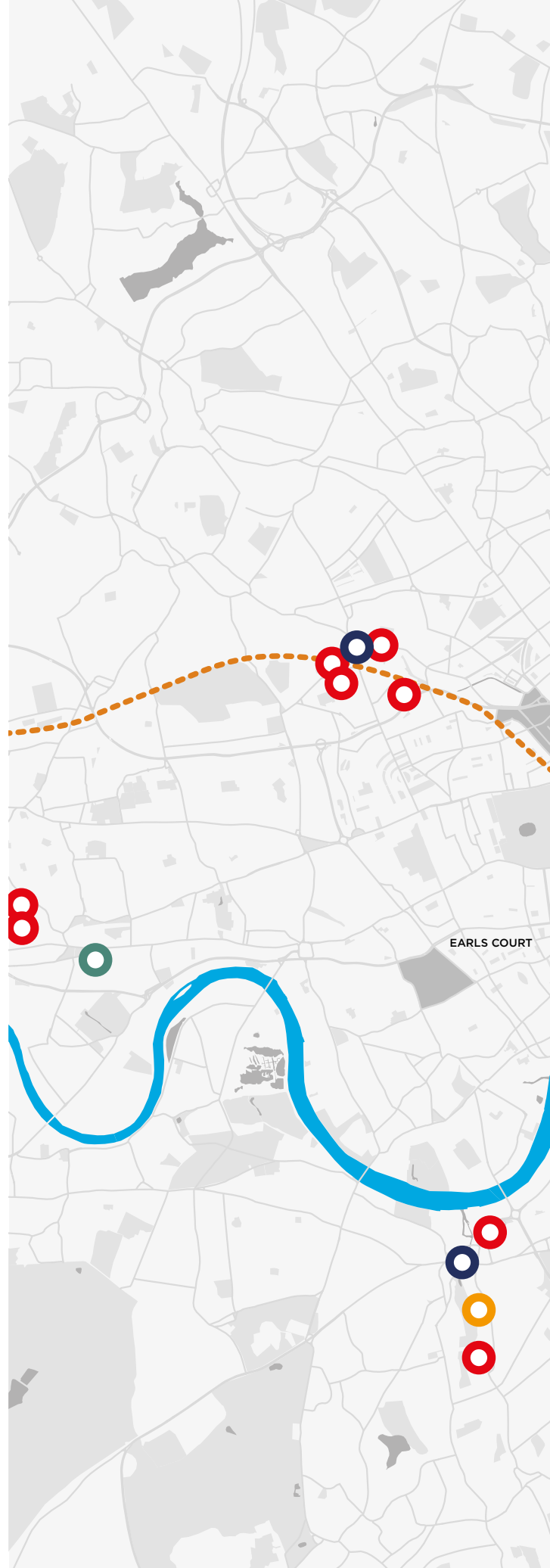
**Total sq. ft.**

3.8m

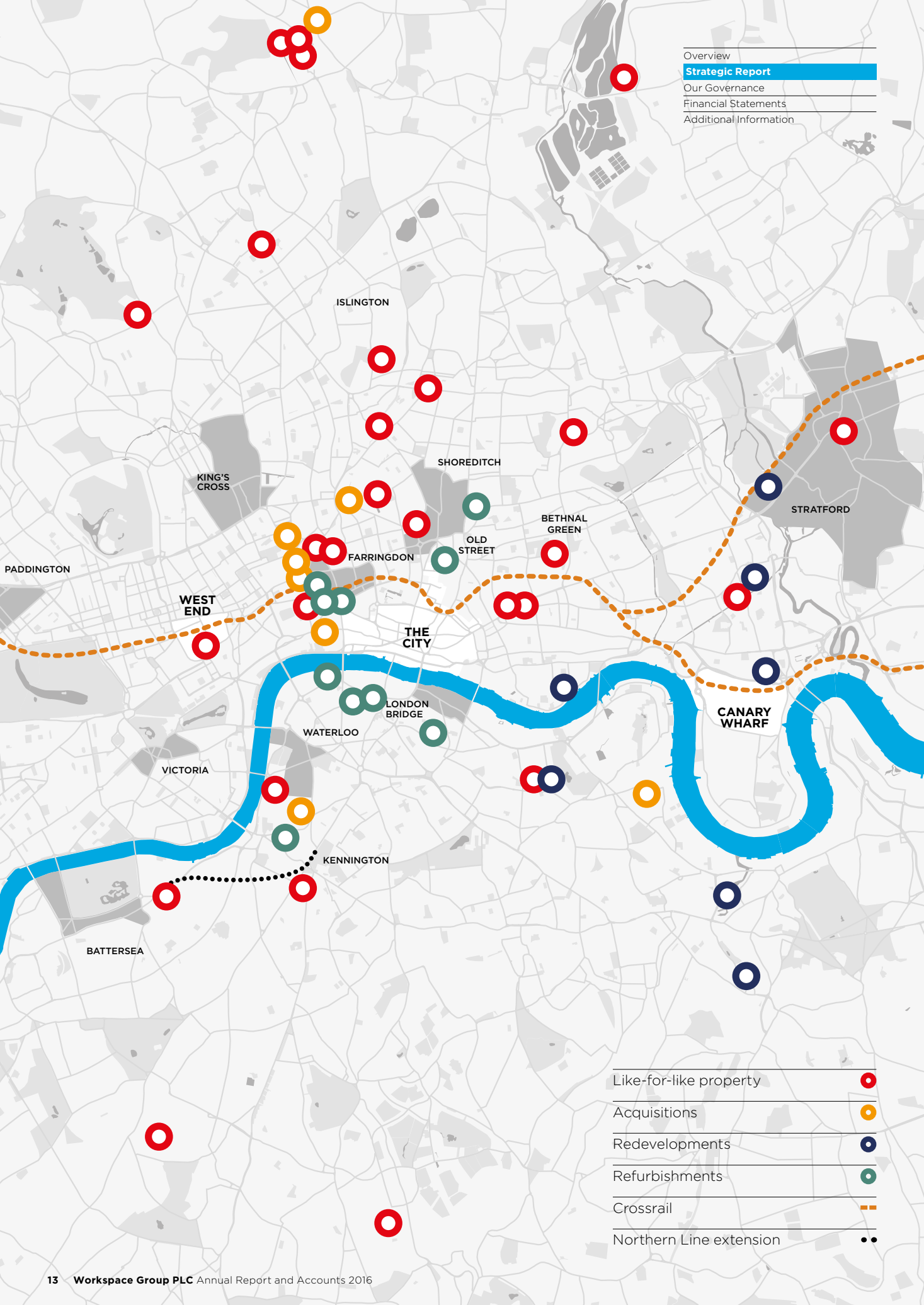
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**All of our properties are in zones**

1-5



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Like-for-like property	●
Acquisitions	●
Redevelopments	●
Refurbishments	●
Crossrail	---
Northern Line extension	...

**Flexibility**  
**works**

The short break clause on our two or three-year lease gives our customers the freedom to grow their business.

The space we provide to our customers is entirely flexible and can be personalised to suit their business and their brand.

Break-out space at Chester House, Kennington Park

Break-out area at 160 Fleet Street, Midtown



## Super-fast, resilient technology works

Our properties have a digital infrastructure that provides business-class connected services to support growing businesses. The network is secure, super-fast and resilient and our buildings are enabled with intelligent Wi-Fi, allowing our customers to work how and where they want.

The contract that customers sign for their connectivity is as flexible as the lease they sign – it matches the length of that lease.



**Club Workspace locations  
across London**

**16**

Club Workspace at  
Vox Studios, Vauxhall

## Collaboration works

The design of our business centres, with their cafés, break-out spaces, co-working areas and meeting rooms, encourages collaboration between customers who want to exchange ideas and network with like-minded businesses.

Our latest customer survey revealed that around 50% of customers sell to others within the building and around 50% buy from other customers in the building.



## Chief Executive's Strategic Review

**Jamie Hopkins**  
Chief Executive  
Officer

Photographed on  
the March Board  
tour talking to  
Stuart Lancaster,  
Centre Manager,  
at Canalot Studios,  
Ladbroke Grove.

Owning our  
own buildings  
means we can  
act quickly to  
support customers  
in the face of  
fast-changing  
technology.

It is an extremely exciting time to be a New and Growing Company in London. Huge leaps in technology, improved transportation links and new neighbourhoods of economic growth are all acting as catalysts for entrepreneurship. Beyond that, the way in which these companies want to work is driving a raft of new expectations and requirements when it comes to finding a home for their businesses.

Against that backdrop, our strategy of owning our own unique buildings and digital infrastructure, while having direct customer relationships and providing flexible leases and the right lifestyle facilities, is proving immensely popular and differentiating us from others in the market. Our strong results this year, with trading profit after interest up 65% to £43.9m and rent roll up 12.7%, are testament to our approach and our commitment to delivering superior shareholder returns over the long term.

Across London we are seeing activity spread from traditional working hubs to new areas and we have been acting quickly to add to our portfolio of properties to support businesses in these new locations. For example, this year we gained planning consents for two major refurbishments to create brand new business centres in Hoxton and Shoreditch and we completed five acquisitions, adding to existing clusters of properties and increasing our footprint in areas with regeneration potential.

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**Trading profit after interest**

**+65%**

Owning iconic buildings is only part of the story. Today I'm often asked about how technology and innovation is affecting property and work space and I answer that they are driving significant changes to demand for services and facilities that must be reflected quickly. Thanks to our uniquely close dialogue with customers, we understand what's needed and our rolling refurbishment and redevelopment programme helps keep us at the forefront in addressing this evolution, adding new facilities and diversifying our portfolio in response.

We have found that by far the most common requirement for customers is access to business-class connected services, intelligent building-wide Wi-Fi and a secure, super-fast and resilient network. Investing in these areas is an essential cornerstone of our strategy, helping us to provide not only what customers want today but also to be prepared for the next wave of changes and needs in the future.

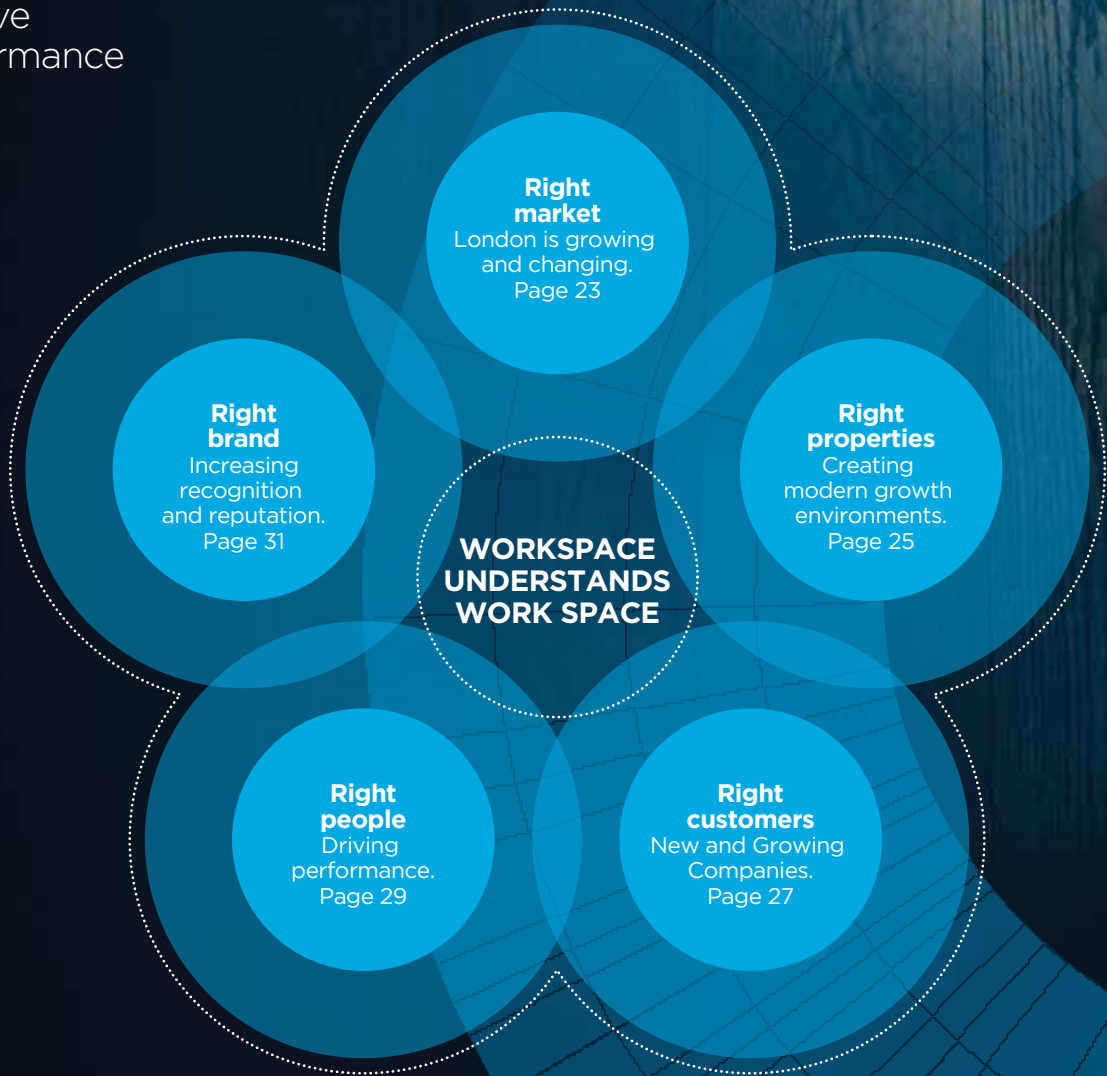
We know how important our customer relationships are, both in terms of responding to day-to-day requirements in our business centres and in acting to anticipate new demands. We spend time on research, gathering data and insight in addition to the feedback we receive in our regular conversations with customers and satisfaction surveys.

Keeping Workspace, our buildings and our customers aligned like this will ensure that we continue to strengthen our reputation as the home to New and Growing Companies across London.



**Jamie Hopkins**  
Chief Executive Officer

**The right strategy** continues to drive performance







## Right market

London is growing and changing

We are focused on growing our portfolio of properties in London and increasing our market share.

### Why London is the right market for Workspace

- As a global entrepreneurial capital, London is one of the largest homes to New and Growing Companies.
- London continues to evolve with huge investment in infrastructure and development opening up new areas and creating regeneration opportunities.
- We have a deep knowledge of and significant expertise in operating in the London property market, with excellent relationships with local planning authorities.

### Strategy in action in 2015/16

- Planning consents gained for two major refurbishments to create brand new business centres in Hoxton and Shoreditch and for two mixed-use redevelopments in Stratford and Raynes Park.
- Involved in transactions worth over £230m, including completing five acquisitions, adding to existing clusters of properties and increasing our footprint in areas with regeneration potential.
- Continued to see a broad spread of demand from New and Growing Companies all across London.

### Looking forward

- Continue to grow footprint across London through targeted acquisitions to satisfy demand from New and Growing Companies.
- Seek planning consents at eight further refurbishment and redevelopment schemes.



View from customer unit in new building at Vox Studios, Vauxhall

**WORKSPACE**

## LOOKING FOR SOMEONE?

Directory (1,234 jobs) Search for: Site Home

24-hour Medics and Recruitment	Chesler House	3,25
3 Objective Photography	Canterbury Court	1,11
	Canterbury Court	3,24
	Canterbury House	1,002
Allison Price & Co	Norfolk House	
Allied Healthcare	Chesler House	1,06
Anaerobic Digestion & Bioresources Association / ADIBA	Canterbury Court	3,12
Angel Eye Media	Canterbury Court	3,30

Directory Local Information About Workspace Help

**WORKSPACE** - Eastington Park

## Right properties

Creating modern growth environments

We identify, develop and manage smart, dynamic and comfortable buildings, where people and their businesses thrive and grow.

### Why investment in our properties is so important

- Our refurbishment and redevelopment pipeline creates new, higher quality space with increased employment density helping to satisfy demand and allowing us to drive pricing.
- The design of our buildings is all-important and drives demand: we are catering for how our customers want to work, providing more break-out areas, cafés, meeting rooms and event space, as well as business-grade technology.
- New and Growing Companies are discerning customers so Workspace needs to remain ahead of constantly evolving trends in order to remain their go-to home.
- Large scale mixed-use redevelopment scheme completed in Ladbroke Grove with new business centre, Grand Union Studios, letting up faster than expected and at a higher price point.
- Grand Union Studios achieved a BREEAM Excellent certification and an Energy Performance Certificate of A (20).
- Continued disposal of light industrial properties, recycling capital into business centres where Workspace can add more value.
- Invested in significant upgrades to connectivity in our properties, installed one of the UK's first 10GB fibre connections and 1.3GB community Wi-Fi into a commercial multi-let building.

### Looking forward

- Complete refurbishment of The Record Hall, Hatton Garden, and continue with major refurbishment projects at Holywell Centre and Cremer Business Centre.
- Continue roll out of technology infrastructure, including installation of building-wide Wi-Fi across our business centres.
- Continue to educate our customers on how they can help us manage our buildings in the most environmentally responsible way.

### Strategy in action in 2015/16

- Total rent roll up 12.7% in the year, while like-for-like rent per sq. ft. was up 16.4% and like-for-like occupancy remained stable at 90.7%.
- Completed major refurbishments at Cargo Works, The Print Rooms and Vox Studios, adding 67,000 sq. ft. of higher quality net lettable space and achieving pricing growth ahead of forecasts. Repositioning projects also completed at Westbourne Studios and Gray's Inn Road.



Refurbished Club Workspace and entrance at The Print Rooms, Southwark



## Right customers

### New and Growing Companies

We continue to build our understanding of our customers to better cater to their needs and enhance demand for our space.

#### **Why New and Growing Companies are the right customer for Workspace**

- The market of New and Growing Companies in London is huge and continues to grow.
- NGCs are fuelling London's economy and growing at a faster rate than large corporates.
- There is a lack of competition offering high-quality space, flexible leases and wider customer benefits, ensuring continued demand for Workspace's offer.

#### **Strategy in action in 2015/16**

- 299 customers expanded in the year either taking larger space or additional units.
- Conducted research into our customer base to better understand what sectors they are operating in and how they do business.
- Continued to expand Club Workspace, now with 16 locations across London. Fourteen Club customers grew into the main Workspace portfolio in the year.
- Published a new customer magazine, HomeWork, providing news and insight of relevance to New and Growing Companies.
- Continued to roll out business insight events with partner, Knowledge Peers, to educate customers on topical issues and encourage networking.

- Launched a new sales brochure to clarify the Workspace offer and enhance the customer's viewing experience.
- Encouraged 59 customer businesses to provide work placements to 71 students from 19 local schools for Inspiresme Week. Four students were subsequently offered further work experience.

#### **Looking forward**

- Continue to evolve customer platforms and expand range of business insight events to educate and inform, encourage networking and inter-trading and continue to build the Workspace community.
- Ensure our best in class technology offer is at the forefront of the market for New and Growing Companies.
- Continue to grow Club Workspace with three new clubs in the pipeline and two refurbishments planned.
- Align with the right partners to enhance our offer for customers beyond the office space we provide.



Caspar Thykier, CEO of Zappara, in their new office at Barley Mow Centre, Chiswick



## Right people Driving performance

We invest in the right talent to deliver our strategy and provide the right solutions for our customers.

### Why our in-house talent is so important

- We have a scalable operational platform, managing all marketing, enquiries, lettings and renewals activity in-house without having to rely on brokers.
- By controlling all the touch points with our customers - from the first enquiry through to the viewing, lease negotiation and move - we are able to build a deep understanding of demand across London and the needs of a NGC.
- Centre staff act as the first point of contact with customers and are therefore first to hear about customers' business performance and future occupational requirements.
- Strong expertise and market knowledge in our Development and Investment teams ensure Workspace is well positioned to acquire new properties and generate superior value from our existing portfolio.

### Strategy in action in 2015/16

- Expanded investment team to take advantage of opportunities for strategic acquisitions.
- 1,237 training days completed by employees on areas including Health & Safety, Social Media, Customer Service, Conflict Resolution and Networking & Events.
- 16 employees supported through further studies and 28 long service awards given, including 23 for more than 10 years' employment.
- Supported six employees to trek eight hours a day over six days to climb the 4,167 metres to the summit of Mount Toubkal in Morocco, raising over £17,000 for youth charity, XLP.
- 12 Workspace employees provided work placements to 14 students for Inspiresme Week.

### Looking forward

- Launch new intranet and internal communications platform to engage all employees in the business and enhance communication between head office and on-site staff.
- Continue with existing training for all employees and introduce new courses on Recruitment and Facilitating Events.
- Set up a skills matrix for all employees to identify, develop and track employee skill sets.
- Implement new HR system, including self-service elements.



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Centre Manager meeting a customer at repositioned 160 Fleet Street, Midtown





## Right brand

### Increasing recognition and reputation

We are focused on increasing our brand reach to encourage long-term advocacy, drive pricing and improve performance.

#### Why the Workspace brand remains important

- With increased noise around the concepts of 'flexible working' and 'co-working', it has become more important for Workspace to highlight its differentiated offer.
- The Workspace brand encompasses the ownership and development of our real estate as well as the provision of solutions for our customers.
- We design our properties to reflect our brand proposition and customer offer, without placing too much emphasis on our own branding within the building.

#### Strategy in action in 2015/16

- Launched new website, successfully integrating the customer offer under one site, including meeting rooms, co-working and community.
- Upgraded meeting rooms across the portfolio and created an online platform, expanding our brand reach beyond Workspace customers.
- Launch of HomeWork magazine helped to position Workspace as the go-to brand for New and Growing Companies.

- Environmental efforts recognised through Workspace's continued inclusion in the FTSE4Good Index.
- Continued to work with the right partners that reflect our brand proposition and added value for customers: developed our connected services offer with Excell Group, provided customers with premium access to the Informed Funding alternative finance platform and offered storage solutions through Lovespace.

#### Looking forward

- Refresh our social media strategy to increase reach and take advantage of opportunities to tell our brand story to customers and prospects.
- Enhance interaction with our customers through development of our digital strategy, including the evolution of customer platforms.



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Repositioned atrium and café at Canterbury Court, Kennington Park, Kennington

# Our Key Performance Indicators

## Profit Before Tax (£m)

+9%

2016	391.3
2015	360.0
2014	252.5

### Definition

Profit before tax is income for the year less all expenditure, excluding taxation.

### Why this is important to Workspace

Profit before tax is a key external measure of profitability of the Group and includes our trading profit, other income and expenses and also the movement on our property valuation.

### Progress in 2015/16

Profit before tax for 2015/16 was £391.3m, 9% higher than the previous year.

### Time period measured

Six monthly

## Trading Profit After Interest (£m)

+65%

2016	43.9
2015	26.6
2014	20.5

### Definition

Trading profit is net rental income, joint venture trading income and finance income less administrative expenses and finance costs.

basis compared to previous years and to budget.

Trading profit demonstrates the underlying performance of the trading business and strength of our business model. Both the CEO and CFO are incentivised on Trading profit.

stands at £43.9m, a 65% increase compared to the previous year. Income for the year has been enhanced by our targeted acquisitions and the successful completion and letting up of a number of key refurbishment and redevelopment projects.

### Why this is important to Workspace

Trading profit is a key measure for Workspace. We report and review this figure at Board level on a monthly

### Progress in 2015/16

Trading profit for the year

### Time period measured

Monthly

## EPRA NAV Per Share (£)

+31%

2016	9.23
2015	7.03
2014	4.96

### Definition

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

### Why this is important to Workspace

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

### Progress in 2015/16

Our EPRA NAV at 31 March 2016 was £9.23, up 31% from the prior year. Therefore at 31 March 2016, Workspace share price was trading at an 18% discount to EPRA NAV.

### Time period measured

Six monthly

## Dividend Per Share (pence)

+25%

2016	15.05
2015	12.04
2014	10.63

### Definition

The dividend payment per share in issue.

### Why this is important to Workspace

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

### Progress in 2015/16

Due to our rising levels of trading profits, we have increased our interim and final dividends for 2015/16 by 25%.

### Time period measured

Six monthly

## Like-for-like Rent Roll (£m)

+15%

2016	48.8
2015	42.3

### Definition

Like-for-like properties are those which have been held throughout a 12 month period and have not been subject to a refurbishment or redevelopment programme in the last 24 months.

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

### Why this is important to Workspace

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

### Progress in 2015/16

Like-for-like rent roll has gone from strength to strength, increasing by 15% compared to March 2015. This demonstrates the strong performance of our core assets and our ability to drive rents on our portfolio.

### Time period measured

Weekly

**Like-for-like Rent Per sq. ft. (£)**

+16%

2016	22.37
2015	19.22

**Definition**

Rent per square foot is the rent roll divided by the occupied area generating that rent roll.

**Why this is important to Workspace**

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

**Progress in 2015/16**

Like-for-like rent per sq. ft. has increased significantly in the year, up 16%, with average rent up from £19.22 to £22.37.

**Time period measured**

Weekly

**Property Valuation (£m)**

+21%

2016	1,779
2015	1,423
2014	1,078

**Definition**

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

**Why this is important to Workspace**

Our properties are critical to our business and the valuation demonstrates the value we are delivering to

our shareholders and a measure of how well we are managing our buildings and driving rental income. Whilst we cannot control yield movements, we can enhance the value of our properties through active asset management, including refurbishment and redevelopment activity.

**Progress in 2015/16**

We have had another good year for property valuation movement with the underlying gain for the year at 21% demonstrating how we are driving rents and managing our space effectively.

**Time period measured**

Six monthly

**Total Return (%)**

26%

2016	26.3
2015	36.7
2014	34.7

**Definition**

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

**Why this is important to Workspace**

This measure shows how our property portfolio has performed in terms of both valuation change and

income generated. This figure is produced by MSCI, an independent Investment Property Databank, and is compared to a benchmark group so that we can see how we are performing relative to other similar companies. Total Return, and performance against the benchmark, forms part of the Board's bonus objectives.

**Progress in 2015/16**

We have maintained a good return this year, driven by a strong uplift in the property valuation, and have outperformed compared to the IPD benchmark.

**Time period measured**

Six monthly

**Total Shareholder Return (%)**

-7%

2016	-7
2015	47
2014	76

**Definition**

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

**Why this is important to Workspace**

This measure is important to Workspace as it shows the value that our shareholders receive from investing in Workspace shares. This measure forms part of the performance criteria within our LTIP scheme for Directors and Senior Managers.

**Progress in 2015/16**

Total Shareholder Return was down in the year, due to a fall in our share price in the fourth quarter.

**Time period measured**

Annually

**Customer Satisfaction (%)**

76%

2016	76
2015	77
2014	78

**Definition**

Our customer satisfaction score is based on responses to customer surveys.

**Why this is important to Workspace**

Our customers are at the heart of our business and we regularly seek to obtain

their comments and feedback to understand their overall satisfaction with our offering. We use the findings from the survey results to prompt changes to what we offer our customers and for training and development plans for our staff.

**Progress in 2015/16**

Customer satisfaction remained relatively stable in the year, despite significant increases in pricing.

**Time period measured**

Annually

# Our Business Model

## Our business model

Acquisition and ongoing ownership of freehold

We reposition

We refurbish

We redevelop

Customer offer

Drives advocacy

Creates value

Underpinned by our resources and relationships

## How it works

### Acquisition and ongoing ownership of freehold

Workspace acquires the freehold of properties across London and operates them as business centres, providing leased accommodation to New and Growing Companies. We are not a trader but hold our assets for the long-term, driving them for income. Owning the freehold enables Workspace to constantly upgrade and transform its properties to increase their value, as well as to reshape the portfolio as and when we choose.

We will dispose of properties where we believe we can no longer add value or if the property falls below our robust return targets.

### Customer offer

Workspace targets New and Growing Companies as our principal market segment and a key differentiator for our customers is our unique offer. There are five key aspects of our offer:

### Drives advocacy

Our aim is to build long-term advocacy from our customers, employees and suppliers which helps to sustain the value of the business over the longer term.

### Creates value

Our business model is set up to capture the value that we create and we do so in two ways:

- Driving rental income from leasing space.
- Repositioning assets.
- Benefiting from yield movement in the year.

### Our environment

Managing our environmental impact in a proactive and positive way is important to us.

We have a varied portfolio of buildings and work hard to merge appropriate environmental technologies with the historic features of our buildings.

**What we do**

**We reposition**

We carry out light internal refurbishments to drive rents and enhance the property value.

In 2015/16, we carried out repositioning projects at Westbourne Studios and Gray's Inn Road.

**We refurbish**

We grow our footprint by expanding existing properties and adding new floors.

During the year, we completed three refurbishments at The Print Rooms, Vox Studios and Cargo Works.

**We redevelop**

We create brand new business centres on existing sites as part of mixed-use developments in partnership with residential developers.

The redevelopment at Grand Union Studios opened in March 2016.

**1. Customer journey**

From an initial enquiry to taking out a lease for our space, every touch point with a customer is dealt with by the Workspace in-house team, without the need for agents, lawyers or brokers. Once a customer moves in, Centre Managers provide the support needed and work to build communities at each of our sites to create synergistic benefits for our customers to meet and potentially work with other small businesses.

**2. Flexibility**

New and Growing Companies need shorter flexible leases to meet the changing demands on their business. Workspace provides leasing arrangements that limit the property risk for customers and enable them to change their space requirements as their business grows.

**3. Super-fast resilient technology**

We provide a digital infrastructure that gives our customers the business-grade connectivity they need.

**4. Community benefits**

Regular events provide customers with valuable business insights and networking opportunities, while our carefully selected partners offer further support and services.

**5. Collaborative environments**

Our business centres are designed to facilitate collaborative working between customers with cafés, break-out spaces, co-working areas and meeting rooms. Around 50% of our customers trade with one another.

**Encouraging advocacy**

We run a referral scheme called 'Member get member' for our customers who recommend Workspace to others, with rewards given if their recommendation results in a new customer taking space.

We work hard to showcase our customers' businesses and help promote them through social media, videos, articles in our customer magazine and through inviting them to attend events or speak on panels at our business insight events.

**Sharing and sustaining value**

The value we create is shared with our shareholders in the form of a progressive dividend policy and growth in the value of the business. This year we increased the total dividend by 25% to 15.05 pence per share.

Our employees benefit from salaries, bonus arrangements and an employee share scheme.

**Our people**

Our people form the heart of our business. They drive our successes and make our business what it is today.

**Our communities**

Our sites have a central place in the many communities we occupy across London. It is important to us that these areas thrive and we feel very strongly that we have a responsibility to help make this happen.

**Our suppliers and partners**

As a business, we recognise that our success is partially dependent on the strong relationships that we develop with our suppliers and partners.

Left page: Club Workspace, 160 Fleet Street, Midtown  
Right page: Break-out area, 160 Fleet Street, Midtown

# Resources and Relationships

## Our Environment

Managing our environmental impact in a proactive and positive way is important to us. We have a varied portfolio of buildings, some of which are true 'new builds', but most of which are older buildings which we have redeveloped while retaining many of their historic features. It is this that gives our buildings the character that our customers look for in their office space.

Short and long-term targets are set and energy, water and waste action plans are implemented for our assets, refurbishments and new developments. These include customer engagement and site staff training in order to ensure buildings are managed as efficiently as possible, and initiatives to help reduce our environmental impact and lower building operational costs.

### Case study:

#### Sub-metering for customers

Our new Optergy system is an exciting web-based Building and Energy Management System ('BEMS') that we are currently rolling out across our portfolio. Initially being trialled at The Light Bulb, Grand Union Studios and Barley Mow, the tool allows us to review detailed energy consumption profiles, enabling us to manage our systems more intelligently and efficiently. It will also provide our customers with the ability to log in to view their own energy profile, giving them greater control over their consumption. Optergy will give us an opportunity to work with our customers, providing support and education on how they can better manage and reduce their energy consumption, as well as accurate billing information.

Waste has been a key focus for us over the last year and we have strengthened the relationship we have with our waste contractor to further increase recycling rates across our portfolio and divert waste from landfill. Our recycling rate for the year across the whole portfolio increased to 60%.

Over the coming year, we will continue to focus on improving the accuracy of our waste data and our internal reporting, in particular considering the benefits of a move from gravimetric to volumetric measures and from average weights to actuals. We are also looking to roll out an enhanced engagement strategy with our customers around waste and how we can work together to collectively improve our environmental performance.

#### Targets for the coming year

- Reduce landlord controlled (communal) energy consumption by 10% by April 2017.
- Reduce our overall carbon intensity by 20% by 2020.
- Complete our energy reduction targets and action plan for our 10 buildings that consume the most energy.
- Reduce like-for-like water intensity to 0.50m<sup>3</sup> by April 2017.
- Provide more recycling bins at our properties, including clothing collection bins for selected charities.

### Case study:

#### New development - Grand Union Studios, Ladbroke Grove

Grand Union Studios is a brand new 65,000 sq. ft. business centre in Ladbroke Grove, which opened in early 2016. The development embodied the sustainable and responsible procurement, development and construction principles that we are seeking to embed into all of our developments through our challenging sustainability construction targets. It achieved exemplary results in respect of our sustainable construction targets, notably gaining a BREEAM 'Excellent' certification, in part due to its Combined Heat and Power installation. Grand Union Studios has an Energy Performance Certificate of A (20) which means that our customers will benefit from being located in a high performance building.

In all our development work we are conscious of the need to be considerate to our neighbours and the wider public and this is reflected in the Grand Union Studios development which achieved a Considerate Constructors Scheme 'Excellent' certification and won a National Bronze Site Award. We recognise that the responsible procurement of building materials can improve the sustainability of our supply chain, and ultimately our buildings, so we ensured that 100% of the timber used in this development was from FSC certified sources. We are committed to minimising the amount of construction waste that goes to landfill and we are proud that 100% of the construction waste from the Grand Union development was diverted from landfill.

## Awards and accreditations

### Global Real Estate Sustainability Benchmark

**('GRESB')** - We gained a Green Star for the second year in a row for the GRESB Survey. In 2015, we increased our GRESB score from 69 to 76, exceeding both the GRESB Average score of 55 and the Peer Average score of 69. The GRESB survey allows us and our investors to measure our sustainability performance within the real estate sector.



### European Public Real Estate Association

**('EPRA')** - We were awarded another Gold in the European Public Real Estate Association (EPRA) Sustainability Awards for 2015. We were one of 21 companies that achieved exceptional compliance with the EPRA Sustainability Best Practices Recommendations in our public reports and disclosures.



### Carbon Disclosure Project ('CDP')

- In 2015, we increased our CDP score from 86B to 98B. This shows our investors what we are doing internally to manage our carbon emissions and protect ourselves from climate change risk.



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



## Our People

Our people form the heart of our business. They drive our successes and make our business what it is today. We want all employees to feel proud to come to work for Workspace each day and proud of what we, as a collective group, can and have achieved.

We strive to create a culture that is challenging and rewarding for all of our people. We are committed to supporting our people in developing skills to further their career aspirations and to have broader experiences they may not otherwise get outside of their life at Workspace.

## Values and culture

Our culture is engaging, challenging and focused on performance, with a high level of involvement from senior and executive management. We have effective performance management systems which ensure that the skills and competencies of our employees continue to develop as the company evolves and grows, in part delivered by identifying appropriate training and development programmes. We have reward systems in place, based on individual performance and contribution to the Group, that are designed to incentivise superior performance.

We are proud that our culture encourages our people to stay with Workspace for the long-term and develop their careers with us. During the year, 28 members of staff achieved long service awards, 23 of which were for more than 10 years of service.

## Length of service

Number of years	Number of employees
0-5	124
5-10	44
10-15	19
15-20	22
20+	5

## Diversity

Creating a thriving and diverse workforce is a high priority for us as a business. A diverse workforce means we are attracting the best people for our business and promoting diversity of ideas.

Workspace employs enthusiastic, committed and well-trained people. We recognise the benefits of diversity of skills, knowledge and independence, as well as gender, ethnicity and sexual orientation and are fully committed to an active Equal Opportunities Policy covering recruitment and selection, 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 evenly split with a total of 53% female and 47% male employees. We are an inclusive employer, which encourages creativity and provides an environment for people to develop and enhance their skills. Our culture is based on the principles of mutual respect and non-discrimination irrespective of nationality, age, disability, gender, religion or sexual orientation.



Workspace head office



Repositioned café at Canterbury Court, Kennington Park, Kennington

## People snapshot

Age range	No of employees	% of total	Average age
18-25	16	7.48	22.59
25-35	82	38.32	30.14
35-45	59	27.57	38.98
45-55	33	15.42	50.76
55-65	19	8.88	59.57
65+	5	2.34	66.23

**Males at Workspace, which represents 47% of the workforce**

101

**Females at Workspace, which represents 53% of the workforce**

113

**Different nationalities represented at Workspace**

20+

**Average age of our people**

38.65

## Resources and Relationships

continued

### Learning and development

We recognise the importance of career development and progression, and therefore the ongoing training and development of our people, in order to encourage retention and to support our succession planning process.

We aim to have training and development plans in place for all employees according to individual requirements, which are identified and discussed at appraisal meetings with line managers.

Last year, training sessions and presentations were provided on a wide range of topics, including but not limited to:

- People management
- Social media
- Customer services
- Networking and events
- Business rates
- Data protection
- Energy and sustainability

### Training days

	2015/16	2014/15
Training days	1,237	631
Employees trained	173	146
Training days per employee	5.78	3.05

### Supporting further education

Whilst direct workplace training is essential, we also recognise the importance of supporting our people to pursue wider learning passions. We support a range of development activities, providing coaching and mentoring, sponsorship of further education and professional qualifications, as well as providing paid leave to complete recognised training courses that support career aspirations.

Over the last year, we have supported 16 people in undertaking externally recognised courses as part of our strong commitment to attracting and retaining the very best talent, and making Workspace a great place to work.

Courses taken included:

- Facilities Management (BIFM – British Institute of Facilities Management)
- Marketing (CIM – Chartered Institute of Marketing)
- MSc Real Estate
- Leadership for Property Development (RICS – Royal Institute Chartered Surveyors)
- ACCA – Association of Chartered Certified Accountants
- CIMA – Chartered Institute of Management Accountants
- HR Management
- MSc Surveying

### Number of Workspace employees supported in undertaking externally recognised courses

# 16

### Number of employees supported

	2015/16		2014/15	
	Number	%	Number	%
Number of employees supported	16	7.5	10	4.8

### Case study:

#### Employee development

Nico Riley joined Workspace in 2012 as a Lettings Negotiator, having completed a degree in Real Estate. Following two years of good performance in that role, in 2014 Nico moved to the Professional Services Department where he was able to gain vital experience in order to complete his Assessment of Professional Competence ('APC') exams to become a qualified Chartered Surveyor. As a result of his hard work and new qualifications, assisted by our support, in January 2016, Nico was promoted to the role of Investment Manager within the Investment team.

### Supporting our people in giving back

We have a passionate and enthusiastic team of people at Workspace who are keen to develop and nurture strong links with our local communities. It is important to us that we provide opportunities for our people to volunteer and get involved in community projects run by our charity partners.

During the year we continued to work with four key charities by giving financial support, offering commercial space for their activities and by providing mentoring support to young people. Last year, Workspace employees carried out 29 volunteering days.

In addition to the charities we support, our centre staff develop local community projects, with commitment of staff time to support the projects, as well as drawing on a charities budget which is agreed each year by the Executive Committee. During the year, charitable donations from Workspace totalled £35,116. An additional £15,786 was donated to charity following fundraising events held for employees and customers at sites around the portfolio. Furthermore, we provided lettings in kind to charities worth £56,627.

### Targets for the coming year

- Target two FareShare food drives next year, plus one depot day.
- Increase number of volunteering days in the year.
- Continue to facilitate and encourage further training and development.





Workspace employees volunteering with FareShare



**Case study: Fighting hunger and tackling food waste with FareShare**

FareShare is a wonderful charity that we have supported for many years. FareShare saves good food destined for waste and redistributes it to charities and community groups who transform it into healthy and nutritious hot meals for vulnerable and hungry people. That contact with vulnerable people, through provision of food, then allows charity workers to start a dialogue with them and initiate the next steps towards getting them the wider help they need.

Over the last year, 17 of our employees have volunteered with FareShare over eight separate days, helping collect food outside supermarkets, sort food at FareShare's warehouse and distribute it personally to the charities and community groups that the organisation supports.

This is a partnership that all at Workspace are keen to see continue. We are committed to increasing our number of volunteers in the next 12 months, as well as holding food drives across our own sites to enable more of our customers and employees to support the charity.

*'It's really amazing for someone like me, who sits at their desk all day, to get out there and not just help with the physical work but also to actually see the people we're helping. It's been so rewarding.'*

**Tara Dooley**  
Accounts Payable Manager

**Case study: Climbing 4,167 metres for XLP**

For our employees, supporting our charities doesn't just stop at work. For six dedicated employees this year it meant flying to Morocco to complete the challenge of a lifetime. Trekking eight hours a day over six days and climbing 4,167 metres to reach the summit of Mount Toubkal in Morocco, our team experienced freezing cold temperatures, unprecedented snow levels and sleep deprivation to successfully reach the summit. Through various fundraising initiatives both inside and outside of the business, the team raised an amazing £17,000 for XLP, a charity that creates positive futures for young people growing up on deprived inner city estates in and around London and one that Workspace is a long-term supporter of.

*'Day two was quite treacherous as there was more ice and snow than the guides had anticipated and we had to slowly make our way across what can only be described as an ice cliff! Overall, it was an amazing experience though and one that none of us would have missed. And once we returned and were able to hand over the cheque to XLP, it was all worth it.'*

**Bryony Gerega**  
Development Executive



Workspace team handing £17,000 cheque to Ian Hiley from XLP

**Amount raised for XLP**

**£17,000**

## Resources and Relationships

continued

### Our Communities

Our sites have a central place in the many communities we occupy across London. It is important to us that these areas thrive and we feel strongly that we have a responsibility to help make this happen. We do this through a range of means, including supporting local charities and community groups with funding, the provision of free space and enabling, facilitating and encouraging our employees to volunteer in their local community.

In addition to our corporate and individual employee support, we also recognise that we have a unique opportunity to facilitate opportunities for our customers to engage with their local communities, leveraging the impact that we can have as a standalone business.

The nature of our business means that our properties are already attracting New and Growing Companies into these communities. With this comes increased employment, skills and prosperity to these areas. Our customers are time poor

and running a successful small business is hard work, however many are also passionate about their local community, and so we engage with them and try to provide easy ways for them to get involved with and support their area.

In the coming year, we will be launching exciting new plans to help more of our sites engage with the charities and community groups in their locality, widening our reach and the positive impact we can generate even further. Our ultimate aspiration is to make a positive contribution to each and every community we are a part of.

### Targets for the coming year

- Expand Inspiresme Week, targeting businesses outside of Workspace and a greater number of students.
- Increase commitment to MyBnk programme by funding a minimum of three more programmes in the coming year.

### Case study:

#### 'Business Battle' with MyBnk

This year we partnered with MyBnk to provide enterprise education to 15 young people aged 12-19 from XLP through an initiative called 'Business Battle'. These young people struggle specifically with low motivation and behavioural problems.

Business Battle brings together a team of young people to create, implement and evaluate their own business idea using real money in a competitive market. The programme comprises six steps which are carried out over a week.

#### Step 1. Ideas generation

An introduction that inspires young people to generate their own ideas, considering the target audience's wants and needs.

#### Step 2. Product design, budget and costs

Young people refine their ideas into a final 'design', and then research suppliers to create a materials list within their set budget of £40.

#### Step 3. Logistics and production

Utilising each member's strengths, teams delegate tasks to create their product/service ready for the market.

#### Step 4. Pricing and marketing

Evaluating the production process, pricing structures are decided, as well as a marketing strategy to attract and sell to customers.

#### Step 5. Sell, sell, sell!

Teams attend a pre-designated market to advertise and sell the designed products or services to a real customer audience.

#### Step 6. Reflection

A practical evaluation activity is run. Winners are announced and prizes handed out.

The XLP group excelled on the course, paying back their loan in full and making a profit of a further 75% on invested capital. Their first entrepreneurial experience boosted confidence and helped them to realise their entrepreneurial potential. B3 Media, a Workspace customer, supported the programme by creating a promotional video of the event.

*'I decided to take on MyBnk's enterprise challenge to develop my skills in business. I really underestimated the amount of planning that goes into making something as simple as a market stall successful, particularly things like market research and identifying our unique selling point.'*

#### Emmanuel

Young mentee at XLP

Workspace has committed to expanding its support of the programme, funding a further three courses in the coming year.

**Case study:**

**Raising aspirations through Inspiresme Week**

Inspiresme Week is an annual event founded by Workspace and the GLA and run by Business in the Community. Now in its fourth year, the programme has gone from strength to strength.

In February 2016, Inspiresme Week saw 71 students from 19 schools across London attend 4-day work placements with 59 of our customers' and suppliers' businesses, as well as with Workspace itself. The aim was to provide specific work experience in many different fields, in addition to an introduction to what it means to work in an entrepreneurial or small business.

Following a hugely successful programme, four students were offered further work experience by the businesses they spent time with. For example, The Travel Advice Centre, based at Workspace's Belgravia Workshops, offered their student a summer placement which she will take up in June 2016.

At the end of the experience, 80% of students said the placement helped them decide what they wanted to do in the future and 76% said they would consider setting up their own business.

In the coming year, we are considering how to expand the reach of Inspiresme Week even further, targeting businesses outside of Workspace's customer base, and providing even more students with valuable work experience.



The winning team presenting their social enterprise idea to the judges at the Inspiresme Week celebratory event



An Inspiresme Week student working with Hopscotch Consulting at Metal Box Factory, Bankside

## Resources and Relationships

continued

### Our Suppliers and Partners

As a business, we recognise that our success is partially dependent on the strong relationships that we develop with our suppliers and partners. We seek to ensure that all suppliers and partners share our corporate commitment to providing excellent service to our customers and wider stakeholders and that we form strong and mutually beneficial partnerships wherever possible, working collaboratively to this end.

### Case study:

#### Working with our suppliers to support local employment

As a business we have long supported XLP, a charity that supports young people struggling with issues including family breakdown, poverty, unemployment and educational failure, as well as criminality and gang behaviour. We support XLP in a number of ways: financially, through direct volunteering and also through providing young people with placements on our community programmes, such as Inspiresme Week. In addition, we are incredibly excited to have successfully helped to place three young people into apprenticeships with some of our suppliers in the last year.

As a property owner, landlord and developer, we are aware of the skills gaps in the construction industry, as well as the new requirements for companies to hire apprentices. Through our close relationship with XLP, we also regularly meet young people who are desperate for an opportunity to gain skills and employment that will enable them to create a prosperous future for themselves. It seemed logical to us, therefore, to introduce some of our suppliers to XLP to help create and fill new apprenticeship opportunities, with XLP providing further support and mentoring for the young person once they have been placed with the contractor. In addition to the three apprenticeships already secured this year, we are currently in discussions with a number of other suppliers to expand this number in the coming year.

**We support XLP financially, and also through providing young people with placements on our community programmes**

XLP

### Case study:

#### Lovespace

Workspace enters into partnerships with businesses which provide added value services to our customers. One such partner is Lovespace, a disruptive self-storage business which collects and delivers, as well as stores anything from filing cabinets to excess stock. Workspace has been in partnership with Lovespace since 2014 and to date 53 of our customers have used them for a range of business solutions, including archiving, operations, de-cluttering, storing stock and office moves. Lovespace, a Workspace customer itself and based at 60 Gray's Inn Road, provides our customers with an exclusive discount for the service.



#### Targets for the coming year

- Facilitate further apprenticeships with our suppliers and customers, with support from XLP.
- Continue to evaluate partnership opportunities that add value to our business, customers and brand.

# Principal Risks and Uncertainties

Overview
<b>Strategic Report</b>
Our Governance
Financial Statements
Additional Information

Risk Management is an integral part of all our activities and risks and opportunities are considered 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 corporate actions, property transactions and monitoring performance.

We have a Risk Management structure in place to capture, document and manage risk which is appropriate for our size and business model. Our aim is to manage each of our risks and mitigate them so that they fall within the risk appetite level we are prepared to tolerate for each risk area.

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

We have an established Risk Committee which co-ordinates risk management activities throughout the Group and prepares regular reports to the Board and Audit Committee. 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 good communication 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 registers for all functional 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.

Overall, we review principal risks from two angles:

## 1. Strategic risks

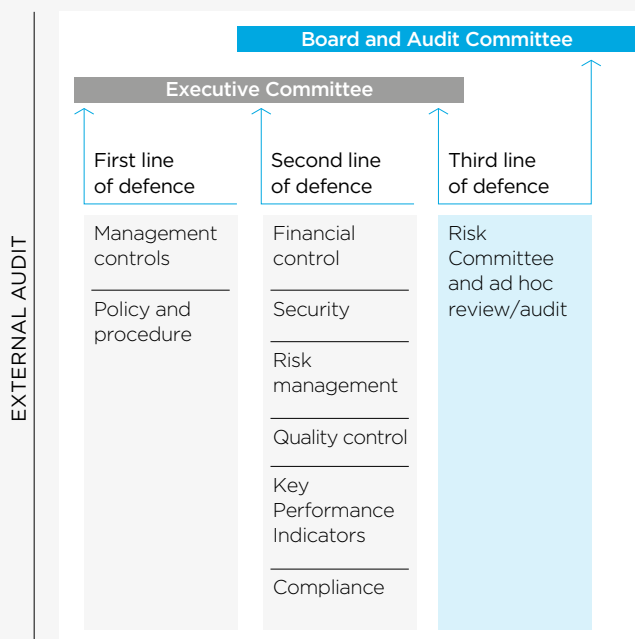
- These are risks which impact achievement of our strategy and objectives.
- They are identified, assessed and managed by the Executive Committee.
- Strategic risks are owned by the Board.
- The Board is satisfied that we continue to operate within our desired risk appetite for our strategic risks.

## 2. Operational risks

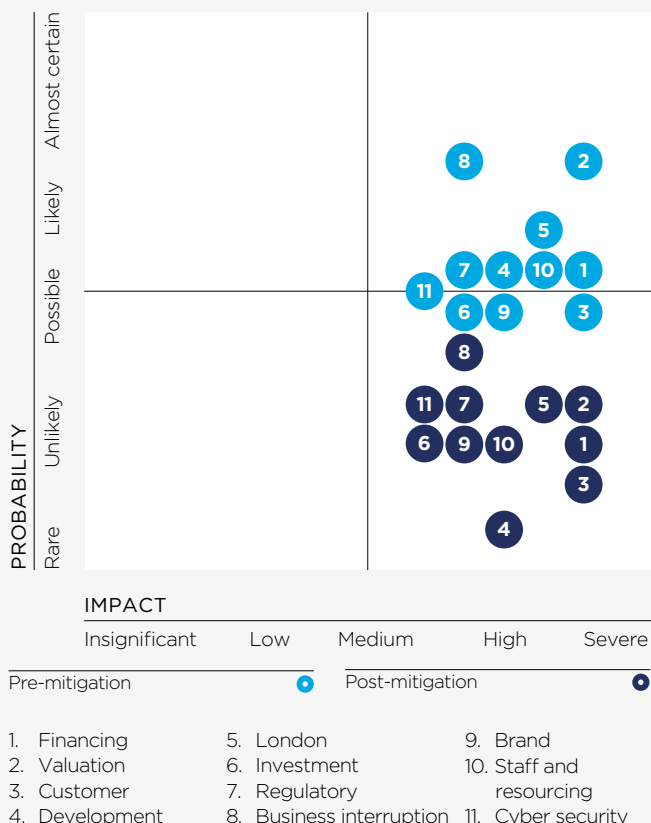
- These risks cover all areas of the business, such as Finance, Operations, Investment and Development.
- These risks are identified, assessed, managed and owned by the Executive Committee.
- Day-to-day operational risks are closely reviewed and managed by the Executive Committee and Senior Management.
- Changes in operational risks are reported to the Board and Audit Committee as appropriate.

We then consider each risk in turn to understand and assess how they are mitigated by the controls and procedures in place.

## Our Risk Management structure



## Current assessment of principal business risks



- |                |                          |                          |
|----------------|--------------------------|--------------------------|
| 1. Financing   | 5. London                | 9. Brand                 |
| 2. Valuation   | 6. Investment            | 10. Staff and resourcing |
| 3. Customer    | 7. Regulatory            | 11. Cyber security       |
| 4. Development | 8. Business interruption |                          |

## Principal Risks and Uncertainties

continued

### Risk category: 1. Financing

#### Link to strategy:

- Right markets
- Right properties



#### Change from last year:

Unchanged



### Principal risk: Reduced availability and increased cost of bank financing

#### Potential impact on the business

- Inability to fund business plans.
- Restricted ability to invest in new opportunities.
- Increased interest costs.

#### Mitigation

We regularly review funding requirements for business plans and ensure we have a wide range of options to fund our forthcoming plans. We also prepare a five-year business plan which is reviewed and updated annually.

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

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

#### What we have done in 2015/16

Successfully amended and extended bank facilities. At the end of the year we have significant headroom on our facilities and a stable interest rate profile.

#### Key metrics:

**£134m**

headroom on loan facilities

### Strategy day - review of five-year plan alongside strategy

After the Board Strategy Day in September 2015, all strategic risks were reviewed and reassessed to ensure all were still valid and considered any possible omissions.

The Management Board was also consulted on the validity of the strategic risks via a Management Board meeting covering risk. The outcome of these reviews saw the addition of two new risks: staff and resourcing and cyber security.



**Risk category:**  
**2. Valuation**

**Link to strategy:**

- Right markets
- Right properties



**Change from last year:**

Unchanged



**Principal risk:**  
**Value of our properties declining as a result of the macroeconomic environment, external market or internal management factors**

**Potential impact on the business**

- Impact on loan covenants (Loan to Value).

**Mitigation**

Market-related valuation risk is largely dependent on external factors which we cannot influence. However, we continue to 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 continue to drive progress made in achieving planning consent for mixed-use development schemes.

**What we have done in 2015/16**

We have maintained a low LTV ratio, protecting us from any potential adverse changes in the market.

During 2015/16, we have made significant progress with our programme of refurbishment works, enhancing the standard and desirability of our properties. In the year we launched 229,000 sq. ft. of new and upgraded business space.

**Key metrics:**

**+21%**

Increase in underlying property valuation

**16%**

Low loan to value ratio



**Vox Studios**  
Vauxhall

**Vox Studios**

During the year we completed the refurbishment of Vox Studios, Vauxhall, where we created 51,000 sq. ft. of new space and upgraded a further 6,000 sq. ft.

The newly refurbished property has let well and is now becoming a vibrant business centre with a café/bar, Club Workspace and high quality meeting rooms.

The CBRE valuation at 31 March 2016 had increased by £26m. This is a 72% underlying increase compared to the value at March 2015.

# Principal Risks and Uncertainties

continued

## Risk category: 3. Customer

### Link to strategy:

- Right markets
- Right properties
- Right customers
- Right people
- Right brand



### Change from last year:

Unchanged



## Principal risk: Demand by businesses for space within our properties declining as a result of social, economic or competitive factors

### Potential impact on the business

- Fall in occupancy levels at our properties.
- Poor customer feedback and low satisfaction score.
- Falling rent roll and property valuation.

### Mitigation

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

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

### What we have done in 2015/16

We continue to liaise with our customers at each step of their journey with Workspace (see 'At a Glance', pages 02 and 03).

We also continue to increase our social media presence, and run our networking business events.

### Key metrics:

**90.7%**

Like-for-like occupancy

**12,353**

Enquiries per year

**1,212**

Lettings per year

### Engaging with customers

Our engagement and understanding of our customers and their requirements continues to improve and evolve, adding to the relationships we build with them. We assist customers with their requirements for moving as their business needs change - whether it be moving to different areas within our portfolio, or moving to a larger or smaller space. Last year, we completed 1,212 deals of which 30% were with existing customers helping them to move within our portfolio, accommodating their changing needs and requirements.

Cargo Works  
Southbank





**Risk category:**  
**4. Development**

**Link to strategy:**

- Right markets
- Right properties
- Right customers
- Right people



**Change from last year:**

Unchanged



**Principal risk:**  
**Impact on underlying income and capital growth**

**Potential impact on the business**

- Failure to deliver expected returns on developments.
- Cost over runs.
- Delayed delivery of key projects.

**Mitigation**

For every potential 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. Appraisals are presented for Investment Committee approval and sign-off is required for every project.

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

**What we have done in 2015/16**

We continue to progress our redevelopment pipeline, assessing each new scheme on a fair and consistent basis. We are improving and enhancing our progress regarding the tracking, forecasting and monitoring of our major projects.

**Key metrics:**

**4**

Redevelopments and refurbishments completed in year

**5**

Redevelopments and refurbishments underway

**The Record Hall**  
Hatton Garden



## Principal Risks and Uncertainties

continued

### Risk category:

#### 5. London

#### Link to strategy:

- Right markets
- Right customers



#### Change from last year:

Unchanged



### Principal risk:

#### Dependability on the London market and economy

#### Potential impact on the business

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

#### Mitigation

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

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

#### What we have done in 2015/16

We have undertaken an enhanced review of our five-year plan, aligned to work undertaken on the Viability Statement. This has included some stress testing of key performance measures and covenants, were there to be a major incident affecting London, or major changes in demand for space and property valuations.

### Risk category:

#### 6. Investment

#### Link to strategy:

- Right markets
- Right properties
- Right customers
- Right brand



#### Change from last year:

Unchanged



### Principal risk:

#### Poor investment decisions regarding acquisitions and disposals

#### Potential impact on the business

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

#### Mitigation

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

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

We also monitor acquisition performance against target returns.

Property disposals are subject to detailed review and Board approval.

#### What we have done in 2015/16

A detailed review was undertaken and due consideration given to the decision to dispose of 11 properties throughout the year. These disposals were in line with our strategy of repositioning our portfolio and brand to meet our strategic goals and deliver strong returns against the most recent valuations.

We have acquired five further 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. Following acquisition, monthly reviews on performance against expectations are provided to the Board.

## Risk category: 7. Regulatory

### Link to strategy:

- Right people
- Right brand



### Change from last year:

Unchanged



## Principal risk: Failure to meet regulatory requirements

### Potential impact on the business

- Fines or penalties for failure to adhere to regulations.
- Failure to identify and respond to the introduction of new requirements.

### Mitigation

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

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

Advisers engaged to support best practice.

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 to keep abreast of any actual or potential Issues.

### What we have done in 2015/16

We have been working closely with HMRC and our tax advisers to ensure we are aware of emerging issues and keeping up to date with changes.

We continue to be compliant with our status as a REIT.

### Key metrics:

0

RIDDOR Health and Safety incidents

## Risk category: 8. Business Interruption

### Link to strategy:

- Right properties
- Right people
- Right brand



### Change from last year:

Unchanged



## Principal risk: Major external events result in Workspace being unable to carry out its business for a sustained period

### Potential impact on the business

- Loss of critical data.
- Loss of access for customers to work at our business centres.
- Potential loss of income.

### Mitigation

We have robust Business Continuity Plans and procedures in place which are regularly tested and updated.

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

### What we have done in 2015/16

We have undertaken a further review and testing of our Business Continuity Plans.

We have started to obtain information and understanding on the Business Continuity Plans and procedures of many of our third party suppliers.

# Principal Risks and Uncertainties

continued

## Risk category: 9. Brand

### Link to strategy:

- Right customers
- Right people
- Right brand



### Change from last year:

Unchanged



## Principal risk: Failure to meet customer and external stakeholder expectations

### Potential impact on the business

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

### Mitigation

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 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 and key shareholders. We hold investor presentations, roadshows and an annual Capital Markets Day.

### What we have done in 2015/16

The use of social media channels, such as Twitter, to engage with our customers 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.

### Key metrics:

# 76%

Customer survey score

### Launch of our new website

During the year we launched a new website for customers and investors. We are featuring more information on our customers, their profiles, areas of business and utilising links to social media feeds.

The new website makes the journey and contact that the customer has with us much more streamlined and facilitates arrangement of viewings, the booking of meeting rooms and the overall Workspace community.



**Risk category:****10. Staff and resourcing****Link to strategy:**

- Right customers
- Right people
- Right brand

**New risk****Principal risk:****Failure to recruit and retain the correct staff resource to implement our strategy effectively****Potential impact on the business**

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

**Mitigation**

We have a robust recruitment process in place to ensure that there is an appropriate level of interviewing and scrutiny of new joiners.

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

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

**What we have done in 2015/16**

For more information go to Resources and Relationships on page 36.

**Risk category:****11. Cyber security****Link to strategy:**

- Right properties
- Right people
- Right brand

**New risk****Principal risk:****Major cyber security incident impacting Workspace or our customers****Potential impact on the business**

- Loss of critical data.
- Financial loss due to fraud.
- Reputational damage.
- Potential loss of income.

**Mitigation**

Monitoring information on security threats and targets.

Monitoring guidance and best practice issued by Government and advisors.

Review of IT systems and infrastructure in place to ensure these are as robust as possible.

**What we have done in 2015/16**

We have progressed our work on implementing actions from our cyber security action plan and started to increase awareness of threats and risks through education and training programmes for employees.

# Going Concern and Viability Statement

## Going Concern

The Group's activities, strategy and performance are explained in the Strategic Report on pages 04 to 61.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 131 to 163.

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources and sufficient headroom on the Group's bank loan facilities to continue in operational existence. For this reason, the Directors believe that it is appropriate to continue to adopt the Going Concern basis in preparing the Group's accounts.

## Viability Statement

In accordance with provision C.2.2 of the 2014 revision of the Code, the Board has assessed the prospects of the Group over a longer period than the 12 months that has in practice been the focus of the 'Going Concern' statement.

The assessment is based on the Group's Strategic Review which is performed on an annual basis by the Board and Executive Committee. The Strategic Review includes a debate of the Group's strategy and business model, which are central to understanding the future prospects of the business and a review of the Group's five-year plan. Particular attention is given to existing development and redevelopment commitments, long-term financing arrangements, compliance with financing and REIT covenants and existing macro-economic factors.

The Group's Strategy and business model are described on pages 21 to 31 and on pages 34 to 35.

The Group's five-year plan is underpinned by a detailed financial model based on assumptions around the key drivers of revenue, profit, capital expenditure and cash flow.

The key assumptions underpinning the plan are:

- Conservative growth in pricing with stable occupancy levels for the like-for-like properties.
- Refurbishment and redevelopment schemes are delivered in line with current plans and reach stabilised occupancy levels within one to two years at current market-based pricing levels.
- The Retail Bond, which becomes repayable in October 2019 and revolver bank facilities of £150m, which become repayable in June 2021, can be extended or refinanced on acceptable terms.

The Group benefits from having some 4,000 customers spread across 69 locations in London. These customers are in a wide range of sectors with no sector representing more than 10% of total rent roll and no individual customer representing more than 1% of total rent roll.

The Board has considered the key risks and mitigating factors that could impact the Group, details of which can be found on pages 43 to 51. Those risks that could have an impact on the ongoing success of the Group's strategy were identified and the resilience of the Group to the impact of these risks in severe yet plausible scenarios has been evaluated.

Sensitivity analyses are prepared to understand the impact of the identified risks on solvency and liquidity. The specific risks which were evaluated are as follows:

Specific risk	Risk category	Sensitivity analysis
A decline in demand for space from New and Growing Companies which impacts on occupancy and pricing levels.	Valuation; Customer; London; Brand	Reductions in pricing and occupancy as experienced during the last recession over a two-year period.
Changes in the London real estate environment which impact on commercial property yields.	Valuation; London	Expansion in yields as experienced during the last recession over a two-year period.
Terrorist events in London impacting on the infrastructure and attractiveness of London as a global centre for business and culture.	London; Business Interruption	Reduction of 10% in pricing and 10% reduction in occupancy within one year.
Changes in the economic and UK regulatory environment impacting on the availability and pricing of debt.	Financing	Inability to refinance debt facilities falling due in the five-year period.

The Board conducted this review for the five-year period to 31 March 2021 which was selected for the following reasons:

- a) The Group's strategic review covers a five-year period.
- b) Our current project pipeline spans five years. This covers the time for the currently planned major refurbishments and redevelopments to progress from initiation to completion.
- c) The average period to maturity of the Group's committed facilities is 4.8 years.

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

## Rent roll performance

It has been another year of strong performance and intense activity across the Group with total rent roll up 12.7% (£8.8m) in the year to £78.2m.

	£m
Rent roll at 31 March 2015	69.4
Like-for-like portfolio	6.5
Completed projects	6.1
Projects underway	(0.3)
Acquisitions	1.3
Disposals	(4.8)
<b>Rent roll at 31 March 2016</b>	<b>78.2</b>

Continued growth in like-for-like rent roll has been complemented by the significant increases in rent at recently opened buildings which are letting-up at pace. We are also accelerating our project activity which has had a small adverse impact on rent in the year. There is a reduction in rent roll from the disposal of industrial estates completed during the year. However, this has been offset by the increase in rent roll at the properties we have acquired in recent years. Further details on rent roll growth by category are set out below:

### Like-for-like portfolio

The like-for-like portfolio represents 62% of the Group's total rent roll as at 31 March 2016. It comprises properties which have not been impacted over the last 24 months by either major refurbishment or redevelopment activity. Prior period

comparatives have been restated for the industrial properties sold during the year, and properties transferred to and from the refurbishment and redevelopment categories.

The like-for-like rent roll has continued to grow strongly, up 15.4% (£6.5m) in the year to £48.8m. The rental growth has come from the increases achieved in pricing with occupancy stable (averaging 91% through the year). Like-for-like rent per sq. ft. is up 16.4% to £22.37 in the year to 31 March 2016.

Like-for-like properties	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015	31 Mar 2015
Number of properties	<b>36</b>	36	36	36	36
Occupancy	<b>90.7%</b>	91.3%	91.1%	90.4%	91.8%
Rent roll	<b>£48.8m</b>	£47.1m	£46.2m	£44.7m	£42.3m
Rent per sq. ft.	<b>£22.37</b>	£21.67	£21.31	£20.57	£19.22

Rent roll growth in the second half of the year was 5.6% compared to 9.2% in the first half. The first half included a very strong first quarter of growth of 5.7%, growth in the subsequent three quarters has averaged 3.0%.

If all the like-for-like properties were at 90% occupancy at the estimated rental values at 31 March 2016, the rent roll would be £56.9m, £8.1m higher than the rent roll at 31 March 2016.

**Grand Union Studios**  
Ladbroke Grove



**Completed projects**

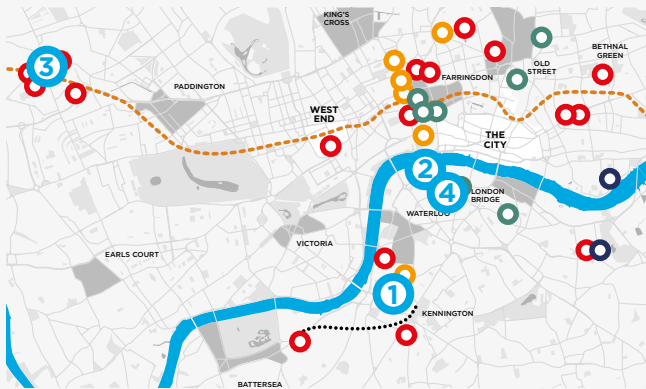
This category comprises the six refurbishment and redevelopment projects completed within the last 24 months.

	Rent increase in year	Occupancy at 31 March 2016
Metal Box Factory	£2.0m	88%
The Light Bulb	£1.1m	91%
Cargo Works	£1.1m	92%
Vox Studios	£0.7m	73%
The Print Rooms	£1.0m	75%
Grand Union Studios	£0.2m	30%
<b>Total</b>	<b>£6.1m</b>	<b>76%</b>

The refurbishment of Metal Box Factory, Bankside and the opening of the new business centre, The Light Bulb in Wandsworth Town Centre completed in the previous financial year. The upgrade of Cargo Works, Southbank, completed in April 2015. We have seen strong growth in rents each year at these buildings as the new and upgraded space has been let, and they are now reaching stabilised occupancy levels.

The refurbishment of both Vox Studios, Vauxhall and The Print Rooms, Southwark completed in January 2016. Demand has been strong at these properties with overall occupancy reaching 79% by the end of May 2016. Grand Union Studios, a new business centre in Ladbroke Grove, opened in March 2016. Again, demand has been very strong and occupancy had reached 50% by the end of May 2016.

If all six buildings were at 90% occupancy at the estimated rental values at 31 March 2016, the rent roll would be £19.4m, £6.1m higher than the 31 March 2016 rent roll.



**Overall occupancy at Vox Studios and The Print Rooms by the end of May 2016**

**79%**





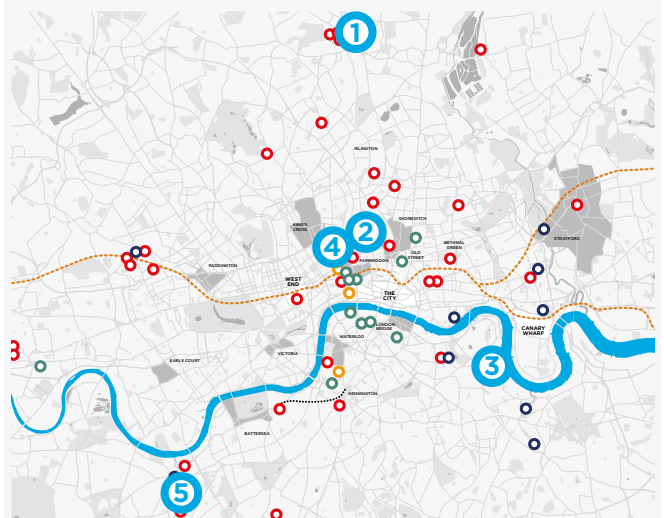
### Projects underway

We are currently underway on four refurbishments at an estimated total cost of £85m. This comprises The Record Hall in Hatton Garden, Holywell Centre in Shoreditch and Cremer Business Centre in Hoxton. In each case, the existing buildings are being demolished and replaced by new business centres. We are also refurbishing and adding new space at Barley Mow Centre, Chiswick.

The rent roll at 31 March 2016 at these refurbishments was £2.4m, down £0.4m in the year as we obtained vacant possession at Holywell Centre ahead of demolition. There will be a further rent roll reduction of £0.7m in the current year as we obtain vacant possession at Cremer Business Centre. The short-term reduction in rent and income we are seeing at these properties will be replaced in due course by a significant uplift in rent as the buildings are completed and let. Assuming 90% occupancy at the estimated rental values at 31 March 2016 the rent roll at these four buildings would be £10.5m.

There are currently five mixed-use redevelopment projects underway. The buildings have been vacated and sold to residential developers for a consideration comprising of cash and, at two properties, new business centres (which will be built at no cost to Workspace). At the estimated rental values at 31 March 2016, and assuming 90% occupancy of the new business space, the rent roll would be £2.2m (31 March 2016: £nil).

### Acquisitions and disposals



#### Acquisitions:

- |                    |                  |                 |
|--------------------|------------------|-----------------|
| 1. Alexandra House | 3. Cannon Wharf  | 5. Garratt Lane |
| 2. Angel House     | 4. Easton Street |                 |



4. Easton Street  
Farringdon

Acquisitions are held separately from our like-for-like category until we have at least 12 months of stabilised performance history following any planned repositioning. During the year, we have acquired five properties for £101m with a rent roll at 31 March 2016 of £2.1m.

There was a net reduction of £0.8m in rent roll at four properties acquired in previous financial years. Growth of £0.8m in rent roll at 60 Gray's Inn Road, Holborn and 160 Fleet Street, Midtown following successful upgrade and refurbishment programmes, was offset by the reduction of £1.5m in rent at Edinburgh House, Vauxhall where we have now obtained vacant possession ahead of a planned major refurbishment, with a surrender premium received of £5.4m.

We completed the sale of eleven industrial properties during the year for £95m, with rent roll at the time of disposal of these properties of £5.4m. These disposals are in line with our strategy to dispose of industrial estates, recycling capital into targeted acquisitions where we can add more value. As at 31 March 2016 we only had two industrial estates remaining in our like-for-like portfolio, valued at £43m.



Holywell Centre  
Shoreditch

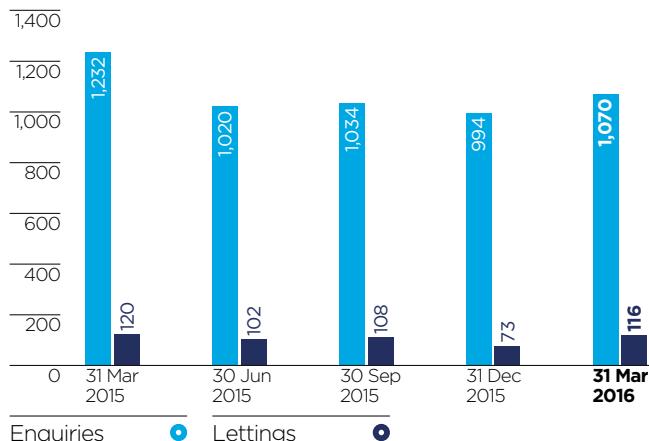


Holywell Centre  
Shoreditch

### Enquiries and lettings

Enquiry levels have been consistently high averaging 1,029 per month in the year with a good lettings momentum in the fourth quarter of the year. There are fluctuations from quarter to quarter linked to the timing of marketing initiatives, particularly around the launch of new space and acquisitions.

#### Average number of enquiries and lettings per month



Good levels of enquiries and lettings have continued into the current financial year, with enquiries averaging 1,047 per month and lettings 111 per month to the end of May 2016. We would expect to see some reduction in activity levels in June 2016 ahead of the EU referendum.

### Profit performance

Trading profit after interest for the year (which includes our share of the trading profit of joint ventures after interest) is £43.9m, up 65% compared to the prior year.

£m	31 Mar 2016	31 Mar 2015
Net rental income	74.1	57.7
Joint venture income	1.3	1.2
Administrative expenses	(14.6)	(13.8)
Net finance costs	(16.9)	(18.5)
Adjusted trading profit after interest	43.9	26.6

Net rental income increased by 28% (£16.4m) in the year to £74.1m with the two key drivers of organic income growth being the growth in rents at like-for-like properties from increases in pricing and at completed projects from the letting up of new and upgraded space.

£m	Growth in Year	31 Mar 2016
Like-for-like properties	8.0	44.0
Completed projects	4.8	10.1
Refurbishments in progress	0.8	8.0
Redevelopments in progress	0.1	3.0
Acquisitions	2.9	4.8
Disposals	(0.2)	4.2
Total net rental income	16.4	74.1

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

Administration costs are up 5.8% (£0.8m) in the year. Underlying costs (excluding share based costs) are up 12.4% (£1.3m) to £11.8m. There is an increase in head office headcount of seven in the year to 92 associated with higher levels of marketing and project activity, and increases in salaries averaging 4.5%. Share based costs are reduced by 15.2% (£0.5m) to £2.8m, due to the decline in share price in the second half of the financial year.

Net finance costs have reduced by £1.6m (8.6%) in the year. Average borrowings over the year were £9m lower than in the prior year with the average interest rate reduced from 5.4% to 5.1%. The marginal cost of undrawn facilities at 31 March 2016 was 1.8%.

Total profit before tax reported for the year is £391.3m, 8.7% higher than the profit reported in the prior year.

£m	31 Mar 2016	31 Mar 2015
Adjusted trading profit after interest	43.9	26.6
Change in fair value of investment properties	296.6	318.0
Other income	39.0	10.1
Other items	11.8	5.3
Profit before tax	391.3	360.0

Adjusted underlying earnings per share	26.8p	17.2p
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The reported change in fair value of investment properties of £296.6m reflects the increase in the CBRE valuation in the year of £307.8m, adjusted for overage and other property assets that are reclassified in the accounts as deferred consideration.

Other income includes the change in fair value of deferred consideration (cash and overage) of £9.5m, and a lease surrender premium of £5.4m. It also includes the estimated performance fee payable to Workspace of £24.1m from the BlackRock JV in relation to the conclusion of the BlackRock Workspace joint venture's five year term.

Other items include the profit on disposal of investment properties of £8.1m and gains from share in joint ventures (excluding trading items) of £2.9m.

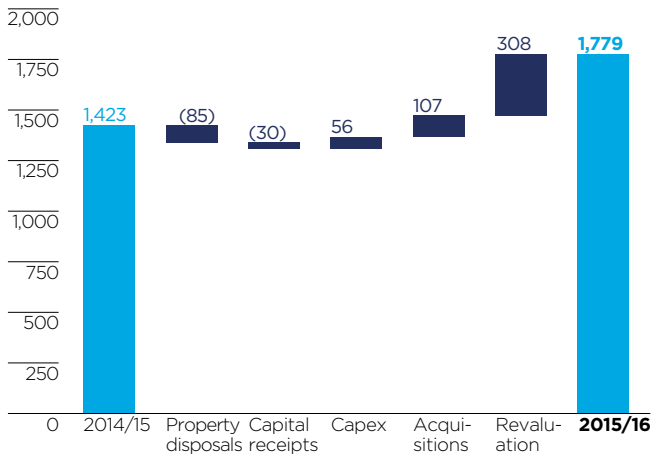
## Dividend

Our dividend policy is based on the growth in trading profits taking into account the distribution requirements that we have as a Real Estate Investment Trust. For the current year, the Board has proposed a final dividend of 10.19 pence per share, an increase of 25% on the prior year (2015: 8.15 pence), which will be paid on 5 August 2016 to shareholders on the register at 8 July 2016. This dividend will be paid as a Property Income Distribution.

## Property valuation

At 31 March 2016, the wholly owned portfolio was independently valued by CBRE at £1,779m, an underlying increase of 20.9% (£308m) in the year. The main movements in the valuation over the year are set out below:

### Property valuation movement over one year (£m)



We saw a revaluation uplift of 9.6% (£143m) in the first half of the year and an increase of 10.2% (£165m) in the second half. The increase in the second half is despite the adverse impact of the increase in stamp duty introduced in March 2016.

Set out below is a summary of the full year revaluation uplift and valuation at 31 March 2016 by property type:

£m	No. of properties	Revaluation uplift	Valuation
Like-for-like properties	36	130	864
Completed projects	6	93	316
Refurbishments	7	25	192
Redevelopments	11	45	186
Acquisitions	9	(2)	194
Overage	-	10	27
Disposals	-	7	-
<b>Total</b>	<b>69</b>	<b>308</b>	<b>1,779</b>

## Like-for-like properties

The 18% (£130m) increase in value of the like-for-like properties came from an uplift in rental pricing (representing 63% of the total increase) and a 0.3% reduction in net initial yield (representing 37% of the increase).

	31 Mar 2016	31 Mar 2015	Change
Estimated Rental Value ('ERV') per sq. ft.	<b>£26.29</b>	£21.79	+21%
Rent per sq. ft.	<b>£22.37</b>	£19.22	+16%
Equivalent Yield	<b>6.4%</b>	6.5%	-0.1%
Net Initial Yield	<b>5.0%</b>	5.3%	-0.3%
Capital Value per sq. ft.	<b>£359</b>	£299	+20%

We have seen a significant re-assessment in ERV estimates at our like-for-like properties with the growth in ERV per sq. ft. at 21% well ahead of the growth in rent per sq. ft. of 16%. As a result, the equivalent yield of our like-for-like is reduced by 0.1% in the year compared to the 0.3% reduction in net initial yield.

## Completed projects

The significant uplift of 42% (£93m) in value of completed projects reflects the pricing levels that have been achieved at these properties since launch. These rental levels are ahead of original expectations and previous CBRE rental value estimates. The largest increases in value over the year have been at:

- Vox Studios, up £26m.
- Metal Box Factory, up £24m.
- Grand Union Studios, up £14m.
- The Print Rooms, up £13m.

The overall valuation metrics for completed projects are set out below:

	31 Mar 2016
ERV per sq. ft.	<b>£49.07</b>
Rent per sq. ft.	<b>£39.40</b>
Equivalent Yield	<b>6.1%</b>
Net Initial Yield	<b>3.8%</b>
Capital Value per sq. ft.	<b>£705</b>

## Refurbishments

We have seen an uplift of 15% (£25m) in the value of the refurbishments pipeline as a result of planning consents achieved and an uplift in pricing expectations. This is in light of the pricing levels achieved at recently completed and comparable properties in these locations.

## Redevelopments

The uplift of 32% (£45m) in the value of redevelopment projects reflects increases in the values of properties where we have obtained mixed-use planning consents. This includes:

- Rainbow Industrial Estate, up £14m.
- The Lightbulb (Phase 2), up £7m.
- The Biscuit Factory, up £6m.
- Marshgate Business Centre, up £4m.

## Business Review

continued

### Overage

Pricing evidence from residential sales has resulted in an uplift in the expected overage we may receive at a number of our contracted residential schemes, namely a £4m uplift at Bow Enterprise Park (Phase 1), £3m uplift at Poplar Business Park (Phase 1) and £3m uplift at Grand Union Studios.

### 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 in this financial year:

- In June 2015, we acquired 25/28 Easton Street, WC1 for £16.6m at a capital value of £794 per sq. ft. The property is well located in Clerkenwell close to Exmouth market and complements our existing cluster of buildings in this popular Midtown area. The converted warehouse style offices, with net lettable area of 21,000 sq. ft., comprises basement, ground and three upper floors with potential for extension in due course. It was acquired from Amnesty International, and will be reconfigured as a multi-let business centre at the conclusion of a two year leaseback to Amnesty International.
- In June 2015, we acquired Angel House, EC1 for £34.0m at a capital value of £738 per sq. ft. and a net initial yield of 3.7% off a low average passing rent of £29 per sq. ft. This attractive Art-Deco building extends to five floors providing 46,000 sq. ft. of net lettable space and is well located for Angel, Old Street and King's Cross St Pancras stations with six other Workspace buildings nearby. It offers excellent potential for repositioning to capture rental uplift in due course. In January 2016, we obtained vacant possession of the first floor which is currently being refurbished.
- In October 2015, we acquired the former Mecca Bingo site in Garratt Lane, Wandsworth for £26.1m. This site, which comprises a vacant 43,000 sq. ft. bingo hall and 200 space car park has been a long-term land assembly target for Workspace. It adjoins Riverside, an existing 100,000 sq. ft. office and workshop building. We are currently in discussion with the planners for a major mixed-use redevelopment and in the interim period have let the entire site to a trampoline operator.
- In October 2015, we acquired Alexandra House, N22 for £14.0m. This 55,000 sq. ft. office building is currently let to the London Borough of Haringey at a low passing rent of £10 per sq. ft. with a rent review currently underway. The property was purchased at a capital value of £255 per sq. ft and at an initial yield of 3.7%.
- In October 2015, we acquired Cannon Wharf business centre, in Surrey Quays, SE8. This newly built 33,500 sq. ft. property was purchased for £10.4m at a capital value of £310 per sq. ft. Occupancy had reached 38% by the end of May 2016.

### Disposals

In November 2015, we sold Leyton Industrial Estate, E10 for £23m. This 135,500 sq. ft. industrial estate was sold at a premium of 25% to the March 2015 valuation (in line with the September 2015 valuation) at a net initial yield of 4.8%.

In December 2015, we sold a portfolio of three light industrial properties in Park Royal, NW10 for £7.0m. These properties were sold at a net initial yield of 4.9% and a 16% premium to the September 2015 valuation.

In March 2016, we sold a portfolio of five industrial properties for £64m comprising 396,000 sq. ft. of lettable space. The portfolio was sold at a 12% premium to the September 2015 valuation and at a net initial yield of 5.4% and capital value of £171 per sq. ft.

During the year we also disposed of our 50% stake in Enterprise Hayes LLP for £3.1m and two small properties in Maidenhead and Park Royal for £0.6m.

### Refurbishment activity

It has been another active year with an acceleration in the level of capital expenditure across a range of properties. We completed the upgrade of Cargo Works, Southbank, in April 2015 and launched the new and upgraded space at Vox Studios, Vauxhall, and The Print Rooms, Southwark, in January 2016. We obtained planning permission for the construction of new business centres at the Holywell Centre, Shoreditch in June 2015 and Cremer Business Centre, Hoxton in October 2015. The two new business centres will deliver 108,000 sq. ft. of new space at an estimated cost of £50m.

A summary of the current status of the refurbishment programme is set out below:

Projects	Number	Capex spent	Capex to spend	Refurbished and new space (sq. ft.)
Completed (current year)	3	£29m	Nil	165,000
Underway	4	£15m	£70m	239,000
Starting in 2016/17	2	-	£11m	179,000
Design stage	6	-	£91m	386,000
<b>Total</b>	<b>15</b>	<b>£44m</b>	<b>£172m</b>	<b>969,000</b>

We would expect the remaining capital expenditure on the refurbishment projects detailed above to be incurred relatively evenly (subject to planning on some of the design stage schemes) over the next three years.

### Redevelopment activity

Many of our properties are in areas where there is strong demand for mixed-use redevelopment. Our model is to use our expertise, knowledge and local relationships to obtain a mixed-use planning consent and then agree terms with a residential developer to undertake the redevelopment and construction at no cost 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.

A summary of the current status of contracted redevelopments is set out below:

	Completed	Underway	Total
Number	2	5	<b>7</b>
Residential units	354	1,545	<b>1,899</b>
Cash received	£6m	£96m	<b>£102m</b>
Cash to come	Nil	£7m	<b>£7m</b>
Estimated overage to come	£16m	£11m	<b>£27m</b>
New space (sq. ft.)	117,000	84,000	<b>201,000</b>

We expect to receive the majority of the outstanding cash and overage on these contracted schemes over the next 18 months.

In addition to the above, we have seven schemes with mixed-use planning consents for 1,059 residential units and 182,000 sq. ft. of new business centre space that are not yet contracted for sale. This includes three planning consents obtained over the last year:

- We received planning permission in June 2015 for the redevelopment of Lombard House, Croydon for a mixed-use scheme comprising 96 residential units and 23,000 sq. ft. of light industrial space.
- In September 2015 we received planning consent at Rainbow Industrial Estate, Raynes Park for a mixed-use redevelopment comprising 224 residential units and 37,000 sq. ft. of new commercial and light industrial space.
- In December 2015 we received planning consent at Marshgate Business Centre, Stratford for a mixed-use redevelopment comprising 200 residential units and a new 34,000 sq. ft. business centre.

We also have a further two properties where discussions are well advanced with planners for mixed-use redevelopments for 240 residential units and are in early discussions with the planners on two further mixed-use schemes for 650 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 low at £0.2m (2015: £0.2m). A summary of the movements in cash flow are set out below:

	£m
Net cash from operations after interest	49
Dividends paid	(21)
Capital expenditure	(57)
Property acquisitions	(107)
Property disposals	93
Capital receipts	30
Distributions and proceeds from joint ventures	9
Other items	(2)
Net movement in year	(6)

Debt at 31 March 2015 (net of cash) (270)

**Debt at 31 March 2016 (net of cash) (276)**

### Financing

The Group has £410m of committed facilities as detailed 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 facilities	£150m	June 2021
<b>Total facilities</b>	<b>£410m</b>	

The Private Placement notes comprise \$100m (£64.5m) of US dollar ten year notes, £84m of Sterling ten year notes and £9m of seven year Sterling floating rate notes. The US dollar notes have been fully hedged against Sterling for ten years. The overall interest rate on the £148.5m ten year fixed rate notes is 5.6%. A UK Fund has provided a ten year floating rate facility which reduces by 50% (£22.5m) at the end of year nine. A seven year £57.5m Retail Bond (listed on ORB) was issued in October 2012 and carries a coupon of 6.0%.

## Business Review

### continued

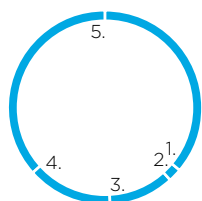
On 30 June 2015, we agreed terms with our three existing relationship banks to amend and extend our bank debt facilities. The existing £50m term loan and £100m revolver facilities were replaced by a new £150m revolver facility with the maturity extended from June 2018 to June 2020. The revised terms also provided for the potential extension of the revolver facility for a further two one year terms to June 2022 and a potential increase in the quantum of the facility from £150m to £250m. We also cancelled £95m of short term interest rate hedges out to June 2018 at a cost of £2.1m.

In June 2016 we exercised the option for the first extension of the maturity term of our £150m revolver facility by a year to June 2021. Following this extension, the average maturity of our facilities on a proforma basis as at 31 March 2016, was 5.9 years (31 March 2015: 5.8 years).

Our hedging strategy is to fix the cost of our longer-term borrowings but maintain flexibility around our shorter-term revolver facilities. At 31 March 2016, 50% of our debt facilities are at fixed rates, representing 69% of our debt on a drawn basis.

At 31 March 2016, undrawn facilities (including cash) were £134m, loan to value was 16% (31 March 2015: 19%) and interest cover (based on net rental income) was 4.5 times, giving us good headroom on all of bank, placement notes and bond covenants.

#### Facilities by type



1. Private placement notes **36%**
2. Private placement notes **2%**
3. UK fund **11%**
4. Retail bond **14%**
5. Bank facilities **37%**

#### Net assets

Net assets increased in the year by £372m to £1,518m, the most significant item being the £308m increase in the value of our investment portfolio. EPRA net asset value per share at 31 March 2016 was £9.23 (31 March 2015: £7.03), an increase of 31.3% in the period.

	£
At 31 March 2015	7.03
Property valuation surplus	1.88
Trading profit after interest	0.27
Joint venture performance fee	0.15
Dividends paid in year	(0.13)
Other	0.03
<b>At 31 March 2016</b>	<b>9.23</b>

#### BlackRock Workspace Property Trust ('BlackRock JV')

We have a 20.1% interest in the BlackRock JV for which we act as a property manager. It continued to perform well during the year with underlying rent roll growth of 31% (£1.5m) excluding disposals. The property valuation has increased by 27% (excluding capital expenditure and disposals) to £131m at 31 March 2016. Four industrial estates were sold in June 2015 for £32.1m at a net initial yield of 6.8%.

The five year term of the BlackRock JV came to an end in February 2016 and we have agreed with our partner, the BlackRock Property Fund, to sell the remaining eight properties to bring the joint venture to a conclusion. The sales process is underway and in May 2016 we sold Chandelier Building, Old Oak Common for £13.2m (a surplus of £1.8m to its valuation at 31 March 2016) at a net initial yield of 4.5%.

Based on the returns achieved over the life of the BlackRock JV, a performance fee is payable to Workspace. Using the valuation of the properties at 31 March 2016 and the returns achieved over the last five years, this fee is estimated at £24.1m. In accordance with IFRS recognition rules, this fee has been recognised in the Consolidated income statement for the year.

	Quarter ended 31 Mar 2016	Quarter ended 31 Dec 2015	Quarter ended 30 Sep 2015	Quarter ended 30 Jun 2015	Quarter ended 31 Mar 2015
<b>Workspace Group Portfolio</b>					
Property valuation	<b>£1,779m</b>	-	£1,631m	-	£1,423m
Number of estates	<b>69</b>	77	75	76	75
Lettable floorspace (million sq. ft.)	<b>3.8</b>	4.2	4.2	4.2	4.2
Number of lettable units	<b>4,554</b>	4,725	4,663	4,613	4,525
ERV	<b>£114.0m</b>	-	£98.1m	-	£90.3m
Cash rent roll of occupied units	<b>£78.2m</b>	£80.8m	£79.0m	£75.6m	£69.4m
Average rent per sq. ft.	<b>£24.32</b>	£22.39	£21.11	£20.19	£18.79
Overall occupancy	<b>85.8%</b>	85.8%	89.8%	89.5%	88.7%
Like-for-like lettable floor space (million sq. ft.)	<b>2.4</b>	2.4	2.4	2.4	2.4
Like-for-like cash rent roll	<b>£48.8m</b>	£47.1m	£46.2m	£44.7m	£42.3m
Like-for-like average rent per sq. ft.	<b>£22.37</b>	£21.67	£21.31	£20.57	£19.22
Like-for-like occupancy	<b>90.7%</b>	91.3%	91.1%	90.4%	91.8%
<b>BlackRock Workspace Property Trust</b>					
Property valuation	<b>£131m</b>	-	£119m	-	£133m
Number of estates	<b>8</b>	8	8	8	12
Lettable floorspace (million sq. ft.)	<b>0.3</b>	0.3	0.3	0.3	0.5
ERV	<b>£7.9m</b>	-	£7.3m	-	£8.9m
Cash rent roll of occupied units	<b>£6.3m</b>	£5.9m	£5.6m	£5.1m	£7.1m
Average rent per sq. ft.	<b>£23.01</b>	£22.03	£20.49	£19.21	£16.13
Overall occupancy	<b>95.8%</b>	93.9%	96.5%	92.2%	93.9%

Note:

The like-for-like category has been restated for the following:

- Disposals completed during the year.
- The inclusion of Screenworks, Islington, The Pill Box, Bethnal Green and Vestry Street Studios, Old Street.
- The exclusion of The Leathermarket, Bermondsey which is subject to an extensive refurbishment.

The Strategic Report on pages 04 to 61 was approved by the Board of Directors on 7 June 2016 and signed on its behalf by:



**Jamie Hopkins**  
Chief Executive Officer



**Graham Clemett**  
Chief Financial Officer

## Our Governance

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'We are committed to conducting business responsibly. Corporate Governance is an integral part of the way we manage our business.'

**Daniel Kitchen**  
Non-Executive Chairman

## 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 2016.

The Corporate Governance Report provides insights about how the Board operated during the year and the key issues considered. The Company fully complied with the UK Corporate Governance Code throughout the year. Full details of the Company's governance arrangements in compliance with the Principles of the UK Corporate Governance Code are included on page 65 to 124.

## Why is good governance important to us?

The Board of Workspace is committed to conducting business responsibly and in a sustainable manner having regard to the long-term success of the business. In doing so, we believe it is essential to maintain high standards of Corporate Governance in terms of leadership, remuneration matters, accountability, Board effectiveness and our relationship with shareholders.

Corporate Governance at Workspace is treated as an important discipline which complements our desire to continuously improve the performance of the Company. Our approach to governance is set by the Board and our Executive Committee ensures that the approach is effectively implemented across the business.

## An effective Board

Our externally facilitated performance evaluation is conducted every three years. The last one was conducted in March 2015 and it confirmed that the Board and its Committees operate effectively, with all Directors contributing to the overall performance of the Group.

The performance evaluation process for this year was led by me and assisted by the Company Secretary. This year's review took the form of a questionnaire which was completed by the Directors and members of the Executive Committee. The questionnaires covered the processes and performance of the Board and its Committees. The Company Secretary consolidated the responses and prepared reports for me, as Chairman, as well as for the Chairmen of the relevant Committees. The findings were discussed at our Board meeting in March 2016.

The performance of the Executive Directors was assessed by the Remuneration Committee as part of the salary review process.

I am delighted to confirm that no significant issues were raised and the view of the Board is that the governance structure, together with the Board and its Committees, all continue to operate effectively, with a positive and open culture.

However, as a Board we want to continue to strengthen our governance and the evaluation highlighted a few specific recommendations that form the basis of our action plan for the current year. Details of these recommendations can be found on page 84 of the Corporate Governance Report.

Furthermore, I am satisfied that the Non-Executive Directors, all of whom are standing for re-election at the forthcoming Annual General Meeting, continue to be effective and show a high level of commitment to their roles.

The independence of our Non-Executive Directors is extremely important to us in maintaining good governance. I mentioned last year that the Board will annually assess the independence of Stephen Hubbard, prior to his reappointment at the AGM. 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, and in view of this continuing relationship, the Board has considered Stephen's independence as a Non-Executive Director. The Board is completely satisfied that he remains independent in judgement and character. It has been agreed that Stephen will not take part in any considerations of the valuation of the Group's property portfolio. In addition, he will have no involvement in any discussions or decisions regarding CBRE or the fees paid to them.

## Chairman's Governance Statement

continued

We are keen to ensure that Non-Executive Directors are provided with sufficient information, access to our portfolio and people, to enable them to support and offer constructive challenge to the executive management team. They engaged in visits to a number of the Company's properties during the year. The feedback from both the Non-Executive Directors and our on-site staff is that these visits are very constructive and we will continue them in future.

During the year, I also held a number of Board dinners, ahead of scheduled Board meetings. We have found that the dinners provide a further opportunity to engage in open debate between Directors on a wide range of matters affecting the business. As a result, I find that the debate at the following formal meeting is generally more focused, with constructive and well formulated views expressed by the Non-Executive Directors.

### Meeting our shareholders

We have continued to operate a comprehensive investor relations programme during the year with our Executive Directors regularly meeting with investors and analysts. I am available to meet shareholders when required.

### Succession planning

The Board is actively engaged in succession planning for both Executive and Non-Executive Directors. This ensures that the Board composition continues to be appropriate and, therefore, effective. This is delivered through a series of reviews during the year, which covers both Executive Director and Senior Management succession and development.

### New legislation

The revised Corporate Governance Code (2014) has been applied by the Company in preparing this Annual Report and Accounts and the Board has received a number of briefings and discussed in detail the implementation of the new provisions including risk management and the Viability Statement.

The Modern Slavery Act came into force in October 2015. Having conducted a review of the requirements and completed a risk review, action has been taken to incorporate a compliance clause in our standard supplier contract. A formal policy dealing with slavery and human trafficking has also been prepared and a programme of staff training is also being conducted.

The Board also considered the implications of the Market Abuse Regulations, effective from July 2016, and we are making the appropriate changes to our internal processes, together with a programme of training for relevant staff.

### Review of risks

An area of increasing focus for the Company is around cyber security risk. This is being closely monitored by the Risk Committee and the Board, with useful guidance published by both the Government and our advisors. Workspace recognises the serious and increasing threat that cyber crime represents to all businesses, and the potential it has to cause significant interruption to businesses, as well as financial losses. Consequently, in order to recognise the heightened threat, we have included cyber security as a distinct risk in its own right in our risk register for regular review. We are also undertaking a review of our IT security to ensure we adhere to best practice wherever possible. We remain focused on reviewing and improving the IT infrastructure and enhancing our internal processes to allow us to identify potential attacks and take appropriate, mitigating action. We are also increasing our efforts to raise staff awareness in this area by issuing updates through internal communication and training.

This year we have published our Viability Statement which can be found on page 52 and takes into account the principal risks faced by the Group.

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.

**Daniel Kitchen**  
**Non-Executive Chairman**

7 June 2016

## How governance supports our strategy

The Board plays a critical role in setting the strategic direction of the business and ensuring that through its governance framework it is being delivered. Effective risk management is a key part of protecting shareholder value by being proactive and responsive as a business in a fast-paced market. The principles in the Code set the framework for how the Board, through its governance activities, provides effective oversight of delivering against the strategy.

### Leadership

The Board is responsible for setting the tone to embed the Group's strategy into the business. The Board carefully monitors the progress of the strategy and receives regular briefings on the state of the London property market. On an annual basis the Board has a strategy day to review progress and ensure that the strategy and business plans are responsive to the market conditions.

### Accountability

The work of the Audit Committee plays an important role to provide the necessary safeguards to manage risks and achieve high standards in transparency and accountability to shareholders.

### Effectiveness

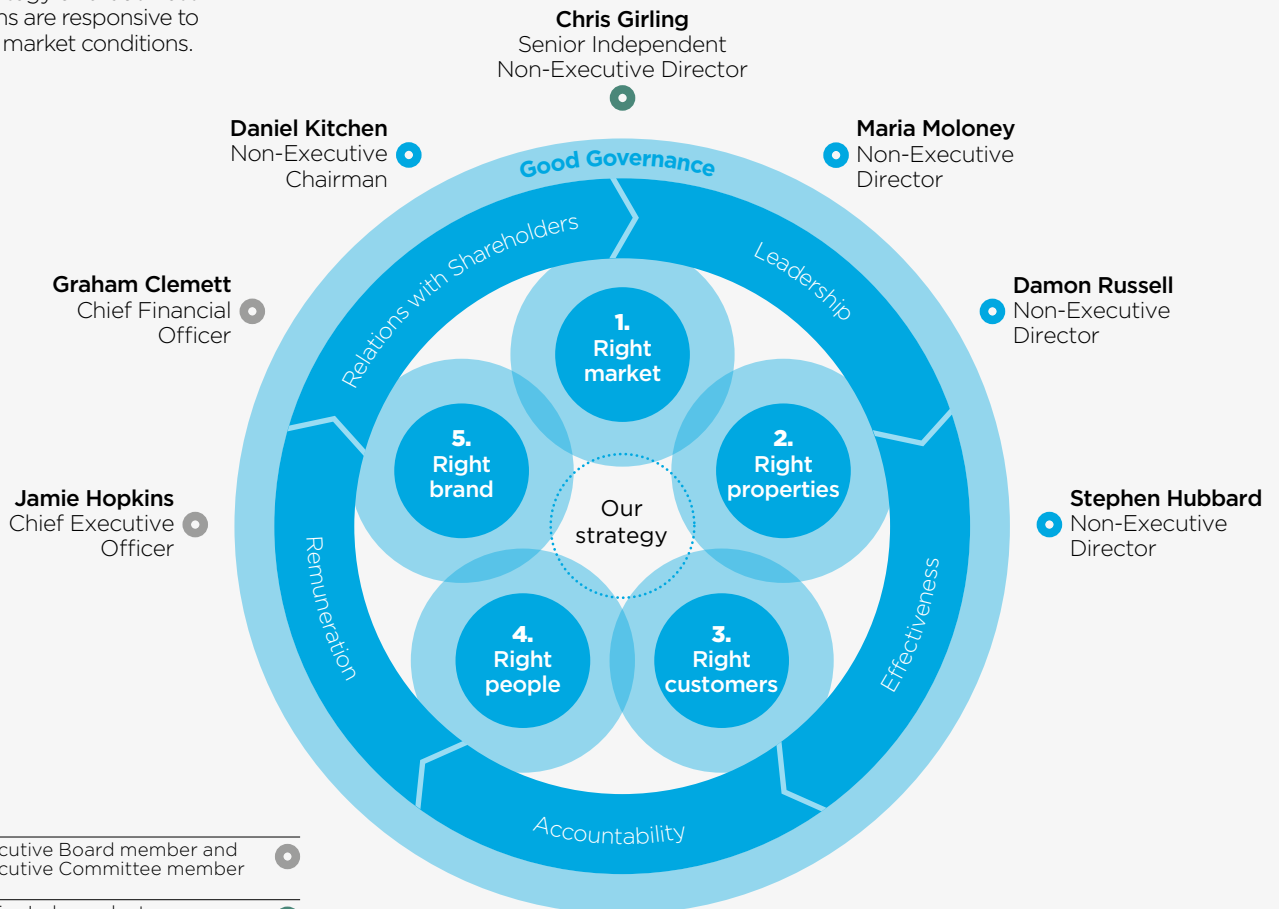
The Nomination Committee continues to make sure the Board has the necessary skills and experience to understand the market and provide challenge to the business to deliver the strategy.

### Remuneration

Through the work of the Remuneration Committee, the Company's policy is to align reward of the Executive Directors with the performance of the Company and incentivise long-term and sustainable value.

### Relations with Shareholders

Explaining the strategy and how it is being operationalised through our business model is an important part of the Board's work in keeping shareholders informed on the business' performance and future prospects.



# The Board

## Executive Directors



**Jamie Hopkins**  
Chief Executive Officer

### Appointment to the Board:

June 2010 as a Non-Executive Director and appointed Chief Executive Officer on 1 April 2012.

### Committee memberships:

- Chairman of the Executive Committee.
- Chairman of the Investment Committee.
- Chairman of the Risk Committee.

### 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.

### Previous appointments:

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.

### Skills and business experience:

- Strategic development and execution experience.
- Motivating people and encouraging teams to deliver their objectives.
- Well-developed leadership and management skills.
- Strong commercial skills.
- Significant property experience.
- Strong experience of investor relations.



**Graham Clemett**  
Chief Financial Officer

### Appointment to the Board:

Graham Clemett joined the Board as Chief Financial Officer in July 2007.

### Committee memberships:

- Member of the Executive Committee.
- Member of the Investment Committee.

### Current external appointments:

Graham was appointed as Non-Executive Director and Chairman of the Audit Committee for The Restaurant Group plc with effect from 1 June 2016.

### Previous appointments:

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.

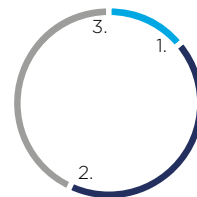
### Skills and business experience:

- Significant experience of financing and capital raising.
- Over eight years in the Group he has a detailed knowledge of operations.
- Strong strategic and commercial skills.
- Strong experience of investor relations.

'We have an extremely strong Board of Directors at Workspace. They are all very skilled individuals who bring with them valuable and significant experience. This, I believe, contributes to the effectiveness of the Board and therefore its ability to motivate our team to deliver excellent performance.'

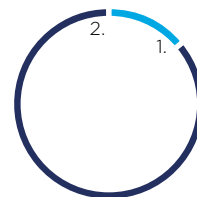
**Daniel Kitchen**  
Non-Executive Chairman

## Board tenure



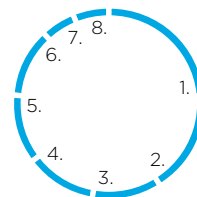
- 0-3 years **14%**
- 3-5 years **43%**
- 5+ years **43%**

## Board diversity



- Female **14%**
- Male **86%**

## Board experience



- Property **24%**
- Financial **16%**
- Construction **12%**
- Telecoms and media **12%**
- Advisory **12%**
- Legal **12%**
- Local council **6%**
- Utility **6%**

## Non-Executive Directors



**Daniel Kitchen**  
 Non-Executive Chairman

**Appointment to the Board:**

Daniel Kitchen was appointed to the Board in June 2011 and subsequently assumed the role of Chairman at the AGM in July 2011.

**Independent:**

Yes.

**Committee memberships:**

Chairman of the Nomination Committee and a member of the Remuneration Committee.

**Current external appointments:**

Daniel is currently Chairman of Hibernia REIT plc, Applegreen plc, a Non-Executive Director of LXB Retail Properties Plc, Irish Takeover Panel Limited and Governor of St Patrick Hospital in Dublin.

**Previous appointments:**

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.

**Skills and business experience:**

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



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

**Appointment to the Board:**

Chris Girling was appointed to the Board in February 2013. On the recommendation of the Nomination Committee, the Board agreed to extend his appointment for a further three years from February 2016.

**Independent:**

Yes.

**Committee memberships:**

Chairman of the Audit Committee, Member of the Remuneration and Nomination Committees.

**Current external appointments:**

Chris Girling, a Chartered Accountant, 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.

**Previous appointments:**

Chris Girling was previously Group Finance Director of Carillion PLC from 1999 to 2007 and Vosper Thornycroft PLC for 10 years.

**Skills and business experience:**

- Previously CFO of FTSE 250 plc's for 18 years.
- Strong financial skills.
- Detailed knowledge of risk assessment and management systems.
- Experience of infrastructure and development projects.



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

**Appointment to the Board:**

Maria Moloney was appointed to the Board in May 2012.

**Independent:**

Yes.

**Committee memberships:**

Member of the Audit and Nomination Committees and Chairman of the Remuneration Committee.

**Current external appointments:**

She is currently on the Board and a Trustee of the Northern Ireland Cancer Centre in Belfast.

**Previous appointments:**

Maria was previously on the Board of the Belfast Harbour Commissioners, the Industrial Development Board for Northern Ireland, the Northern Ireland Transport Holdings, Independent Television Commission, London and Broadcasting Authority of Ireland.

**Skills and business experience:**

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

Executive Board member and Executive Committee member



Senior Independent Non-Executive Director



Non-Executive Director



Non-Executive Directors continued



**Damon Russell**  
Non-Executive Director

**Appointment to the Board:**

Damon Russell was appointed to the Board in May 2013. On the recommendation of the Nomination Committee, the Board agreed to extend his appointment for a further three years from May 2016.

**Independent:**

Yes.

**Committee memberships:**

Member of the Remuneration, Audit and Nomination Committees.

**Current external appointments:**

Damon holds advisory roles for a number of smaller companies in the digital media sector. He 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.

**Previous appointments:**

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

**Skills and business experience:**

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



**Stephen Hubbard**  
Non-Executive Director

**Appointment to the Board:**

Stephen Hubbard was appointed to the Board in July 2014.

**Independent:**

Yes.

**Committee memberships:**

Member of the Remuneration, Audit and Nomination Committees.

**Current external appointments:**

Stephen is currently Chairman of CBRE UK. He joined Richard Ellis in 1976 and held the position of head of EMEA and UK Capital Markets from 1998 to 2012. He is also Chairman of London Business Network and a member of the advisory board for Redevco which is a pan-European property holding company.

**Skills and business experience:**

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

Company Secretary



**Carmelina Carfora**  
Company Secretary

**Date appointed:**

Carmelina Carfora was appointed as Company Secretary in March 2010.

**Responsibilities:**

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

Carmelina's other responsibilities include: monitoring and compliance with legislation such as the Data Protection Act and Modern Slavery Act; administration, vesting and granting of awards under the Company's share schemes; and compliance with other regulatory regimes.

**Background and relevant experience:**

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

### Role of the Executive Committee:

The Executive Committee is responsible for the successful implementation of the Company strategy and for the performance of the Group. It will also review the effectiveness of our governance processes to ensure that they are embedded within the Company.

- Developing the Group strategy and budget for approval by the Board.
- Reviewing and approving capital expenditure within the authorities delegated by the Board.
- Monitoring of operational and financial results against plans and budgets.
- Collectively responsible for the day-to-day running of the business.
- Developing leadership skills and the future talent of the business so that strong succession plans are in place as the Group develops.
- Analyse and review initiatives of particular interest to the Company and present these to the Board as appropriate.
- Ensure the effectiveness of risk management and control procedures.

The Committee has met 19 times during the year ended 31 March 2016.

### Number of planning consents gained

# 4

### Enquiries in 2015/16

# 12,353

## Executive Committee



### Members of the Executive Committee:

#### 1. Jamie Hopkins Chief Executive Officer

##### Specific responsibilities:

Strategic management; investor relations; day-to-day operations; acquisitions and disposals; health and safety; staff; equal opportunities; remuneration; training and development; Chairman of the Executive, Investment, Risk and Charity Committees; and development of the brand.

#### 2. Graham Clemett Chief Financial Officer

##### Specific responsibilities:

Finance; treasury; tax; company secretarial and compliance; investor relations; and information technology.

#### 3. Chris Pieroni Operations Director

##### Specific responsibilities:

Portfolio performance; asset management; lettings; marketing; rent reviews and renewals; new business development; and charity and social initiatives.

##### 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. Chris was Chairman of the Business Centre Association 2014-2016.

#### 4. Angus Boag Development Director

##### Specific responsibilities:

Planning consents; redevelopment and refurbishment projects; valuations; sustainability and environmental strategy; and project management.

##### Background and relevant experience:

Angus joined the Group in June 2007 as Development Director. He has extensive experience in property and construction management and is responsible for adding value to the Group's assets through planning consents, development and joint ventures. Angus also manages all the building works across the portfolio and is responsible for the valuations of the Group's property. Angus also sets the Group's corporate social responsibility and sustainability programme. Before joining the Group, Angus was Managing Director of Manhattan Loft Corporation and a Principal at PA Consulting Group.



### **Executive Committee in action**

Understanding the business and how it is responding to the challenges and opportunities in the marketplace is an important part of the Executive Committee's role. The Executive Committee provides day-to-day leadership of the business, working closely with Senior Managers and staff to create and protect value across the portfolio.

**Daniel Kitchen**  
Non-Executive Chairman

**1.** Health and Safety is an important consideration for all properties and an issue the Board reviews.

Jamie Hopkins is pictured on-site at Grand Union Studios reviewing health and safety practices with Chris Alison, one of our facilities managers.

**2.** One of the issues highlighted in the 2015 evaluation of the Board is the need for increased interaction between the Board and Senior Management.

The Executive Team are pictured with Daniel Kitchen, Chairman, and Chris Girling, Senior Independent Director, at Westbourne Studios.

**3.** Customer relationships are vital to our strategy so we actively engage with customers so they understand our offer and we get real-time information from them.

Chris Pieroni pictured with Nick Robinson and Roisin O'Shea, from International Sports Consulting at Grand Union Studios.







## Investment Committee



### Composition of the Committee

- Jamie Hopkins, Chief Executive Officer
- Graham Clemett, Chief Financial Officer
- Chris Pieroni, Operations Director
- Angus Boag, Development Director

Given the nature of capital expenditure or initiatives that are likely to be presented to the Investment Committee, it is also attended by:

- John Robson, Head of Asset Management
- Jonathan Shelton, Head of Investment
- James Friedenthal, Head of Corporate Development
- Clare Dundas, Head of Corporate Communications
- Mike Webber, Financial Planning and Analysis Manager
- Carmelina Carfora, Company Secretary (Secretary to the Investment Committee)

The Investment Committee is chaired by Jamie Hopkins and meets every two weeks.

### Role of the Investment Committee

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

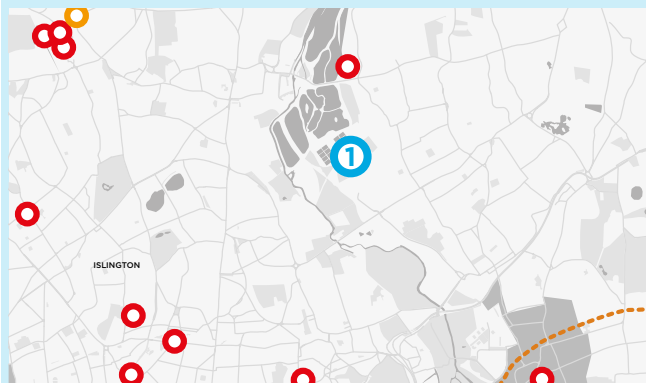
### Issues covered in 2015/16

- Reviewed and approved the disposal of 11 industrial properties for £95m.
- Reviewed and approved the acquisition of five properties for £101m.
- Approved refurbishment and redevelopment activity, including monitoring progress at four projects that completed in the year.
- Considered options for and approved upgrades to technology infrastructure in our buildings.

### Case study:

#### Disposal of Leyton Industrial Village - November 2015

Workspace owned an industrial estate in Leyton, E10, comprising a total of 135,544 sq. ft. In 2013 and 2014, the property underwent a two-phased refurbishment programme which saw new units being built on the estate, resulting in increased occupancy and improved rents. In line with the strategy to focus on business centres, where Workspace can add more value to customers, the Investment Committee considered the disposal of Leyton Industrial Village in 2015. The property was placed on the market and sold for £23m, a premium of 25% on the March 2015 valuation and in line with the September 2015 valuation. Significant interest was generated from a number of potential buyers and we were pleased to have sold it at such a substantial premium to book value.



'In reviewing areas of significant expenditure across the business, the Investment Committee not only supports the successful implementation of the Company strategy but also offers robust challenge and ensures that risk assessments are conducted.'

**Jamie Hopkins**  
Chief Executive Officer

## Risk Committee

### Composition of the Committee

- Jamie Hopkins, Chief Executive Officer
- Chris Pieroni, Operations Director
- Carmelina Carfora, Company Secretary
- Vivienne Frankham, Head of Finance
- Kate Ankers, Chief Accountant
- David Rees, Finance Manager
- Claire Dracup, Head of Support Services<sup>1</sup>

In addition, employees from across the business, specifically, Centre Managers, will attend meetings of the Committee, by invitation, where they are asked to share any information which they feel is relevant in order to assist the Committee in evaluating possible future risks to the Company.

The following also attended meetings of the Committee during the year, again by invitation, in order to discuss their risk registers and to contribute to the discussions relating to their respective areas of expertise:

- Chief Financial Officer
- Development Director
- Head of IT
- Head of Support Services
- Other senior staff

The Risk Committee is chaired by Jamie Hopkins and meets every month.

1. Joined Committee from April 2016.

### Role of the Risk Committee

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

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

### Issues covered in 2015/16

During the year, the Risk Committee undertook the following tasks:

- Reviewed and discussed the strategic risks for circulation to the Audit Committee and for inclusion in the Annual Report.
- Considered the operational risk registers for each functional area and agreed any changes.
- Received presentations from Senior Management, concerning controls over certain parts of the business or specific risks.
- Agreed an annual internal control review programme which is also circulated to the Audit Committee.
- Developed a robust framework for preparation of the Viability Statement.
- Discussed cyber security risk and agreed to include it as a distinct item in the risk register.

### Case study:

#### Cyber security risk

Cyber crime represents a serious and increasing threat to businesses. Consequently, in order to recognise the heightened threat, cyber security has been included as a distinct risk in its own right, in our risk register and will be the subject of regular review.

Given the potential impact of a cyber-attack on our operations, it is being closely monitored by the Risk Committee and the Board, whilst monitoring guidance published by both the Government and our external advisors.



Workspace head office

### **Compliance with the UK Corporate Governance Code**

The Company has, throughout the year ended 31 March 2016, fully complied with the provisions of the UK Corporate Governance Code (the 'Code') published in September 2014 which is the version of the Code which applies to the Company for its financial year. A copy of the Code is available at [www.frc.org.uk](http://www.frc.org.uk). The application of the principles contained in the Code is described below. Detailed reports on the Nomination Committee, the Audit Committee and Remuneration Committee can be found on pages 88 to 97 and pages 98 to 119.

## **Leadership**

Our governance framework which is shown on page 65 illustrates how our internal processes operate, all of which support good governance practices throughout the Group.

The Executive Directors also provide regular updates to the Board on different aspects of the business ranging from progress being made on our refurbishment and redevelopment projects, trading performance, the rationale for acquisitions and disposals and how these are aligned to our strategy and, informing the Board on the discussions held with analysts and investors.

Furthermore, the Board's visit to some of our properties is an important part of them understanding the business first hand. For example, the Board site visits in March 2016 proved beneficial as it provided the opportunity for the Board to interact with site staff. Non-Executive Directors had the opportunity to meet with local management and centre staff, to reinforce and extend their knowledge and understanding of some key properties within the portfolio.

All of these factors provide a different perspective for our Board which enables the Non-Executive Directors to support and offer constructive challenge to the executive management team.

### **The role of 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 key responsibilities of our Board and those matters reserved for its decision are as follows:

#### **Responsibilities**

- Agree strategic plans and business objectives.
- Approve the acquisition of investment properties and disposals.
- Review and agree financing arrangements and capital expenditure.
- Review the Group's systems of internal control, governance and risk management.

### **Matters reserved for its decision**

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, business objectives and annual budgets.
- Succession planning for the Board and Senior Management.
- Approval of significant funding decisions.
- Review and approval of corporate transactions.

Other day-to-day operational decisions are delegated by the Board to the Executive Committee, subject to formal delegated authority limits. The schedule of matters reserved for the Board's decision can be accessed on the Company website at [www.workspace.co.uk](http://www.workspace.co.uk)

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.

Details of the Group strategy are set out in the Strategic Report on pages 4 to 61.

Details of the risk management and internal control system can be found on page 97.

### **Board and Committee meetings attendance**

The Board has regular scheduled meetings throughout the year. It held nine meetings during the year under review. Supplementary meetings or Board conference calls are held between formal Board meetings as and when necessary.

The Board has a number of standing Committees, namely Nomination, Audit and Remuneration to which specific responsibilities have been delegated and for which written terms of reference have been agreed. Further details of the work of these Committees can be found on pages 88 to 119.

The Directors are expected to attend all meetings of the Board, the 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 2016 are set out in the table below.

## Scheduled meetings and member attendance

	Board	Audit	Remuneration	Nomination
Daniel Kitchen	9/9	-	10/10	2/2
Jamie Hopkins	9/9	-	-	-
Graham Clemett	9/9	-	-	-
Chris Girling <sup>1</sup>	9/9	3/3	10/10	1/2
Damon Russell	9/9	3/3	10/10	2/2
Maria Moloney	9/9	3/3	10/10	2/2
Stephen Hubbard	9/9	3/3	10/10	2/2

### Notes:

- Chris Girling did not attend one meeting of the Nomination Committee as the business of the meeting was in relation to his reappointment as a Director of the Company.

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 the Committee Chairman prior to the meeting.

## Board Committees

The Board has a number of standing Committees, namely the Remuneration, Audit, and Nomination Committees<sup>1</sup>, 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 Nomination, Audit and Remuneration Committees are available for inspection on the Company's website at [www.workspace.co.uk](http://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 88 to 119.

## Division of responsibilities

### The Roles of the Chairman and Chief Executive Officer

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

The Chairman, Daniel Kitchen, is primarily responsible for the operation and leadership of the Board and ensuring its effectiveness. The Chief Executive Officer, Jamie Hopkins, 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 Chairman

The Chairman sets the Board's agenda and ensures that important matters, in particular strategic issues, receive adequate time and attention at meetings. 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 and informal dinners with the Non-Executive Directors, without the Executive Directors being present. The discussions largely revolved around succession planning and other matters of interest.

When Daniel Kitchen became Chairman in July 2011, he was considered to be independent on appointment. The Board considers the Chairman to be independent.

### Non-Executive Directors

The Senior Independent Director, Chris Girling, is available to provide an alternative communication channel for shareholders if required. He can also deputise for the Chairman in his absence.

The Senior Independent Director also chairs an annual meeting of the Executive and Non-Executive Directors, without the Chairman present, to appraise the Chairman's performance and address any other matters which the Directors might wish to raise. The Senior Independent Director conveys the outcome of these discussions to the Chairman.

## Leadership structure

The leadership of the Company is based on strong and effective governance through information and knowledge sharing throughout the business. In discharging its obligations, along with their own skills and experience, the Board draws on the expertise throughout the business and

from external advisors to ensure that its judgements are based on sound and timely information. For that reason, we do not show our Governance as a traditional hierarchy but as the Board table and all of those who provide input to the Board's work.

### The Board

#### Executive Directors

##### **Jamie Hopkins, Chief Executive Officer**

**Role:** With extensive experience in the property sector, Jamie provides strategic direction for the Company, business development and investor relations.

##### **Graham Clemett, Chief Financial Officer**

**Role:** To manage the Group's financial activity, Graham has extensive experience in finance and banking.

#### Non-Executive Directors

##### **Daniel Kitchen, Non-Executive Chairman**

**Role:** As Chairman of the Board, Daniel is also Chairman of the Nomination Committee. He brings independence and strong leadership skills.

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

**Role:** To independently advise the Board, Chris has a detailed knowledge of risk assessment and infrastructure development experience.

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

**Role:** Maria brings a wealth of experience from a legal background, as well as property and telecoms.

##### **Damon Russell, Non-Executive Director**

**Role:** Member of the Remuneration, Nomination and Audit Committees. Damon brings extensive TMT experience to the Board.

##### **Stephen Hubbard, Non-Executive Director**

**Role:** Stephen has a wealth of experience in the property sector. As a member of each of the Board Committees he provides further independent advice to the Board.

### Company Secretary

##### **Carmelina Carfora, Company Secretary**

**Role:** Carmelina is Secretary to the Board and its Committees, providing governance and compliance advice.

### Board Committees

#### Nomination Committee

**Role:** To continually develop the skills and experience of the Board and to meet the changing needs of the business.

#### Audit Committee

**Role:** To review and report on the Group's financial reporting, internal controls and risk management process.

#### Remuneration Committee

**Role:** To ensure that remuneration arrangements underpin the Group's strategy and to attract and retain critical talent.

### Internal Committees

#### Executive Committee

##### **Jamie Hopkins, Chief Executive Officer**

**Role:** Overall management of the Company strategy, investor relations and daily operations of the Group.

##### **Graham Clemett, Chief Financial Officer**

**Role:** Overseeing the Group's financial activity, treasury tax, Company secretarial and governance, and managing the Group's IT strategy.

##### **Angus Boag, Development Director**

**Role:** Responsible for the planning and development of properties, managing the portfolio and Corporate Social Responsibility.

##### **Chris Pieroni, Operations Director**

**Role:** To manage the Company assets, professional services and overall business operations and development.

#### Investment Committee

**Role:** To ensure that any significant expenditures across the business are made in support of the Company strategy.

#### Risk Committee

**Role:** To manage strategic and operational risks in each functional area of the business and assess internal controls.

### Senior Management

**Role:** To assist the CEO in managing the day-to-day activities of the Group.

### External

#### Independent Auditors

**Role:** To audit the financial and non-financial matters within the Group to ensure the Company's compliance with applicable accounting standards, laws and regulation and report to shareholders.

#### Independent advisors

**Role:** To advise the Board on valuation, legal matters and market developments.




'Our leadership provides agile and responsive decision-making to keep pace with a dynamic marketplace within the safeguards of a sound governance framework.'

**Jamie Hopkins**  
Chief Executive Officer

### Board activities in 2015/16

#### In the Boardroom:

The Board met formally throughout the year, with main meetings timed around the financial calendar and additional meetings convened to consider an annual cycle of topics including the annual strategy day, key management and financial updates, review of risk as well as the approval of acquisitions and refurbishment programmes. Attendance at Board and Committee meetings held during the year is shown on page 75.



BOARD ROOM

#### Engaging with the business:

In March 2016, as part of a planned Board tour, the Board and members of the Executive Committee visited four properties:

- Angel House, Angel
- Canalot Studios, Ladbroke Grove
- Grand Union Studios, Ladbroke Grove
- Westbourne Studios, Portobello

The Board also met with centre staff and customers.





The following six areas represent the primary focus of the Board in discharging its governance obligations and promoting the overall performance and long-term growth of the business.

### 1. Strategy

The Board plays an active role in ensuring that the business has the right strategy for current and expected market conditions.

#### Progress in 2015/16

- Held a review of strategy with the Executive Directors and other members of the Senior Management team.
- Received an overview of the annual Capital Markets Day with analysts and investors which was held in October 2015.
- Held a separate meeting with the Chief Executive Officer to review succession planning.

### 2. Trading performance

The Board regularly monitors performance and the balance sheet to assess whether the strategy is effective and whether the business model is responding and adapting to customer needs and overall trends and conditions in the London property market.

#### Progress in 2015/16

- Reviewed monthly performance against budget and other finance matters, including budgets and business plans.
- Considered, in detail, the annual and interim results, interim management statements and dividends.
- Discussed treasury and cash management matters.
- Discussed Group tax matters.
- Received updates on market and broker reports.

- These sites were selected for the Board tour as they represented a good cross section of activity within the business, comprising a redevelopment, a past refurbishment, a repositioning and a new acquisition.

The full calendar of events undertaken by the Board are detailed on pages 79 to 81.



#### • Angel House, Angel Acquired June 2015

This property is currently undergoing a planned refurbishment of reception and common parts.

### 3. Property valuation and investment

Maximising the value of our properties requires the Board to approve investment decisions based on robust market data and financial analysis. The Board reviews and challenges the valuation of the portfolio and reviews and approves major development projects.

#### Progress in 2015/16

- Considered and approved the property valuations performed by CBRE.
- Approval of redevelopment activity and major refurbishments.
- Significant investment decisions including five property acquisitions during the year of £101m and we realised £95m from the disposal of six industrial properties.
- Received updates from the Development Director on the status of planning consents.

### 4. Governance, risk and internal controls

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

#### Progress in 2015/16

- Regularly reviewed the principal risks and risk appetite.
- Received reports on Health and Safety and the activity undertaken in terms of staff training and audits being undertaken.
- Received reports on governance issues, including legal and regulatory updates. This also included an overview of the new Market Abuse Regulations provided by the Company legal advisers in March 2016 and other specific updates provided by the Auditors, PwC.
- Considered the AGM resolutions and voting outcomes.
- Conducted a review of the Company's Viability Statement.



#### • Canalot Studios, Ladbroke Grove Acquired December 2002

This property has undergone major refurbishment works over the last 10 years.



#### • Grand Union Studios, Ladbroke Grove Acquired July 1987

A brand new building completed in December 2015 following a mixed-use redevelopment scheme.

## 5. Shareholder engagement

The Board is committed to active dialogue with shareholders and seeking their views on relevant governance matters.

### Progress in 2015/16

- Reviewed reports from the Company's brokers on shareholder feedback from the Annual Capital Markets Day and meetings with the Chief Executive Officer and Chief Financial Officer.
- Reviewed the 2015 AGM Shareholder Circular and proxy voting figures.

## 6. Succession planning and Board performance

The Board understands that the strength of its governance relies on having the right mix of skills and experience around the Board room table and ensuring there is continuity in Board membership. The Board conducts a rigorous evaluation of its performance each year and actively plans for succession.

### Progress in 2015/16

- Conducted the Board evaluation for the period to 31 March 2016 and reviewed the actions arising from the external Board Evaluation conducted in 2015.
- Conducted a review of succession planning for the Board and Senior Managers and discussed training and development requirements.

### Regular agenda items discussed:

In addition to the matters noted, the Board regularly receive briefings from senior staff and external advisors. It considers matters such as compliance with legislation, employee relations and other relevant issues to ensure there is a strong focus on promoting a positive and innovative culture throughout the business.



### Westbourne Studios, Portobello Acquired January 2002

A long-held asset in our like-for-like portfolio which we continue to upgrade, most recently having refreshed the atrium.

## Effectiveness

### Board composition

As at 31 March 2016, the Board comprised the Chairman, two Executive Directors and four Independent Non-Executive Directors.

Further biographical information on each of our Directors can be found on pages 66 to 68, which shows the breadth of their skills and experience and membership to the Committees. All of our Directors have significant experience and knowledge of the sector in which we operate. The Non-Executive Directors bring industry experience from a wide range of backgrounds.

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 Independent Non-Executive Directors meets the requirement of the Code for at least half the Board, excluding the Chairman, to be independent Non-Executive Directors.

### Independence of Non-Executive Directors

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, was specifically considered. The Board is satisfied that he remains independent and has established a protocol to ensure that Stephen has no involvement, at any stage, in the Group's valuation exercise. He also takes no part in any of the discussions concerning CBRE's role and fees.

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 Nomination 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.

### Appointments to the Board

The Nomination Committee, is chaired by Daniel Kitchen, the Company Chairman and comprises all of the Non-Executive Directors. As needs arise, the Committee is assisted by external search consultants.

The Committee ensures that there is a formal, rigorous and transparent procedure for the appointment of new Directors, with the first step being a detailed evaluation of the current composition of the Board, taking into account the balance of skills, experience, knowledge and diversity.

The Committee then prepares a candidate specification for approval by the Board.

There has been no Board Director recruitment activity for the year under review.

In accordance with the Code, all Directors wishing to continue will retire and offer themselves for re-election by shareholders at the Annual General Meeting on 14 July 2016.

The Nomination Committees terms of reference can be found at [www.workspace.co.uk](http://www.workspace.co.uk).

Further work of the Nomination Committee can be found on pages 88 to 90.

### Independent advice

The Directors can, for the purpose of discharging their duties, obtain independent professional advice at the Company's expense. No Director had reason to use this facility during the year.

### 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, 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 gender, skills and experience is maintained. Further details on our diversity policy can be found on page 37.

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 at Board meetings.

- Details of the business experience and skills held by each Director can be found in the Directors' biographies section of this Annual Report on pages 66 to 68.

## 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.

Non-Executive Directors will seek approval from the Chairman, prior to assuming additional external commitments which may affect their time available to devote to the Company. The Board is advised of any changes.

The Board is satisfied that all Non-Executive Directors are contributing effectively to the operation of the Board.





Positions held by the Non-Executive Directors are detailed in the section on Directors' biographies on pages 67 to 68.

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.

## Induction, training and development

All new Non-Executive Directors joining the Workspace Board, undertake a formal and personalised induction programme. This will cover, for example, the operation and activities of the Group (including site visits and meeting members of the Senior Management team), the Group's principal strategic risks; the role of the Board, the decision making matters reserved to it; the responsibilities of the Board Committees; and the strategic objectives.

### Board induction programme

-  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.

We recognise that our Directors have a diverse range of experience, and so we encourage them to attend external seminars and briefings at the Company's expense in areas considered appropriate for their professional development. Furthermore, through participation at meetings and through visits to estates, meetings with Senior Management and advisers, Directors also increase their knowledge and familiarity of the Group. This will assist them individually, as members of the Board and also on the Committees on which they serve.

Our Non-Executive Directors engage fully in the ongoing development programme. During the year, this was delivered in a number of ways, including:

- Specific, tailored training for our Audit Committee, delivered by PricewaterhouseCoopers LLP. The key themes focused around the developments in financial and narrative reporting, accounting and auditing standards and the requirements for publishing a Viability Statement.
- Updates were provided to the Remuneration Committee on changes in remuneration governance and new disclosure requirements.
- Regular updates on regulatory and legislative developments, which are provided to the whole Board by the Company Secretary.

## Information and support to the Board

The Directors have access to independent professional advice at the Company's expense, as well as to the advice and services of the Company Secretary, Carmelina Carfora. Her biography can be found on page 68. Through the Chairman, Carmelina is responsible for advising the Board on matters of Corporate Governance and ensuring that Board procedures are complied with. The Board and its Committees receive high-quality, up-to-date information for them to review in good time before each meeting.

In consultation with the Chairman, the Chief Executive Officer and Chief Financial Officer, the Company Secretary manages the provision of information to the Board for their formal Board meetings and at other appropriate times.

The Board uses an electronic Board paper system which provides quick, easy and secure access to Board papers and materials. Prior to each Board meeting the Directors receive, through this system, the agenda and supporting papers to ensure that they have the latest and relevant information in advance of the meeting.

After each Board meeting, the Company Secretary operates a comprehensive follow up procedure to ensure that actions are completed as agreed by the Board.

The Chief Executive Officer and the Chief Financial Officer ensure that the Board is kept fully aware on a timely basis of business matters relating to the Group.

## Board performance evaluation

### Outcome of our 2014/15 external Board evaluation

The progress achieved during the year for those actions identified as part of the external Board evaluation conducted in 2014/15 is detailed below.

#### Refine structure of the strategy day and how strategic discussions may be facilitated.

##### Progress during 2015/16:

- ✓ Annual Board strategy day held in September 2015. Senior Managers were invited to attend parts of the meeting to provide an overview of ongoing initiatives.

#### To continue to focus on succession planning, with greater visibility of the succession plans for Senior Management.

##### Progress during 2015/16:

- ✓ Succession and development plans for Senior Management were reviewed and discussed during the year.

#### Review current induction process with the introduction of customer engagement.

##### Progress during 2015/16:

- ✓ The current induction programme remains under review and will continue to evolve depending on any specific requirements of new Directors who are appointed to the Board.

#### Non-Executive Directors to be advised of customer events during the year to which they may attend.

##### Progress during 2015/16:

- ✓ Customer events will be notified to Non-Executive Directors as appropriate.

The Board recognises the benefit of annual evaluation, enabling it to improve its effectiveness and that of its Committees and Directors. For the year under review, the Company Secretary facilitated the Board effectiveness review, having undertaken an externally facilitated evaluation last year.

### 2015/16 Board effectiveness review

#### Topics discussed by Directors:

- How the Board works together.
- The Company's strategic objectives.
- How well the Board members understand the competencies and capabilities of Senior Management.
- Succession planning.
- The continued evolution of Board training and development.

The Company Secretary reviewed the responses and discussed them with the Chairman. The results of the evaluation were then presented at the March 2016 Board meeting.

The feedback from this year's Board effectiveness review was positive. It concluded that the Board is working well, and that each Director continues to contribute effectively and demonstrate commitment to their roles.

The themes noted for further action are detailed below.

#### Maintain focus on succession planning, resourcing, and training and development needs of Board members.

##### Proposed actions:

The Board plans to continue to focus on succession planning. The Company Secretary will work with individual Board members and the Board more generally, to identify and develop appropriate training and development requirements.

#### Continue the ongoing programme of Board engagement with the business through activities such as site visits.

##### Proposed actions:

The Board has requested that the Senior Management team develop a programme of activities for the forthcoming year.

### Chairman's evaluation

The Senior Independent Director 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. During the year under review, it was 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.

## Re-election of Directors

All Directors will stand for re-election at the AGM on 14 July 2016. Following the 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 enables them to discharge their duties effectively in fulfilling their duties on the Board and as members of the Board Committees. Consequently, the Board is of the opinion that the Directors seeking re-election at the Annual General Meeting have continued to give effective counsel and commitment to the Company and, accordingly should be 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 117. None of the Non-Executive Directors have service contracts.

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

Chris Girling and Damon Russell's first term of appointment as Non-Executive Directors expired on 7 February 2016 and 29 May 2016 respectively. Following a review of their performance, the Nomination Committee recommended that their appointment should be extended for a further three-year term. This recommendation was agreed by the Board.

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 66 to 68.

## Accountability

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 position and performance, business model and strategy.

The Group's strategy and business model can be found on pages 4 to 61. A statement of the Directors' responsibilities regarding the financial statements is set out on page 124.

### Internal Control and Risk Management

The Board has reviewed the Group's system of internal controls and risk management throughout the year. Processes and procedures have been established to enable the Directors to report on the effectiveness of internal controls in compliance with the Code. These processes and procedures involve the analysis, evaluation and management of the key risks to the Group. Further details are contained in Principal risks and uncertainties on page 97.

An assessment of the principal risks facing the Company is set out on pages 43 to 51.

### Going Concern and Viability Statement

Going Concern disclosures are included alongside the Viability Statement on page 52.

### Takeover directive

Share capital structures are included in the Directors' Report on pages 121 and 122.

### Audit Committee and Auditors

The Audit Committee comprises four independent Non-Executive Directors. It met three times during the year under review, with meetings organised around the Company's reporting schedule.

Chris Girling, the Chairman of the Audit Committee, has been determined by the Board to have relevant financial experience as required by the Code.

The Audit Committee meets at least twice a year with its Auditors, PwC, with no Company management present.

Further details on the work of the Audit Committee can be found in the Audit Committee Report on pages 91 to 97. Details of the composition of the Audit Committee are set out on page 91.

### Remuneration

The principal responsibility of the Remuneration Committee is to determine and agree, with the Board, the overall remuneration principles and the framework for remuneration of the Executive Directors.

Details of the Directors' remuneration can be found on pages 98 to 119.

## Relations with Shareholders

### Shareholder engagement

A high priority is given to communication with shareholders and the Company maintains regular dialogue with all investors, including major institutions and private client fund managers. The Company has a comprehensive investor relations programme. The Chief Executive Officer, Chief Financial Officer and the Head of Corporate Communications meet regularly with institutional shareholders and sell-side analysts to present the Company's results and discuss the business model, strategy and marketplace. The Company also engages with shareholders through various online communications, at the Annual General Meeting and at an annual Capital Markets Day, as well as external investor conferences.

Discussions with institutional shareholders are held throughout the year on a range of issues 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 financial media throughout the year in the UK, Europe and the United States.

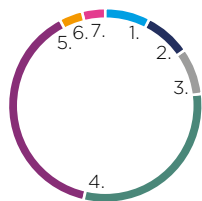
The Board receives reports of meetings with institutional shareholders together with regular market reports and brokers' reports which enable the Directors to understand the views of shareholders.

The Chairman is also available to meet with shareholders, independently of the Executive Directors, as required.

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/investors](http://www.workspace.co.uk/investors).

The Company launched new customer and investor websites in December 2015. This is an important means of communication and a key source of information for shareholders and prospective investors. It contains RNS announcements, a live share price feed and calculator and other information including an archive of published results and reports, press releases, details about the Group's assets and contact information for the Company's operational and investor relations team.

### Overall balance of activities 2015/16



1. Analyst Engagement **2**
2. Investor Roadshows **2**
3. Webcasts **2**
4. Bank & Industry Conferences **8**
5. Investor Tours **10**
6. The Annual General Meeting **1**
7. Capital Markets Day **1**

## Workspace Investor Relations Programme

### Workspace investor relations programme includes the following activities:

#### 1. Analyst Engagement

The Executive Committee engages with sell-side analysts formally at the Full and Half Year results presentations. In addition, the Finance Director and Head of Corporate Communications are in regular dialogue with analysts throughout the year as they update their models and publish research on the Company.

**Why it is important:** The sell-side analyst community provides regular research on the Company to existing and prospective investors and it is important that analysts have up to date and accurate information in order to present a fair view.

**Frequency:** Two formal meetings per year, plus regular ongoing dialogue.

#### 2. Investor Roadshows

In addition to the results presentations, which investors attend as well as analysts, management carry out investor roadshows in the UK after the Full and Half Year results, generally spending four to five days on the road in London and Edinburgh. Additional roadshows are arranged on an ad hoc basis to regional cities in the UK, Continental Europe and the US.

**Why they are important:** The roadshows give shareholders an opportunity to meet with management one-on-one or in small groups, discuss the results, business model and strategy and raise any concerns they may have.

**Frequency:** Two formal roadshows per year, plus up to two further roadshows arranged ad hoc.

#### 3. Webcasts

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

**Why they are important:** The webcasts allow analysts and investors to follow the results presentation if they cannot attend the event in person and broaden the Company's reach to investors based overseas.

**Frequency:** Twice per year.

#### 4. Bank & Industry Conferences

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

**Why they are important:** They are a good opportunity to keep abreast of industry trends, build relationships with key players in the sector and demonstrate the strength and depth of the management team. Additionally, they often provide an opportunity to hold one-on-one and group meetings with investors outside of the formal roadshow schedule.

**Frequency:** Around eight conferences per year.



The Company continues to make full and transparent disclosure through its Full and Half Year Results. In addition, the Company published Regulatory News Services ('RNS')

announcements on corporate activity during the course of the year, such as acquisitions and announcements of planning approval, as well as two quarterly trading updates.

## Activities by Executive Committee Member 2015/16

### 5. Investor Tours

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

**Why they are important:** The tours showcase the properties within the portfolio and the high levels of activity ongoing across the Group. They demonstrate the business model in action and introduce investors to a broad spread of Workspace employees, including Centre Managers.

**Frequency:** More than 10 tours conducted per year.

### 6. The Annual General Meeting

Held annually, the Annual General Meeting takes place at the Company Headquarters and is attended by the full Board of Directors. Details of the resolutions to be proposed at the Annual General Meeting on 14 July 2016 can be found in the Notice of Annual General Meeting which is available at [www.workspace.co.uk](http://www.workspace.co.uk) and will be dispatched to shareholders who have requested a hard copy of the documentation from the Company. All shareholders are invited to vote on the Resolutions and the results are made available after the meeting and published on our investor website.

**Why it is important:** It provides shareholders with a forum to put questions to the Board of Directors and to vote on important issues within the business, such as remuneration.

**Frequency:** Once a year.

### 7. Capital Markets Day

The Capital Markets Day is held once a year and includes a tour of the Group's properties and in some cases, a management presentation. The Executive Directors are all present on the tour, as well as Centre Managers and other members of the management team.

**Why it is important:** As well as showcasing the Group's properties, it allows Workspace to demonstrate how it is driving value and growth from its real estate and customer proposition. Analyst feedback from the 2015 Capital Markets Day was that the tour 'brought the assets to life', 'was informative' and 'shows just how profitable their developments are'. In addition, the small group format was appreciated as it provided plenty of time and access to the Senior Management.

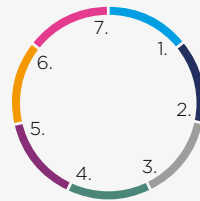
**Frequency:** Once a year.

### Jamie Hopkins Chief Executive Officer



1. Analyst Engagement
2. Investor Roadshows
3. Webcasts
4. Bank & Industry Conferences
5. Investor Tours
6. The Annual General Meeting
7. Capital Markets Day

### Graham Clemett Chief Financial Officer



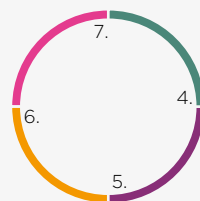
1. Analyst Engagement
2. Investor Roadshows
3. Webcasts
4. Bank & Industry Conferences
5. Investor Tours
6. The Annual General Meeting
7. Capital Markets Day

### Chris Pieroni Operations Director



4. Bank & Industry Conferences
5. Investor Tours
6. The Annual General Meeting
7. Capital Markets Day

### Angus Boag Development Director



4. Bank & Industry Conferences
5. Investor Tours
6. The Annual General Meeting
7. Capital Markets Day

## Nomination Committee Report



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

**Daniel Kitchen**  
Chairman of the Nomination Committee

### Composition of the Committee

**Daniel Kitchen**

Chairman of the Nomination Committee

### Members of the Committee

- Stephen Hubbard
- Maria Moloney
- Chris Girling
- Damon Russell

• For full biographies see pages 67 and 68.

### Role of the Committee

Review and recommend the structure, size and composition of the Board and its Committees. It is also responsible for succession planning of the Board and Senior Management. The Committee promotes the overall effectiveness of the Board and its Committees.

### Issues covered in 2015/16

- Succession planning.
- Training and development.
- Reappointment of Board members.

### Areas of focus in 2016

- Continue to develop and monitor succession plans both at Board and Senior Management level.
- Monitor the length of tenure of the Chairman and Non-Executive Directors.
- Consider the composition of the Board to ensure that there is an effective balance of skills, experience and knowledge.

## Dear Shareholder

Welcome to the Report of the Nomination Committee for the year ended 31 March 2016. Each year, the Nomination Committee undertakes a review of the Group’s succession plans for the purpose of ensuring that the membership and composition of the Board, including the balance of skills, continue to be appropriate. During the year, the Nomination Committee met twice and attendance at these meetings is shown on page 75.

This year, succession planning of Senior Management was a particular area of focus for the Nomination Committee. The Committee considered reports on the subject in respect of Executive Directors and Senior Managers.

As part of its work to promote a strong and effective culture, the Nomination Committee considered the personal development and training requirements of senior staff. The Nomination Committee is keen to promote opportunities for staff to develop and advance the culture of Workspace.

Both Chris Girling and Damon Russell completed their first three-year term as at May 2016. Consequently, the Committee considered their independence prior to recommending to the Board that their reappointments should be extended.

### Succession planning and development

We have continued to develop and monitor succession plans both at the Board and at Senior Manager level. The Chief Executive Officer presented to the Committee details of the succession planning and development programmes for Senior Management.

### Board effectiveness and skills

As part of its work on the Board’s effectiveness, the Nomination Committee activities included:

- Consideration of the number of Executive and Non-Executive Directors on the Board and whether the balance is appropriate to ensure optimum effectiveness.
- Reviewing the balance of industry knowledge, relevant experience, skills and diversity on the Board.
- Assessment and confirmation that all the Non-Executive Directors remain independent.

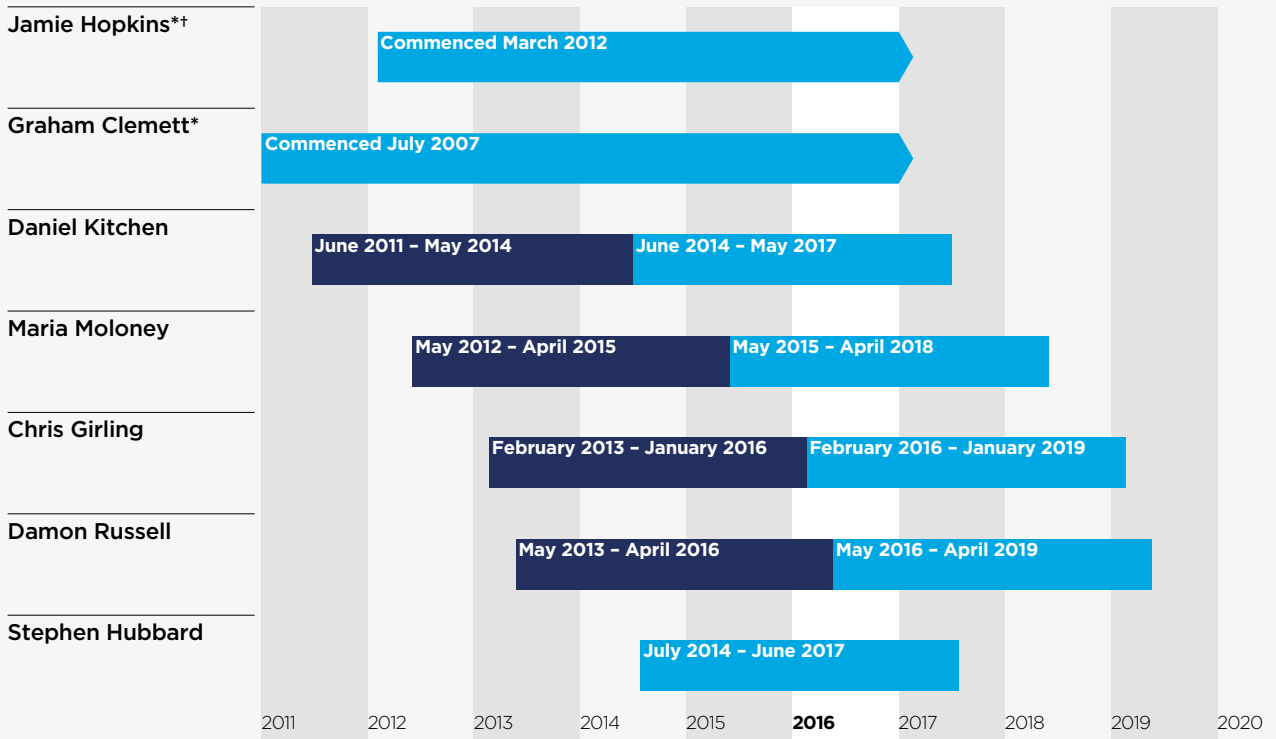
This year, as it does annually, the Board conducted an evaluation of its own performance. It was conducted internally and facilitated by myself and the Company Secretary.

The results of this review were discussed as part of the Board meeting in March 2016. The Nomination Committee is confident that each Director remains committed to their role; the Board continues to work well and has an appropriate and diverse mix of skills and industry knowledge. The Directors collectively bring a range of expertise and experience of different business sectors to Board deliberations, which encourage constructive and challenging debate around the boardroom table.

**A stable Board**

Effective succession planning has been an ongoing priority for the Nomination Committee along with ensuring the Board continues to be effective in carrying out its responsibilities. With the renewal of the term of the majority of Non-Executive Directors, the focus this year has been on continuing to develop the Board.

**Directors' tenure as at 31 March 2016**



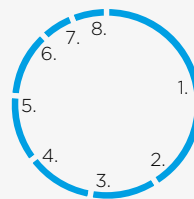
- Initial term
- Duration of current term

\* 12-month rolling contract.  
 † Appointed Executive Director in March 2012 and Chief Executive Officer in April 2012.

The Nomination Committee continues to work to balance the skills and experience of the Board members to meet the changing needs of the business.

The mix of skills keeps us relevant and up-to-date with the market.

**Board experience 2016**



- 1. Property **24%**
- 2. Financial **16%**
- 3. Construction **12%**
- 4. Telecoms and media **12%**
- 5. Advisory **12%**
- 6. Legal **12%**
- 7. Local council **6%**
- 8. Utility **6%**

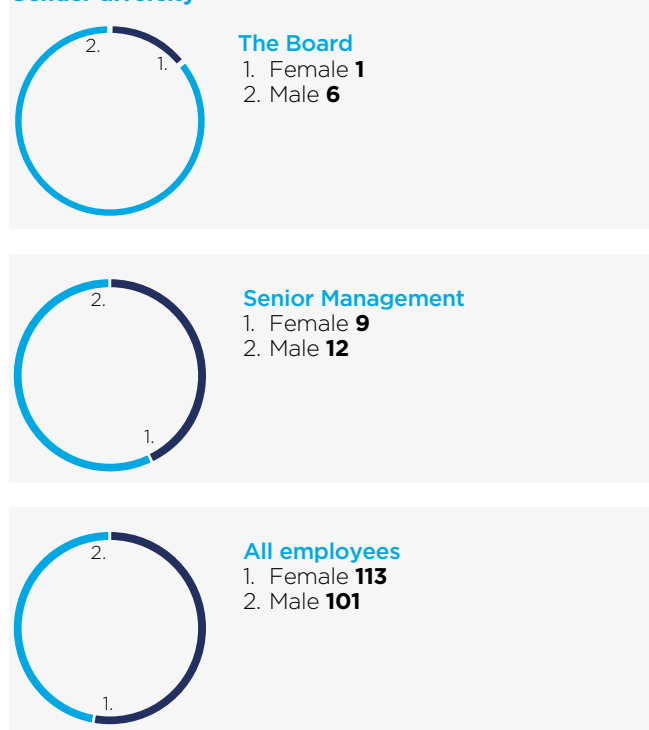
### Corporate Governance

During the year, the Committee also reviewed and agreed Terms of Reference for the Nomination Committee. There were no significant changes made to the existing Terms of Reference. These can be found on our website at [www.workspace.co.uk](http://www.workspace.co.uk).

### Diversity

The Board's policy on diversity is that selection should be based on the best person for the role and to ensure that its composition has an appropriate balance of skills and diversity to meet the requirements of the business. The Board considers that quotas are not appropriate in determining its composition, and has therefore chosen not to set targets. The benefits of diversity, including gender diversity, will continue to be an active consideration whenever changes to the Board's composition are contemplated. Further details on diversity can be found on page 37. Gender diversity of the Board and Company is set out below:

#### Gender diversity



### Non-Executive appointments and time commitments

In making recommendations to the Board on Non-Executive Director appointments, the Nomination 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.

Prior to accepting any additional commitments, Non-Executive Directors will, in the first instance, discuss these with the Company Chairman. Agreement of the Board is then required to ensure that any conflicts of interest are identified and that they will continue to have sufficient time available to devote to the Company.

### Independence and re-election to the Board

The composition of the Board is reviewed annually by the Nomination Committee to ensure that there is an effective balance of skills, experience and knowledge.

The Committee conducted a specific review of the independence of Chris Girling and Damon Russell in the year as their three-year appointments were due to expire on 7 February 2016 and 29 May 2016, respectively. Neither Chris nor Damon was present during the Committee's discussion. Having conducted its review, the Committee was satisfied that it was appropriate to recommend to the Board that Chris and Damon's appointments should be extended for a further three years, subject to re-election by shareholders at the Annual General Meeting on 14 July 2016.

In accordance with the Code, all Directors wishing to continue in office will retire and offer themselves for re-election by shareholders at the 2016 Annual General Meeting.

- Further biographical information on each of our Directors can be found on pages 66 to 68, which shows the breadth of experience brought to our boardroom table.

This year, as it does annually, the Board conducted an evaluation of its own performance. It was conducted internally and facilitated by myself and the Company Secretary.

**Daniel Kitchen**  
Chairman of the Nomination Committee  
7 June 2016

## Audit Committee Report



**'Managing risks and being transparent continue to be our focus to ensure the long-term viability of the business.'**

**Chris Girling**  
 Chairman of the Audit Committee

### Composition of the Committee

#### 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 67 and 68.

### Role of the Committee

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

### Issues covered in 2015/16

- Financial reporting.
- Effectiveness of the external audit.
- Portfolio evaluation.
- Review of risk (including Viability Statement).
- Review of significant judgements and fair, balanced and understandable assessment.

### Areas of focus in 2016

- Ensure that the principal risks identified by the Board are effectively managed and that the system of internal controls is robust.
- Review actions to strengthen the controls in place to manage 'cyber security risk'.
- The Viability Statement and changes in the 2014 Corporate Governance Code.
- Review the significant judgements applied in the preparation of the Annual Report and Accounts.
- Review the independence and effectiveness of the external auditors.

## Dear Shareholder

On behalf of the Audit Committee, I am pleased to present its report for the financial year ended 31 March 2016.

The Audit Committee met three times during the year. Attendance at these meetings is shown in the table on page 75. To ensure compliance with the Code, the Committee's membership is limited to Independent Non-Executive Directors of the Company.

### The right skills

The Board is satisfied that I have the required level of relevant financial and accounting experience required by the provisions of the Code, to perform the role of Chairman, having previously held chief financial officer positions in public companies. I am also a Chartered Accountant and I continue to chair the Audit Committee for another public limited company.

The Audit Committee collectively has the skills and experience required to fully discharge its duties. The Committee is authorised by the Board to seek any information necessary to fulfil its duties to obtain independent legal, accounting or other professional advice, at the Company's expense, which might be necessary for the fulfilment of its duties.

### A clear focus on material issues

During the year under review, the Committee has continued to review and report to the Board on the Group's financial and narrative reporting, internal control and risk management processes and the performance, independence and effectiveness of the external auditor, PricewaterhouseCoopers LLP ('PwC'). This report describes the Committee's main activities since my last report in 2015.

The Audit Committee has a key role in reviewing the narrative reporting and ensuring the financial statements provide a true and fair view of the Group's financial affairs. As part of this review process, we considered the significant financial judgements made during the year along with other key financial reporting issues. In this context, we considered the following three significant issues for which further detail is provided on page 94:

- Valuation of the investment portfolio.
- BlackRock Workspace Property Trust ('BlackRock JV') performance fee.
- Compliance with the REIT regime.

During the year, we also considered, as we do on a regular basis, the potential for fraud in revenue recognition, scope for management override of controls and compliance with regulation including satisfying the requirements for REIT status.

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 93 and 94.

The Audit Committee also received updates from the external auditor to discuss changes in governance and reporting requirements. Specifically, we have monitored the procedures in place to address the requirements of the revised UK Corporate Governance Code 2014 (the 'Code') around internal control and risk management.

The principal business risks facing the Company, which have been subject to robust assessment by the Board, are set out on pages 43 to 51, and the ongoing review and monitoring of the Group's risk management and internal control systems are described on page 97.

The Audit Committee and the Board have considered and assessed the long-term viability of the Company as required by the Code. An explanation of how we conducted this assessment can be found on page 95 and our Viability Statement is located on page 52.

### **Ongoing challenge and improvement**

As a Committee we are continually looking at opportunities to improve our effectiveness and better understand the risks and opportunities of the markets in which the Group operates. The Committee conducted a performance evaluation of its performance, facilitated by the Company Secretary. The topics covered in the review were focused on the core business model and risks, the skills and experience of the Audit Committee members, independence of the external auditors and the quality of interaction with them. The results of the review were then discussed at the meeting held in February 2016. The outcome of this review was positive and the Committee did not identify any material weaknesses in its effectiveness or operations. Accordingly, it was concluded that, consistent with the Code and its own terms of reference, the Audit Committee is discharging its obligations in an effective manner.

I meet regularly with both the Company's external auditor, PricewaterhouseCoopers LLP and the Chief Financial Officer, to discuss key issues relevant to the Committee's work. Ensuring these lines of communication are open and working well is vital to the success of the Committee in carrying out its work.

The external auditor has the opportunity to meet with the Audit Committee without any Executive Directors present whenever necessary and the Audit Committee ensures that this happens at least once a year. During the year, the Audit Committee held one meeting with PricewaterhouseCoopers LLP without management being present, in order to receive feedback from them on matters such as the quality of interaction with management.

In order to ensure ongoing compliance with regulatory developments, the Committee's terms of reference are reviewed annually. Whilst the terms of reference were reviewed during the year, no significant changes were made and they are available on the Company's website at [www.workspace.co.uk](http://www.workspace.co.uk).

In the year ahead we plan to continue to ensure the Group's risk management and internal controls remain robust and to help secure the long-term success of the Company.

### **Chris Girling**

#### **Chairman of the Audit Committee**

7 June 2016

The Committee's main role and responsibilities are set out in its terms of reference.

### **Meetings**

Meetings of the Audit Committee coincide with key dates in the financial reporting and audit cycle. During the year, the Committee met on three occasions to discharge its responsibilities.

We also have in attendance at meetings, by invitation of the Committee, those people and advisors listed below:

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

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

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

The Directors are responsible for preparing the Annual Report. At the request of the Board, the Committee also advises and recommends to the Board whether 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.

To make this assessment the Committee had a detailed work programme throughout the year that commenced with considering new reporting requirements and overall planning for the development of the Annual Report and Accounts. That work programme included:

- Comprehensive review of risks and internal controls including reports from the Risk Committee.
- Development of key themes and issues for the Annual Report and Accounts given the business' strategy, business model and performance.
- Reports from Senior Management.
- Advice and reviews from external advisors such as CBRE.
- Review and assurance work of the external auditor.
- Detailed review of the drafts of the Annual Report and Accounts, including a comprehensive review by the Senior Management team.
- Considered the requirements to publish a Viability Statement.

Based on its review of the relevant evidence, the Committee was satisfied that the Annual Report and Accounts was fair, balanced and understandable and

provided its recommendation to the Board. The Board's statement on the Annual Report and Accounts is set out in the Statement of Directors' Responsibilities on page 124.

**Main activities of the Audit Committee in relation to the year ended 31 March 2016**

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 page 97.

The table below summarises the agenda items covered at the Committee's meetings during this period:

<p><b>Financial and narrative reporting</b></p>	<ul style="list-style-type: none"> <li>- Reviewed the full and half year results and associated announcements.</li> <li>- Reviewed the Group's Annual Report and Accounts to consider whether, taken as a whole, they were fair, balanced and understandable and whether they provide the necessary information for shareholders to assess the Company's position and performance.</li> <li>- Received corporate reporting updates and considered the approach to the 2016 Annual Report.</li> </ul>
<p><b>External audit</b></p>	<ul style="list-style-type: none"> <li>- Reviewed and considered the PwC Reports to the Audit Committee following the Half Year and Full Year audit.</li> <li>- Discussed the Board representation letter.</li> <li>- Considered the appropriateness of the Group's accounting policies and practices.</li> <li>- Reviewed the performance of the external auditor and the effectiveness of the external audit process.</li> <li>- Discussed the audit and non-audit fees and independence of the external auditor, taking into consideration relevant professional and regulatory developments, including mandatory auditor tendering.</li> <li>- Reviewed the Audit Quality Review Report on PricewaterhouseCoopers LLP's audit findings for the prior year.</li> </ul>
<p><b>Independence and objectivity of the external auditor</b></p>	<ul style="list-style-type: none"> <li>- Considered the adequacy of the Group's procedures with regard to the objectivity and independence of the external auditor, PwC.</li> </ul>
<p><b>Portfolio valuation</b></p>	<ul style="list-style-type: none"> <li>- Considered the full and half year valuation of the Group's property portfolio and the external valuation process. Meetings were held with the external valuers to consider the portfolio valuation.</li> </ul>
<p><b>Taxation and REIT compliance</b></p>	<ul style="list-style-type: none"> <li>- Discussed the Group's compliance with REIT legislation and general tax matters.</li> </ul>
<p><b>Corporate Governance</b></p>	<ul style="list-style-type: none"> <li>- Received updates from PwC on compliance and changes in Corporate Governance matters.</li> <li>- Considered the appropriateness of the Group's Viability Statement and Going Concern assumption. The Viability Statement and Going Concern is set out on page 52.</li> <li>- Conducted the annual evaluation of the Audit Committee.</li> <li>- Reviewed the terms of reference for the Committee.</li> <li>- Received training and technical updates from the Company Secretary and PwC.</li> </ul>
<p><b>Review of risk</b></p>	<ul style="list-style-type: none"> <li>- Review of principal business risks, Risk Management and internal controls. Principal risks and Risk Management are set out on pages 43 to 51.</li> <li>- Review of fraud risk.</li> <li>- Review of cyber security risk.</li> </ul>

<b>Significant issues considered by the Committee</b>	<p>The Audit Committee considers all financial information published in the annual and half year financial statements and considers accounting policies adopted by the Group, presentation and disclosure of the financial information and, in particular, the key judgements made by management in preparing the financial statements.</p> <p>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:</p>
<b>Matter considered</b>	<b>Action taken by the Committee</b>
<b>Valuation of the investment property portfolio</b>	<p>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.</p> <p>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 newly refurbished and redeveloped properties and properties where 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, as well as an explanation for how the valuation is audited. Based on the above, the Committee was satisfied that the methodology, assumptions and judgements used by the valuers were appropriate and that the valuations were suitable for inclusion in the financial statements.</p>
<b>BlackRock Workspace Property Trust ('BlackRock JV') performance fee</b>	<p>As property manager of the BlackRock JV, the Group is entitled to a performance fee at the end of the five-year term of the fund in February 2016. This is based on the returns achieved over the life of the joint venture. Using the valuation of the remaining properties at 31 March 2016 and the returns achieved over the last five years, the fee is estimated at £24.1m. In accordance with IFRS recognition rules, this fee of £24.1m has been recognised as Other income within the financial statements. The Committee has considered the probability of the fee being received and the reliability of the calculation and is satisfied with the treatment in the financial statements.</p>
<b>Compliance with the REIT regime</b>	<p>As a Real Estate Investment Trust ('REIT'), Workspace must comply with specific rules so as to benefit from the tax exempt status on its property rental income. 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.</p> <p>During the year, the Group has been in discussions with HMRC regarding the treatment of overage in the calculation of the Balance of Business Test. These discussions have now concluded and HMRC have confirmed that there is no impact on the Group's tax exempt status for 2015.</p> <p>As at the date of these financial statements, the Group recorded Other income of £24.1m relating to the performance fee due at the end of the five-year term of the BlackRock JV. Recognition of this fee will cause the Group to fail the 75% Balance of Business test for the current year. Two consecutive breaches are required for the Group to incur a minor breach. There is no reason to expect that any further breaches will occur and so impact on the Group's tax exempt status is not expected.</p>

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.



**Viability Statement process**

The Going Concern and Viability Statements can be found on page 52.

**Developing a robust Viability Statement**

In developing the Group's Viability Statement, the Group strengthened its existing process to ensure risks were identified, understood and assessed over the period. The following factors were considered:

- The Group's current financial and operational position and the current economic outlook.
- The Group's cash flows, financing headroom and financial ratios.
- Assessment of key risks and their potential impact on the business model.

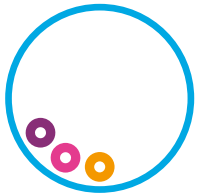
**The process we undertook**

**Stage 1:**

**Risk identification**

We reviewed both strategic and operational risks to identify the principal risks to viability over the period under consideration. We considered the risks that would impact solvency and liquidity either individually or in combination with other risks.

**Who was involved**



- Executive Committee
- Risk Committee
- Senior Management

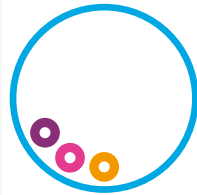
**Stage 2:**

**Risk assessment**

For each risk, we considered:

- Our risk appetite (the level of risk the Board is willing to take).
- The controls in place to mitigate the risk.
- The quantum of risk.

**Who was involved**



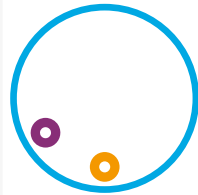
- Executive Committee
- Risk Committee
- Senior Management

**Stage 3:**

**Scenario modelling analysis**

For those risks identified as being severe enough to impact the viability of the Group, we performed sensitivity analysis to understand the potential impact on liquidity and financial ratios.

**Who was involved**



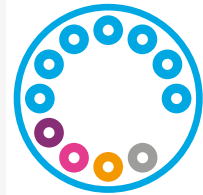
- Executive Committee
- Senior Management

**Stage 4:**

**Conclusions**

The Board was presented with the findings from this analysis and given the opportunity to question the process and findings.

**Who was involved**



- The Board
- Audit Committee
- Executive Committee
- Senior Management
- External Auditors

### **Audit tendering**

PwC has been Workspace's auditor since 1988. During the current financial year, in order to maintain good governance, we will be placing the external audit out to tender, with an audit rotation for the following year ending 31 March 2018.

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 2017 audit will be proposed at the AGM.

### **Internal audit**

Due to its size and structure, the Group does not have an internal audit function, a matter which is kept under review by the Audit Committee. However, management mandates a programme of financial, operational and health and safety internal audits at its 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 fees**

Details of audit and non-audit fees paid to PwC can be found in note 2 on page 140.

### **Annual auditor assessment**

Annually, the Committee assess the qualifications, expertise and resources, and independence of the Group's external auditors, as well as the effectiveness of the audit process. It does this through discussion with the Chief Financial Officer and confirmations from the external auditor.

PricewaterhouseCoopers LLP has confirmed to the Committee that:

- The audit of the consolidated financial statements is undertaken in accordance with the UK Firms' internal policies and procedures to ensure the objectivity of their audit report.
- They have internal procedures in place to identify any aspects of non-audit work which could compromise their role as auditors and to ensure the objectivity of their audit report.
- They believe that, in their professional judgement, the safeguards they have in place sufficiently guard against the threats to independence. Consequently, PwC consider that they have maintained their auditor independence throughout the year.

### **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 is 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.

The Audit Committee will be considering a formal policy specifying the types of non-audit service for which use of the external auditor is pre-approved. This is in response to the 'Guidance on Audit Committees' issued by the Financial Reporting Council ('FRC') in April 2016.

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:

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#### **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.

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#### **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.
-

### **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.

### **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.
- 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.

### **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.

### **Risk management and internal control**

The Audit Committee has a key role in ensuring appropriate governance and challenge around risk management. It also sets the tone and culture within the organisation regarding risk management and internal control.

Key elements of the Group's system of internal control include:

- a comprehensive system of financial reporting.
- an organisational and management Board structure with clearly defined levels of authority and division of responsibilities.
- a Risk Committee, which is chaired by the Chief Executive Officer and is attended by representatives from Senior Management and operational staff.

The Risk Committee formally reports to the Audit Committee at least twice a year on strategic and key operational risks, emerging issues and any internal control review work undertaken.

The Group aims to continuously strengthen its risk management processes, with the involvement of the Audit Committee to ensure these processes are embedded throughout the organisation. The Audit Committee has reviewed the Group's system of controls including financial, operational, compliance and risk management during the year with no significant failings or weaknesses identified.

However, any such system can only provide reasonable and not absolute assurance against any material misstatement or loss.

Further information on the Group's risks is detailed on pages 43 to 51.

### **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.

### **Chris Girling**

**Chairman of the Audit Committee**

7 June 2016

**Directors' Remuneration Report**

**Annual Statement from the Chairman of the Remuneration Committee**



**Composition of the Committee**

**Maria Moloney**

Chairman of the Remuneration Committee

**Members of the Committee**

- Daniel Kitchen
- Chris Girling
- Stephen Hubbard
- Damon Russell

• For full biographies see pages 67 and 68.

**Highlights of Committee activities in 2015/16**

- Benchmarked and reviewed the remuneration arrangements for the Executive Directors and for the Chairman's fee.
- Conducted a full shareholder consultation on executive salary arrangements.
- Considered the vesting outcome of the 2012 and 2013 LTIP awards.
- Approved the LTIP Awards to Executive Directors and Senior Managers.
- Reviewed customer satisfaction measurement methodology.
- Considered the changing legislation with regard to pensions and how this may impact Executive Directors and staff.
- Monitored developments in Corporate Governance and market trends.
- Reviewed the terms of reference of the Remuneration Committee.
- Reviewed the effectiveness of the Committee through the evaluation process which, for the year under review, was conducted internally.
- Considered Senior Managers' salary, bonus and long term incentive levels for the forthcoming year.
- Analysed the proposal for malus and clawback to be included in incentive arrangements.

'Exceptional Company performance has, once again this year, produced strong reward outcomes from our long-term plans. We firmly believe that this is the outcome of the ingrained 'pay for performance' culture which is the foundation stone of our Remuneration Policy and which drives returns for our shareholders and employees alike.'

**Maria Moloney**

Chairman of the Remuneration Committee

**Dear Shareholders**

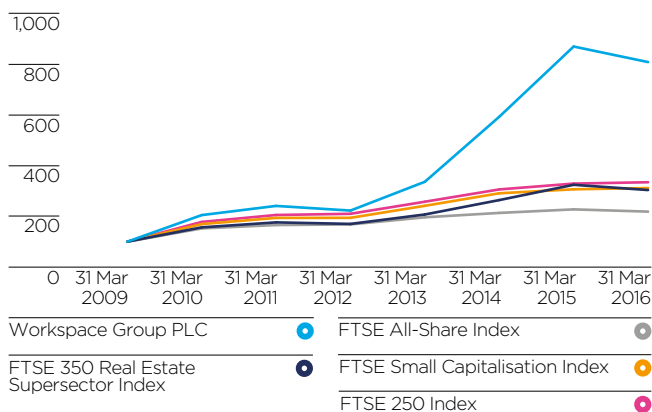
**Group performance - demonstrably strong**

As you will have seen already in the Annual Report, the Group continued to perform strongly in 2015/16 and has delivered another year of exceptional results for shareholders, achieving levels of performance which are outstanding versus the sector in general, with trading profit after interest up 65% to £43.9m (2015: £26.6m) and Net Asset Value per share up 31% to £9.23 (2015: £7.03).

**Actual performance of strategic and financial measures**

Over the last seven years, the Company's total shareholder return has grown by 35% p.a. and has significantly outperformed comparator indices, as shown by the chart below.

**Seven-year Total Shareholder Return**



The Remuneration Report is colour-coded as follows:

**Fixed elements**

- Fixed elements
- Salary
- Benefits
- Pension

**Variable elements**

- SIP/SAYE
- Annual Bonus
- LTIP
- Shareholding Guidelines

The table below shows a number of the Company's KPIs and how they are linked to incentive arrangements. The Committee is pleased to report another year of strong performance and continued strong returns for our shareholders in comparison to the rest of the FTSE.

2016	2015
<b>+65%</b> Trading profit after interest Up 65% to £43.9m	<b>+30%</b> Trading profit after interest Up 30% to £26.6m
<b>+31%</b> Net Asset Value per share Up 31% to £9.23	<b>+42%</b> Net Asset Value per share Up 42% to £7.03
<b>26%</b> Total return of 26% vs. 11% for IPD quarterly universe	<b>37%</b> Total return of 37% vs. 17% for IPD quarterly universe
<b>+25%</b> Dividend per share for full year Up 25% to 15.05p	<b>+13%</b> Dividend per share for full year Up 13% to 12.04p
<b>76%</b> Customer satisfaction	<b>77%</b> Customer satisfaction
<b>-7%</b> Total Shareholder Return	<b>47%</b> Total Shareholder Return

- Included in Annual Bonus
- Included in LTIP

### Remuneration architecture at a glance

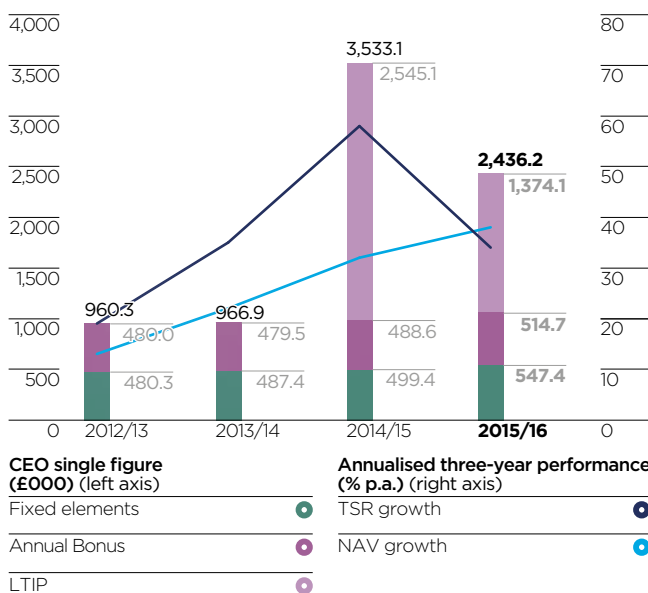
The table above shows that our performance metrics which have delivered substantial value to our shareholders have been reflected in the salary increases, the annual bonuses paid and the release of the long-term incentive awards.

- In keeping with the approved remuneration policy, we have decided to maintain the increase in annual salaries for the Executive Directors in line with the average increase for colleagues generally.
- An annual bonus equal to 114.4% of base salary has been awarded to each of Jamie Hopkins and Graham Clemett, reflecting the strong corporate performance and the personal contributions made.
- The 2013 Long-Term Incentive Plan awards fully vested on three-year performance to 31 March 2016, reflecting the value created for shareholders. These LTIP awards are due to vest in June 2016 and will be subject to a one-year holding period during which clawback provisions apply. Further detail can be found on pages 112 to 113.

### CEO single figure vs. KPIs

The Committee strives to foster a strong performance culture through the remuneration framework and, as part of this, monitors the pay-performance alignment of executive pay. This is demonstrated by the chart below, which compares the CEO single figure, since appointment, to the Company's three-year annualised Total Shareholder Return and Net Asset Value growth.

### CEO single figure vs. KPIs



The Committee also introduced some refinements to pay arrangements this year which are within the current policy:

- The introduction of clawback for annual bonus payments made in respect of the 2015/16 financial year.
- Both malus and clawback will apply for annual bonus payments made in respect of 2016/17 onwards.
- Malus will apply for LTIP awards to be granted in June 2016 onwards. LTIP awards are already subject to clawback during the post-vesting holding period.
- During the year, the Committee reviewed the Chairman's fee considering the time commitment required, responsibilities, and fees paid at companies of similar size and complexity. In particular, the Committee and the Board more generally considered the demands of the role, particularly in light of the significant success of the Company over recent years, and the Chairman's strong contribution. His experience at Workspace and his knowledge of the real estate sector are highly valued by the Board. The Committee reviewed fees paid to Chairmen at other property companies and at companies of similar size and complexity, and was concerned that the Chairman's fee, which has been reviewed once only since the Chairman was appointed five years ago, was well below comparators. The Committee therefore decided to increase his fee from £135,000 to £175,000, which moves the Chairman's fee to a level more competitive with comparators reviewed.

### **Remuneration Policy – core principles**

- As a Committee, we strive to foster a strong performance culture through a remuneration package which is heavily long-term performance based.
- Awards must be determined by reference to the delivery of the Group’s annual and longer-term business plans which reinforce sustainable growth and valuable returns to shareholders.
- In turn, we must ensure that rewards are valued by executives and are competitive in our key talent markets to enable us to attract and retain the high calibre of executives who are in demand and who can continue to drive the very strong performance you have evidenced over recent years.
- Monitoring of arrangements across the wider business as a key element of our strong performance culture, which is engaging, determined and results oriented.
- Ongoing dialogue with, and feedback from, our shareholders is fundamental to our work. We are committed to consultation prior to making any significant change to Remuneration Policy and we consider AGM feedback when reviewing and considering its implementation.

You may recall that we submitted our Remuneration Policy for approval by shareholders at the Annual General Meeting in July 2014, receiving 99.26% votes for the Policy. The Committee was also pleased with the level of support of the Annual Report on Remuneration in 2015, receiving 98.10% of votes in favour.

Given that level of support and the fact that no material changes to that policy are contemplated, we do not propose to resubmit the Policy for approval this year.

### **Shareholder support**

As ever, the Remuneration Committee takes its role very seriously and we constantly endeavour to demonstrate how much we value shareholder understanding and support, and to improve the presentation of our remuneration strategy in a manner which allows our shareholders to fully understand the rationale behind our key decisions.

For example, we have added a new table providing our ‘remuneration at a glance’ which summarises the key decisions for the year under review and for the year ahead; see page 101. Further additions include illustrations of how our remuneration elements cascade through the organisation (see page 108) and of our pay-for-performance alignment (please refer to the CEO single figure vs. KPIs chart shown on page 99).

### **The wider Company**

As noted above, as part of its role, the Committee monitors the remuneration arrangements across the wider Company as an integral part of the strong performance culture driving our business. The Committee extended LTIP participation to a wider group of Senior Managers, for the second consecutive year. These awards are subject to the same challenging TSR and NAV performance conditions as apply for the Executive Directors.

The Committee is also pleased to report that the first award under the Share Incentive Plan vested during the year. The value of these shares has increased from a share price of £3.42 at grant in March 2013, to a share price of £7.60 at vesting.

### **The year ahead**

Workspace is a strong Company, with a strong and committed leadership team. As the Company continues to evolve, our Remuneration Policy will be further considered to ensure that we remain focused on performance.

Our Remuneration Policy is in the third year of its operation. In light of this and the need to ensure that our policy remains appropriate, it will be reviewed during the year and presented for approval by shareholders at the 2017 AGM. In doing so, we will consult with major shareholders and appropriate institutional groups as part of our continuous commitment to engaging openly with shareholders as stated above.

### **In conclusion**

We have made considerable efforts to present to you a report which is easily followed as an account of the way in which the Committee has implemented the Directors Remuneration Policy during the last financial year.

The Committee members hope that you will agree with them that the outcome for the Executive Directors justifiably reflects the very strong performance of the Company and we will be seeking your approval for the 2016 Directors’ Annual Report on Remuneration as set out on pages 109 to 119, at the Annual General Meeting on 14 July 2016.

### **Maria Moloney**

#### **Chairman of the Remuneration Committee**

7 June 2016

‘A significant part of an Executive’s reward is linked to the performance of the business with a clear line of sight between business performance and delivery of shareholder value.’

**Maria Moloney**  
Chairman of the Remuneration Committee

## 1. Our Executive remuneration at a glance

### Glossary of terms

<b>EPRA NAV:</b>	Net assets after excluding mark to market adjustments of effective cash flow hedges and deferred tax relating to revaluation movements, capital allowances and derivatives.	<b>Trading profit after interest:</b>	Net rental income, joint venture trading and finance income, less administrative expenses, less finance costs.
<b>TSR:</b>	The return obtained by a shareholder calculated by combining both share price movements and dividend receipts.	<b>Malus:</b>	Downward adjustment of unpaid or unvested awards.
<b>IPD:</b>	The Investment Property Databank Ltd, a company that produces an independent benchmark of property returns.	<b>Clawback:</b>	Recovery of paid or vested awards (up to the value net of tax).
		<b>SAYE:</b>	An HMRC-approved Save As You Earn share option scheme.
		<b>SIP:</b>	An HMRC-approved Share Incentive Plan.

### Our remuneration strategy and principles

Our Remuneration Policy remains unchanged from that previously approved by shareholders in 2014.

### Key elements of the Executive remuneration policy

Fixed elements	Year				2015/16 operation	2016/17 operation
	1	2	3	4		
<b>Salary</b>					From 1 April 2015, Executive Director salaries were: <ul style="list-style-type: none"> <li>- CEO £450,000 (c.7% increase)</li> <li>- CFO £275,000 (5% increase).</li> </ul>	From 1 April 2016, Executive Director salaries are: <ul style="list-style-type: none"> <li>- CEO £468,000 (4% increase)</li> <li>- CFO £286,000 (4% increase).</li> </ul>
<b>Pension</b>					- 16.5% of salary defined contribution or cash in lieu of pension.	- No change.
<b>Benefits</b>					- Includes company mobile phone, car allowance, private health insurance, and death in service cover and other benefits provided from time to time.	- No change.
<b>Variable elements</b>						
<b>Annual Bonus</b> Up to 120% of salary					<ul style="list-style-type: none"> <li>- Corporate bonus up to 90% of salary based on:               <ul style="list-style-type: none"> <li>- Trading profit after interest (50%)</li> <li>- Portfolio Capital return vs. IPD (30%)</li> <li>- Customer satisfaction (10%).</li> </ul> </li> <li>- Outcome is adjusted by a factor in range of 0.67 to 1.33 for personal performance.</li> <li>- Executive Directors awarded bonuses of:               <ul style="list-style-type: none"> <li>- CEO 114.4% of salary</li> <li>- CFO 114.4% of salary.</li> </ul> </li> <li>- Minimum deferral requirement of 25% of bonus earned which may be invested in the LTIP.</li> <li>- Clawback provisions apply.</li> </ul>	<ul style="list-style-type: none"> <li>- No change.</li> <li>- Malus and clawback provisions apply; see page 104 for further details.</li> </ul>
<b>Long-term incentive plan</b> Up to 100% of salary for performance shares and 100% for matching shares					<ul style="list-style-type: none"> <li>- July 2015 grants to Executive Directors:               <ul style="list-style-type: none"> <li>- Performance shares of 100% of salary</li> <li>- Matching shares of 56% of salary for the CEO and 100% for the CFO.</li> </ul> </li> <li>- 2016 LTIP awards are based:               <ul style="list-style-type: none"> <li>- Relative NAV (33%)</li> <li>- Relative TSR (33%)</li> <li>- Absolute TSR growth (33%).</li> </ul> </li> <li>- Subject to a one-year post-vesting holding period during which clawback provisions apply.</li> </ul>	<ul style="list-style-type: none"> <li>- 2016 grants to Executive Directors anticipated to be:               <ul style="list-style-type: none"> <li>- Performance shares of 100% of salary</li> <li>- Matching shares of up to 100% of salary (linked to executive investment in LTIP).</li> </ul> </li> <li>- No change to performance conditions.</li> <li>- Malus and clawback provisions apply; see page 105 for further details.</li> </ul>

Further details on Remuneration Policy can be found on pages 102 to 108.

## 2. 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 which took effect from that date. A copy of the full Policy Report approved by our shareholders at the 2014 AGM can be found in the 2014 Directors' Remuneration Report. During the year, the Committee reviewed and strengthened its malus and clawback provisions on incentive awards and the policy has been updated to reflect this; see pages 104 and 105 of the policy table.

This Remuneration Policy is in the third year of its operation. In light of this and the need to ensure that it remains appropriate, the Committee will review the policy during the year ahead, before submitting it for formal approval by shareholders at the 2017 AGM.

We have summarised on the following pages how the policy was operated in 2015/16 and how it is intended to be operated in 2016/17.

### 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 strive 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, encourages executives to retain shares until minimum shareholding requirements have been met, and requires Executives to invest their own funds in Company shares.

### 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. In particular, in designing the Remuneration Policy, the Committee has considered the requirements of Schedule A of the UK Corporate Governance Code (the '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 2016/17. The sections subject to audit are highlighted accordingly.

### 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 investor and investor body guidelines more generally.



## Summary table

Purpose and link to strategy	Operation	Opportunity	Operation in the year ended 31 March 2016	Operation in the year ending 31 March 2017
<p><b>Base salary</b></p> <p>To reflect market value of the role and an individual's experience, performance and contribution.</p>	<p>Reviewed on an annual basis, with any increases normally taking effect from 1 April. It is payable in cash.</p> <p>The Committee reviews base salaries with reference to:</p> <ul style="list-style-type: none"> <li>- The individual's role, performance and experience.</li> <li>- Business performance and the external economic environment.</li> <li>- Salary levels for similar roles at relevant comparators.</li> <li>- Salary increases across the Group.</li> </ul>	<p>Base salary increases are applied in line with the outcome of the review. There is no prescribed maximum.</p> <p>Salary increases for Executive Directors will not normally exceed those of the wider workforce on an annualised basis over the term of this policy.</p> <p>Increases may be above this level if there is an increase in the scale, scope, market comparability or responsibilities of the role.</p> <p>Where increases are awarded in excess of the wider employee population, the Committee will provide an explanation in the relevant year's Remuneration Report.</p>	<p>Jamie Hopkins (CEO) £450,000.</p> <p>Graham Clemett (CFO) £275,000.</p>	<p>Jamie Hopkins (CEO) £468,000 (4% increase).</p> <p>Graham Clemett (CFO) £286,000 (4% increase).</p> <p>For further information please see the Directors' Annual Report on Remuneration on page 110.</p>
<p><b>Pension</b></p> <p>To provide cost-effective retirement benefits.</p>	<p>Executives participate in a defined contribution pension scheme or may receive a cash allowance in lieu of pension contribution.</p>	<p>Up to 16.5% of salary.</p> <p>This may be exceeded in exceptional circumstances (e.g. recruitment).</p>	<p>Jamie Hopkins (CEO) 16.5% of salary.</p> <p>Graham Clemett (CFO) 16.5% of salary.</p>	<p>No change.</p> <p>For further information please see the Directors' Annual Report on Remuneration on page 110.</p>
<p><b>Benefits</b></p> <p>To provide market competitive benefits.</p>	<p>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.</p>	<p>Benefits may vary by role and individual circumstance and are reviewed periodically.</p>	<p>Company mobile phone, a car allowance, private health insurance and death in service cover.</p>	<p>No change.</p>

**Purpose and link to strategy**

**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.

**Operation**

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.

In exceptional circumstances, the Committee has the ability to exercise discretion to override the formulaic bonus outcome within the limits of the plan where it believes the outcome is not truly reflective of performance and to ensure fairness to both shareholders and participants.

From 2015/16, annual bonus awards are subject to clawback provisions for up to one year in the event of a material misstatement of the Group's results or an act of gross misconduct by a participant. For 2016/17 annual bonus and onwards, malus provisions additionally apply in circumstances comparable to those listed above.

Awards under the bonus are non-pensionable.

**Opportunity**

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.

**Operation in the year ended 31 March 2016**

Performance conditions and weightings ('Wt.'):

**Corporate**

Wt.	Measure
50%	Trading profit after interest (% 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 2015/16 performance targets, their level of satisfaction and the corresponding bonus earned please see the Directors' Annual Report on Remuneration on pages 110 and 111.

**Operation in the year ending 31 March 2017**

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 financial year 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 2016	Operation in the year ending 31 March 2017
<p><b>LTIP</b></p> <p>To reinforce delivery of sustained long-term sector outperformance; and to align the interests of participants with those of shareholders.</p>	<p>The Committee may grant annual awards of performance shares and matching shares (subject to participant investment).</p> <p>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.</p> <p>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.</p> <p>LTIP awards subject to the holding period may be reduced in the event of a material misstatement of the Group's results for any financial year during the performance period or an act of gross misconduct by a participant. For LTIP awards granted from 2016, malus provisions additionally apply in circumstances comparable to those listed above.</p> <p>The award levels and performance conditions are reviewed in advance of grant by the Remuneration Committee to ensure they remain appropriate.</p> <p>Dividends may accrue on LTIP awards and be paid on those shares which vest. Non-pensionable.</p>	<p>Plan provides for annual awards of:</p> <ul style="list-style-type: none"> <li>- Performance shares of up to 100% of salary (200% in exceptional circumstances).</li> <li>- Matching share awards of up to 2 for 1 on investments in Workspace shares of up to 50% of net salary.</li> </ul> <p>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.</p> <p>Threshold performance typically warrants 20% vesting.</p>	<p>Grant sizes for:</p> <p><b>Jamie Hopkins (CEO)</b></p> <ul style="list-style-type: none"> <li>- Performance Awards (100% of salary).</li> <li>- Matching Awards (56% of salary).</li> </ul> <p><b>Graham Clemett (CFO)</b></p> <ul style="list-style-type: none"> <li>- Performance Awards (100% of salary).</li> <li>- Matching Awards (100% of salary).</li> </ul> <p>Performance conditions for performance shares and matching shares are:</p> <ul style="list-style-type: none"> <li>- 1/3rd growth in Net Asset Value relative to comparators.</li> <li>- 1/3rd TSR (share price growth plus reinvested dividends) relative to the FTSE350 Real Estate (excluding Agencies).</li> <li>- 1/3rd Absolute TSR.</li> </ul> <p>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.</p> <p>For full details of the 2015 LTIP awards please see page 112 of the Directors' Annual Report on Remuneration.</p>	<p>No change to maximum LTIP opportunities or the performance conditions.</p>
<p><b>Shareholding Guidelines</b></p> <p>To encourage long-term share ownership and support alignment with shareholders.</p>	<p>Executive Directors are encouraged to build and hold Workspace shares equivalent to 150% of salary in normal circumstances within five years of appointment.</p>	<p>150% of salary.</p>	<p>Current shareholdings (based on a share price of £7.83 at 31 March 2016) are:</p> <ul style="list-style-type: none"> <li>- CEO 135% of salary.</li> <li>- CFO 303% of salary.</li> </ul> <p>Note both Directors exceed the shareholding requirement using the average share price over the financial year (of £8.88).</p>	<p>The Committee will keep Executive Director shareholdings under review over the current year.</p> <p>2013 LTIP awards vesting fully for performance in June 2016 are subject to a one-year holding period.</p> <p>Current shareholdings<sup>1</sup> including the net value of these awards exceed the shareholding requirement.</p> <p>See page 115 for further details.</p>
<p><b>Save As You Earn ('SAYE')</b></p> <p><b>Share Incentive Plan ('SIP')</b></p> <p>To encourage wide employee share ownership.</p>	<p>In line with HMRC rules from time to time.</p>	<p>Executive Directors are eligible to participate in these Plans on the same basis as other employees of the Company.</p>	<p>For full details please see pages 113 and 119 of the Directors' Annual Report on Remuneration.</p>	<p>No change.</p>

Note:  
 1. The value of awards was calculated with reference to the share price at the year-end on 31 March 2016 of £7.83. The value of 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%.

**External appointments**

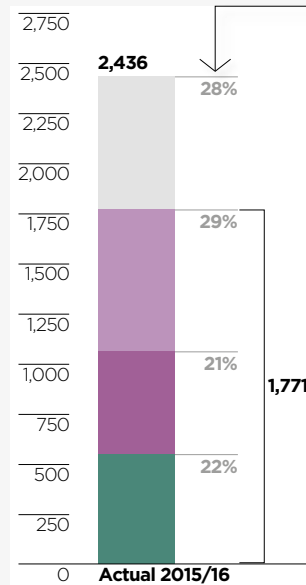
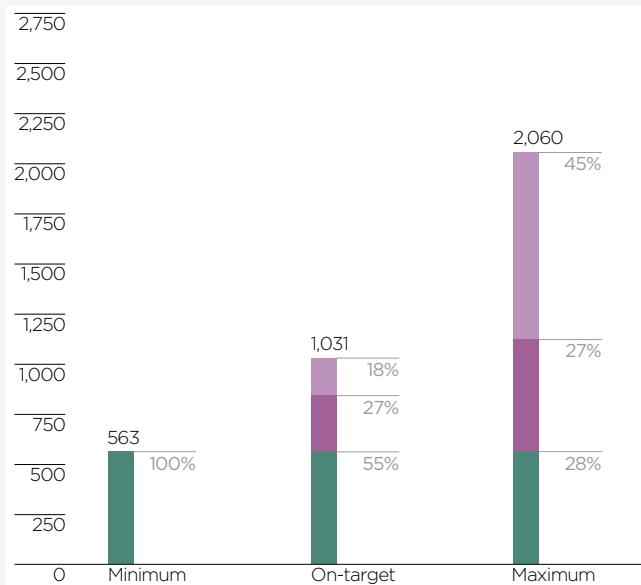
It is the Board's policy to allow Executive Directors to take up one Non-Executive position on the Board of another company, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained

by the Executive Director. During the year, the Executive Directors did not hold any appointments. Mr Clemett was appointed a Non-Executive Director and Chairman of the Audit Committee of The Restaurant Group plc, effective 1 June 2016.

**Remuneration Policy scenarios compared to actual outcomes for performance periods ending in 2015/16**

The following charts illustrate the application of the Remuneration Policy under different performance scenarios for the Executive Directors of the Company compared to the single figure of total remuneration for 2015/16 which includes the vesting of the 2013 LTIP.

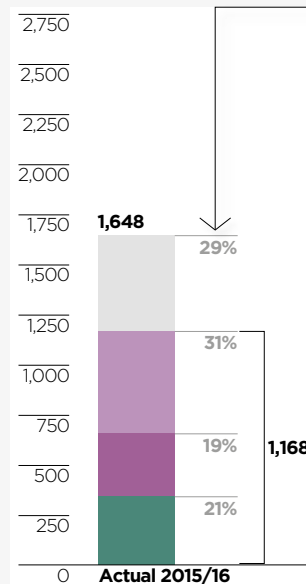
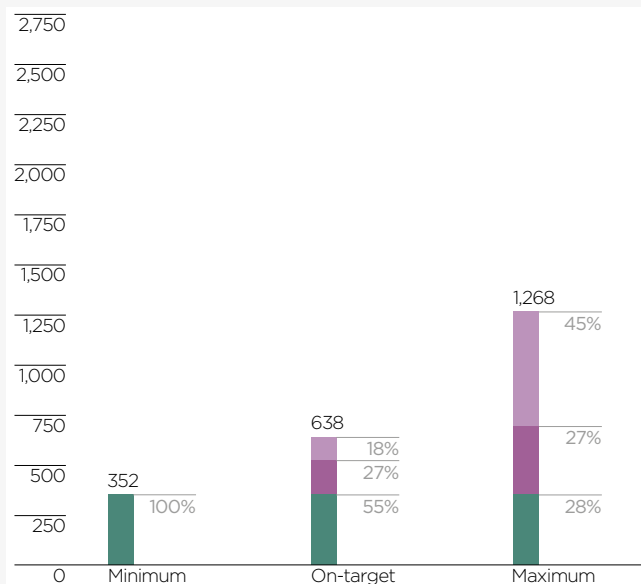
**Chief Executive Officer (£000)**



Actual outcome for 2015/16 is higher than the 'maximum' scenario as it includes the impact of strong share price growth between grant and vesting of the 2013 LTIP (this is excluded from the performance scenarios).

- Fixed elements
- Annual Bonus
- LTIP
- Share price gain

**Chief Financial Officer (£000)**



Actual outcome for 2015/16 is higher than the 'maximum' scenario as it includes the impact of strong share price growth between grant and vesting of the 2013 LTIP (this is excluded from the performance scenarios).

- Fixed elements
- Annual Bonus
- LTIP
- Share price gain

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.

The following assumptions have been made for the policy scenarios, and the projected value of the LTIP excludes the impact of share price movement:

	Component	Minimum	On-target	Maximum
<b>Variable</b>	LTIP	No LTIP vesting	20% of maximum (Threshold vesting)	Maximum LTIP vesting (200% of salary <sup>1</sup> )
	Annual Bonus	No bonus payable	50% of maximum potential bonus	Maximum potential bonus (120% of salary)
<b>Fixed</b>	Other benefits	Benefits as provided in the single table on page 109		
	Pension	Current contribution rate of 16.5% of salary		
	Base salary	Latest known salary		

Note:  
 1. Assumes full uptake of investment opportunity.

## 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 Company's 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

### Fees

To reflect the time commitment in performing the duties and responsibilities of the role.

### Operation

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.

### Opportunity

Fee increases are applied in line with the outcome of the review.

### Operation in the year ended 31 March 2016

Chairman's fee: £135,000

NED base fee: £45,000

Chair of Audit Committee fee: £10,000

Chair of Remuneration Committee fee: £10,000

### Operation in the year ending 31 March 2017

Chairman's fee: £175,000

For further information, please see page 110.

NED base fee: £47,250

Chair of Audit Committee fee: £10,500

Chair of Remuneration Committee fee: £10,500

**Wider approach to remuneration throughout the Company**

The Group's wider people policies are reported separately on pages 37 to 39. 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. Additionally, all employees participate in annual bonuses. All members of the Executive Committee and some senior staff are eligible to participate in the Company's LTIP. Please see the diagram below.

During the year, we extended LTIP participation to a wider group of employees for a second consecutive year to further reinforce the strong performance culture.

Executive Committee members 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 senior staff.

The following diagram demonstrates how key objectives are reflected consistently in plans operating at all levels within the Company.

Eligibility	Number of eligible participants <sup>1</sup>	Element	Details
<b>Executive Committee</b>	<b>4</b>	Shareholding Guidelines	Supports alignment of Executives' interests with shareholders.
<b>Executive Committee and Senior Management</b>	<b>c. 46</b>	LTIP	The LTIP reinforces delivery of long-term sector outperformance. We extended LTIP participation for a second consecutive year to further reinforce the strong performance culture.
<b>All employees</b>	<b>214</b> (as at 31 March 2016)	Annual Bonus	All employees participate in annual bonuses. Opportunities and performance conditions may be tailored to reflect individual's role and responsibilities.
		SAYE and SIP	Encourages employee engagement and reinforces our strong performance culture. Enables all employees to share in the long-term success of the Company and aligns participants with shareholder interests.
		Fixed (salary, benefits, pension with a 2:1 match)	Salaries are set to reflect market value of the role and aid recruitment and retention. All employees are eligible for a 2:1 match on employee pension contributions of 3% or 5% of salary and receive a combination of benefits relevant for the role.

Note:  
1. Subject to requirements on timing of awards as detailed in the relevant plan rules and/or completion of probationary periods.

### 3. 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 2016/17. Disclosure also details outstanding share 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 2016 and the prior year:

	Jamie Hopkins		Graham Clemett	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Salary	450.0	419.0	275.0	261.9
Benefits <sup>1</sup>	17.6	17.5	19.2	19.1
Annual Bonus <sup>2</sup>	514.7	488.6	314.5	305.4
LTIP <sup>3</sup>	1,374.1	2,545.1	990.6	1,763.7
Other – SAYE, SIP <sup>4</sup>	5.5	n/a	3.2	2.2
Pension <sup>5</sup>	74.3	62.9	45.4	43.2
<b>Total</b>	<b>2,436.2</b>	<b>3,533.1</b>	<b>1,647.9</b>	<b>2,395.5</b>

Notes:

- 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.
- Annual bonus:** This is the total bonus earned in respect of performance during the relevant year. For 2015/16 (and 2014/15), the Committee set a minimum deferral requirement of 25% of the bonus earned. For 2015/16, this deferral was equivalent to £128,677 for Mr Hopkins and £78,636 for Mr Clemett. For 2014/15, this was equivalent to £122,144 for Mr Hopkins and £76,343 for Mr Clemett. Further details of annual bonus awards for 2015/16 can be found in the Annual Report on Remuneration on pages 110 and 111.
- LTIP:** The 2015/16 figure includes the estimated value of 2013 LTIP shares that vested on performance to 31 March 2016; 100% of the 2013 LTIP awards vested on performance. The share price is the trailing three-month average share price to 31 March 2016 of £7.85. This will be reported in the 2016/17 Remuneration Report based on the share price on date of vesting. Further details of the LTIP awards vesting can be found in the Annual Report on Remuneration on pages 112 and 113. The 2014/15 figures include the value of 2012 LTIP shares at vesting. As described in last year's Remuneration Report, the value has been updated based on the share price on the dates of vesting (18 June 2015 for the CFO and 19 November 2015 for the CEO) of £8.90 and £9.20 respectively. The value of LTIP awards vesting is higher than the value shown in the pay scenario charts on page 106 due to the impact of share price appreciation between grant and vesting.
- SAYE, SIP:** The 2015/16 figures include awards of SIP shares and SAYE options: 107 SIP free shares were awarded to Mr Hopkins and to Mr Clemett on 18 September 2015 and the value is calculated using the share price at date of award (£9.306); 2,475 SAYE options were granted to Mr Hopkins and 1,237 SAYE options were granted to Mr Clemett on 24 July 2015, and the value is the embedded value at grant based on an exercise price of £7.27 set at 80% of the market value of a share on the invitation date. See pages 113 and 119 for further details. The 2014/15 figure for Mr Clemett includes an award of 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.
- Pension:** During 2015/16 Mr Hopkins received £52,700 as a Company contribution to a defined contribution plan and the remainder as a cash allowance in lieu of pension contribution; Mr Clemett received his pension as a cash allowance in lieu. 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 2016 and the prior year:

Non-Executive Director	Daniel Kitchen		Maria Moloney		Chris Girling		Damon Russell		Stephen Hubbard <sup>1</sup>	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Base fee	135.0	135.0	45.0	45.0	45.0	44.9	45.0	45.0	45.0	32.1
Additional fees <sup>2</sup>	-	-	10.0	10.0	10.0	7.5	-	-	-	-
<b>Total<sup>3</sup></b>	<b>135.0</b>	<b>135.0</b>	<b>55.0</b>	<b>55.0</b>	<b>55.0</b>	<b>52.4</b>	<b>45.0</b>	<b>45.0</b>	<b>45.0</b>	<b>32.1</b>

Notes:

- Stephen Hubbard was appointed as a Director on 16 July 2014.
- Additional fees were paid to Maria Moloney as Chair of the Remuneration Committee and to Chris Girling as Chairman of the Audit Committee.
- In addition, Daniel Kitchen, Maria Moloney and Chris Girling were reimbursed for out-of-pocket expenses incurred in attending meetings in connection with the discharge of their duties, of £3,500, £8,700 and £2,600 respectively.

During the year, the Committee reviewed the Chairman's fee considering the time commitment required, responsibilities, and fees paid at companies of similar size and complexity. In particular, the Committee, and the Board more generally, considered the demands of the role, particularly in light of the significant success of the Company over recent years, and the Chairman's strong contribution. His experience at Workspace and his knowledge of the real estate sector are highly valued by the Board. The Committee reviewed fees paid to Chairmen at other property companies and at companies of similar size and complexity, and was concerned that the Chairman's fee, which has only been reviewed once since the Chairman was appointed five years ago, was well below comparators. The Committee therefore decided to increase his fee from £135,000 to £175,000, which moves the Chairman's fee to a level more competitive with comparators reviewed.

With effect from 1 April 2016, the Non-Executive Directors receive a base fee of £47,250 (2015: £45,000), with an additional fee for the Audit and Remuneration Chairs of £10,500 (2015: £10,000)

### 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. During the year, the Committee reviewed 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, the Committee increased the CEO's salary from £450,000 to £468,000 (a 4% increase) and the CFO's salary from £275,000 to £286,000 (a 4% increase) from 1 April 2016. The next salary review date for Executive Directors will be 1 April 2017.

The average salary increase across the Group for the year commencing 1 April 2016 is 4%.

For 2016/17, both Executive Directors will receive cash in lieu of pension of 16.5% per annum.

### Annual bonus scheme (audited)

For 2015/16, 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 2015/16 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 2015/16 the Committee allowed Executive Directors to make an equivalent investment in the LTIP.

The performance measures, targets and outcomes for 2015/16 Executive Director annual bonuses are shown below. Against each measure the bonus starts to be paid on the achievement of 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 2015/16 are as follows:

	Weighting	Measure	Achieved		Opportunity and outcome as a % of salary	
			Threshold	Stretch	Jamie Hopkins	Graham Clemett
Corporate	50%	Trading profit after interest	£30.9m	£33.5m	50%	50%
				£43.9m	50%	50%
	30%	Capital Return from portfolio versus a defined comparator Benchmark compiled by IPD	Benchmark	Benchmark+2%	30%	30%
				Benchmark*+12.3%	30%	30%
Strategic and personal	10%	Customer satisfaction	70%	80%	10%	10%
				76%	6%	6%
Strategic and 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
					1.33	1.33
			Annual bonus	Opportunity Outcome	120.0%	120.0%
					114.4%	114.4%

Note:

\* Actual benchmark Capital Return was 14.0%.



## Assessment of personal objectives

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
<b>Financial and corporate</b>	
Deliver stretch trading profit after interest	- Target exceeded by 31%.
Broaden portfolio profile	- Trading profit after interest up 65.0% to £43.9m. - Outperformed IPD quarterly Universe by 14.9% and outperformed the comparator benchmark by 12.3%. - Property Valuation up 20.9% to £1,779m. - Total Dividend up 25.0% to 15.05p per share. - Net Asset Value up 31.3% to £9.23 per share.
Diversify funding	- Amendment and extension of bank facilities completed in June 2015 with maturity extended from June 2018 to June 2020.
<b>Operational</b>	
Deliver marketing plan	- Strong customer demand and pricing increases.
Deliver and let up new and refurbished buildings	- Four refurbishment and redevelopment projects completed during the year providing a total of 132,000 sq. ft. of new and upgraded space. - Like-for-like rent roll up 15.4% (£6.5m) in the year to £48.8m.
Accelerate change of use planning applications	- Planning consent achieved for three mixed-use redevelopments and two major refurbishments in Shoreditch and Hoxton.
Increase brand awareness and customer service	- New website launched and published new customer magazine and sales brochure to outline the benefits of being a Workspace customer.
<b>Investment</b>	
Complementary acquisitions	- Five properties acquired in strategic London locations for £101m and with a rent roll at 31 March 2016 of £2.1m.
Non-core disposals	- Completed the sale during the year of 11 industrial properties for £95m.
Grow alternative income streams	- Continue to develop initiatives including Club Workspace, connected service offer, meeting rooms and design services.

Following consideration of the above, the Committee awarded Jamie Hopkins and Graham Clemett a gross bonus of £514,710 and £314,545 respectively, subject to clawback provisions for one year as described in the policy table. 25% of earned bonuses will be invested in the LTIP.

## LTIP awards (audited)

### Summary of performance conditions

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 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 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 2013 and 2014 LTIP cycles, relative performance is measured against the constituents of the FTSE 350 Real Estate Index. For the 2015 LTIP cycle, 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. 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 one year before the shares can be sold.

### 2015 LTIP awards

A summary of performance measures, weightings and targets for 2015 LTIP awards granted during the year is provided below:

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

Notes:

- The comparator group for the 2015 LTIP cycle is the constituents of the FTSE 350 Real Estate Index excluding Agencies.
- 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.
- There is straight-line vesting between the 'Threshold' and 'Maximum' performance levels.
- Performance conditions for the 2013 and 2014 LTIP cycles are in line with those stated in the table above. The comparator group for these cycles is the constituents of the FTSE 350 Real Estate Index.

The following awards were granted during the year under the 2015 LTIP:

	Date of grant	Market price at date of award <sup>2</sup>	Performance share award			Matching share award <sup>1</sup>		
			Number of shares	Face value		Number of shares	Face value	
				£	% of salary		£	% of salary
CEO	26 June 2015	£9,1408	49,229	449,992	100%	27,407	250,522	56%
CFO	26 June 2015	£9,1408	30,084	274,992	100%	30,084	274,992	100%

Notes:

- Matching share awards of up to 100% of salary. Actual awards to the Executive Directors reflected their investments.
- The share price for calculating the levels of awards was £9,1408, the average mid-market closing price over the three dealing days 23, 24 and 25 June 2015, in accordance with the LTIP plan rules.

### 2013 LTIP vesting outcome (audited)

The three-year performance period of 2013 LTIP awards ended on 31 March 2016.

Over the three years from 1 April 2013 to 31 March 2016, Workspace's three-year NAV growth of 38.3% p.a. placed it first (100th percentile) against its comparator group (the FTSE 350 Real Estate) which warrants 100% of this element vesting (equivalent to 33.3% of LTIP shares awarded). Workspace's three-year TSR of 148% (or 35.4% p.a.) places it first (100th percentile) against the FTSE 350 Real Estate which warrants 100% of this element vesting (equivalent to 33.3% of LTIP shares awarded). Workspace's three-year absolute TSR of 35.4% p.a. warrants 100% of this element vesting (equivalent to 33.3% of LTIP shares awarded).

The Committee considered this together with the underlying business performance of Workspace and concluded that 100% of the 2013 LTIP shares awarded to the Executive Directors would vest. These awards are due to vest on 26 June 2016, subject to a one-year holding period and clawback provisions.

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

Weighting	Measure	Achieved in full		Payout as % maximum	
		Threshold	Stretch		
33.3%	Relative NAV	51st percentile Rank 1st = 100th percentile	75th percentile	33.3%	
33.3%	Relative TSR	51st percentile Rank 1st = 100th percentile	75th percentile	33.3%	
33.3%	Absolute TSR	8% p.a.	17% p.a. 35.4% p.a.	33.3%	
LTIP (% maximum) vesting				100%	
				<b>CEO</b>	<b>CFO</b>
Interests held <sup>1</sup>				175,024	126,182
Number of shares vesting				175,024	126,182
Date vesting				26 June 2016	
Value as shown in the single figure (£000s) <sup>2</sup>				£1,374.1	£990.6

- Notes:
- For the CEO, LTIP interests held comprises 100,945 performance shares and 74,079 matching shares. Similarly, for the CFO, it comprises 63,091 performance shares and 63,091 matching shares.
  - The value is calculated as the number of shares vesting multiplied by the average three-month share price to 31 March 2016 of £7.85. These awards will be reported in the 2017 Remuneration Report based on the share price on date of vesting.

### Statement of implementation of policy in 2016/17

Please see the policy table on pages 103 to 105 which summarises implementation of policy in 2016/17.

### Save As You Earn ('SAYE')

The SAYE is an HMRC approved scheme under which employees (including Executive Directors) are invited to make regular monthly contributions over three or five years to purchase shares through options which are granted at 80% of the market value of a share on the invitation date.

On 24 July 2015, 2,475 options were granted to the CEO and 1,237 options were granted to the CFO at an exercise price of £7.27, based on 80% of the market value of a share at the invitation date. The contract maturity date is 1 September 2018. SAYE awards are offered on consistent terms to all employees.

### Share Incentive Plan ('SIP')

The SIP is an HMRC approved scheme under which the Company may grant free shares to employees (including Executive Directors). Employees may also be invited to buy partnership shares, and the Company may then match the number of partnership shares with 'matching shares' which vest after a minimum of three years. Dividends accrue on free, partnership and matching shares.

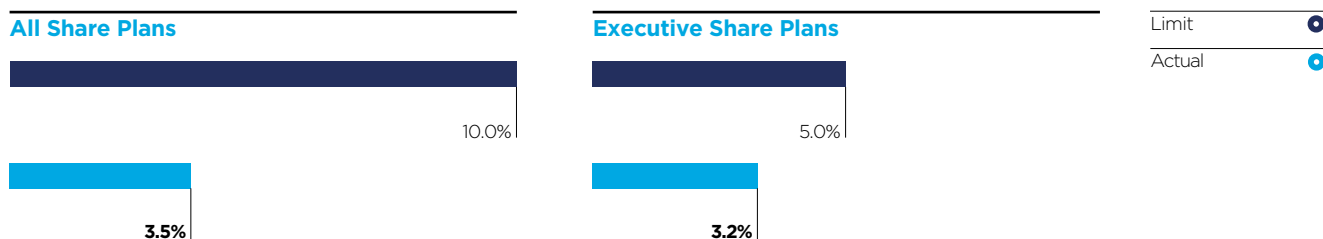
On 18 September 2015, 107 SIP free shares were awarded to the CEO and the CFO based on a share price at date of award of £9.306. These awards will vest in three years. SIP awards are offered on consistent terms to all employees.

The SIP was implemented in 2013 and, in March 2013, the Company granted SIP share awards of up to £1,000 of free shares per employee. These awards vested during the year. The value of these shares has more than doubled from a share price of £3.42 at grant to a share price of £7.60 at vesting in March 2016.

### 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 2016 is detailed below.

As of 31 March 2016, around 5.8m (3.5%) and 5.2m (3.2%) shares have been, or may be, issued to settle awards made in the previous 10 years in connection with all share schemes and executive share schemes respectively. Awards that are made but then lapse or are forfeited are excluded from the calculations.



### Payments for loss of office (audited)

There were no payments for loss of office during the year.

### Payments to past Directors (audited)

There were no payments to past Directors during the year.

### Share ownership and share interests (audited)

The table below shows the interests of the Directors and connected persons in shares (owned outright or vested). There have been no changes in the interests in the period between 31 March 2016 and 7 June 2016.

	31 March 2016	31 March 2015
<b>Chairman</b>		
Daniel Kitchen <sup>1</sup>	37,500	37,500
<b>Executive Directors</b>		
Jamie Hopkins <sup>2</sup>	77,431	148,756
Graham Clemett <sup>3</sup>	106,506	73,159
<b>Non-Executive Directors</b>		
Maria Moloney <sup>4</sup>	2,027	Nil
Chris Girling	Nil	Nil
Damon Russell	Nil	Nil
Stephen Hubbard <sup>5</sup>	8,150	Nil

Notes:

- Daniel Kitchen acquired 1,000 6% sterling Bonds on 2 October 2012 at a price of £100 per Bond.
- Jamie Hopkins was awarded 276,642 shares in November 2015 as a result of the 2012 LTIP award vesting, of which 130,021 shares were sold to meet income tax and National Insurance liabilities. Mr Hopkins disposed of 146,421 shares in November 2015 at a share price of £9.00, and disposed of 83,358 shares in November 2015 at a share price of £9.00.
- Graham Clemett was awarded 198,168 shares in June 2015 as a result of the 2012 LTIP vesting, of which 94,130 shares were sold to meet income tax and National Insurance liabilities. A further 10,000 shares arising from this award were also disposed of. Mr Clemett disposed of 70,000 shares in July 2015 at a share price of £9.45.
- Maria Moloney acquired 2,027 shares on 26 February 2016 at a share price of £7.31.
- Stephen Hubbard acquired 8,150 shares on 14 August at a share price of £9.75.

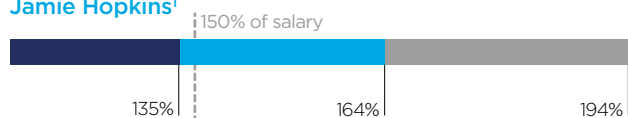
The Committee has adopted guidelines for Executive Directors and other senior Executives to encourage substantial long-term share ownership of at least 150% of salary to be achieved within five years of appointment. The chart below shows the shareholdings as a percentage of salary of the CEO and the CFO based on a share price of £7.83 at year-end on 31 March 2016. Note that the value of these shareholdings has fallen over recent months due to the change in share price; both Directors would meet the shareholding requirement using the average share price over the financial year (of £8.88).

The Committee will keep Executive Director shareholdings under review over the current year.

2013 LTIP awards vesting fully for performance in June 2016 are subject to a one-year post-vesting holding period. These awards are currently captured under 'share awards not yet vested' in the chart below.

### Share interests

#### Jamie Hopkins<sup>1</sup>



#### Graham Clemett



- Owned outright or vested
- Unvested and subject to deferral
- Subject to performance

Notes:  
 1. Appointed on 1 April 2012 (i.e. four years from appointment).  
 Value of awards was calculated with reference to share price at the year-end on 31 March 2016 of £7.83. The value of 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%.

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

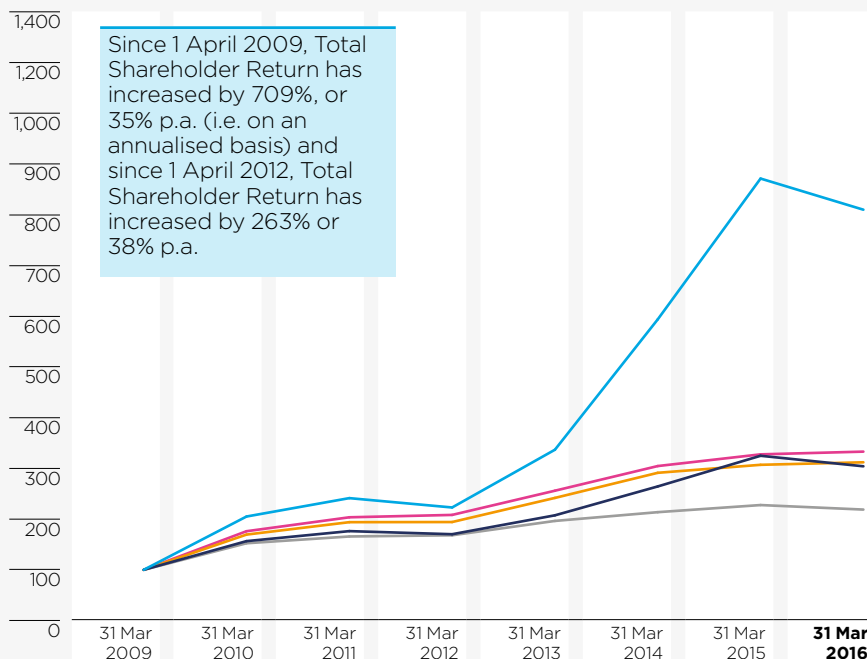
Executive Director	Type	Owned or vested outright <sup>2</sup>	Unvested and subject to deferral <sup>5</sup>	Subject to performance <sup>4</sup>	Total
Graham Clemett	Shares	106,506	126,182	152,004	384,692
	Market value options <sup>1</sup>	Nil	3,197	Nil	3,197
Jamie Hopkins	Shares	77,431	175,024	210,483	462,938
	Market value options <sup>1</sup>	Nil	2,475	Nil	2,475

Notes:  
 1. Market value options include SAYE options outstanding and not yet matured as at 31 March 2016. The exercise price of these was set at 80% (in accordance with HMRC and the plan rules) of the market value of a share at the invitation date. See page 119 for further details.  
 2. Total shares owned outright or vested includes 107 free shares awarded under the SIP to each of Mr Clemett and Mr Hopkins on 18 September 2015.  
 3. The interests in shares comprise those LTIP awards granted in 2013 which are no longer subject to performance but are due to vest on 26 June 2016, of 126,182 shares for Mr Clemett and 175,024 shares for Mr Hopkins.  
 4. The interest in shares of 152,004 for Mr Clemett, and the interest in shares of 210,483 for Mr Hopkins consist of the total LTIP awards made in 2014 and 2015, details of which can be found on page 118 of this Report.

### Seven-year TSR performance review

The chart below compares the Total Shareholder Return ('TSR') performance of the Group with benchmark indices over the last seven 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.

Workspace Group PLC	●
FTSE 350 Real Estate Supersector Index	●
FTSE All-Share Index	●
FTSE Small Capitalisation Index	●
FTSE 250 Index	●



### CEO single figure of total remuneration (£000)

Jamie Hopkins <sup>1</sup>	-	-	27.4	960.3	966.9	3,533.1	<b>2,436.2</b>
Harry Platt <sup>2</sup>	573.7	748.7	1,359.6	-	-	-	-

### Annual bonus pay-out

Jamie Hopkins (% of maximum opportunity)	-	-	-	100%	97.8%	97.2%	<b>114.4%</b>
£000	-	-	-	480.0	479.5	488.6	<b>514.7</b>
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%	<b>100%</b>
£000	-	-	-	-	-	2,545.1	<b>1,374.1</b>
Harry Platt (% of maximum opportunity)	0%	0%	66.5%	-	-	-	-
£000	-	-	642.9	-	-	-	-

Notes:

- Mr Hopkins was appointed as an Executive Director on 12 March 2012.
- Mr Platt retired as an Executive Director of the Company on 31 March 2012.

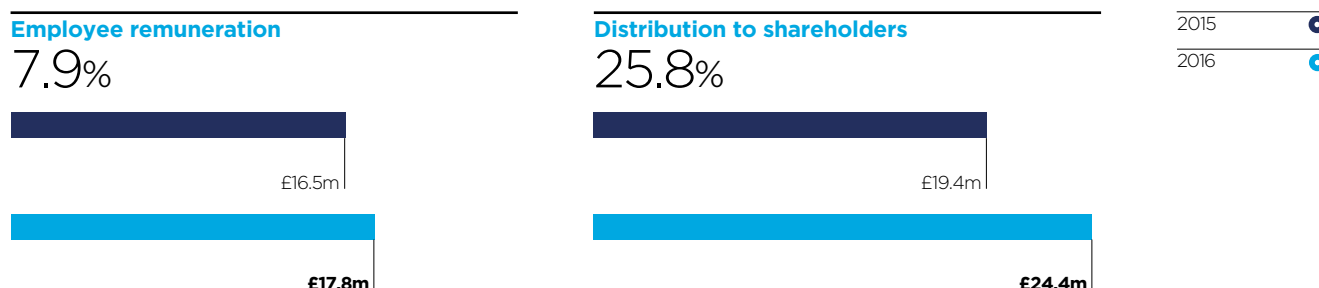
### Percentage change in CEO remuneration

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 214 (2015: 207). All employees are eligible for consideration for an annual bonus.

Executive Director	CEO			All other employees
	2016	2015	% change	% change
Salary	<b>£450.0k</b>	£419.0k	7.4%	4.5%
Taxable benefits	<b>£17.6k</b>	£17.5k	0.6%	5.9%
Annual variable	<b>£514.7k</b>	£488.6k	5.3%	21.0%
<b>Total</b>	<b>£982.3k</b>	£925.1k	6.2%	8.8%

### 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 2015 and ended 31 March 2016.



### 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	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 2016	Date of appointment/last reappointment at AGM	Notice period
Daniel Kitchen	6 June 2011 (6 June 2014)	15 months	2015	6 months
Maria Moloney	22 May 2012 (22 May 2015)	26 months	2015	3 months
Chris Girling	7 February 2013 (7 February 2016) <sup>1</sup>	35 months	2015	3 months
Damon Russell	29 May 2013 (29 May 2016) <sup>2</sup>	2 months	2015	3 months
Stephen Hubbard	16 July 2014	16 months	2015	3 months

Notes:

- On 4 November 2015 and on the recommendation of the Nomination Committee, the Board agreed to renew Mr Girling's letter of appointment, extending his tenure for a further three-year term from 7 February 2016.
- On 23 March 2016 and on the recommendation of the Nomination Committee, the Board agreed to renew Mr Russell's letter of appointment, extending his tenure for a further three-year term from 29 May 2016.

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 2015/16

The Committee met formally on 10 occasions during the year under review. Attendance by individual Committee members at meetings is detailed on page 75.

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](http://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. Fees paid in respect of support to the Committee during the year under review were £58.5k, on the basis of time and materials. Other than in relation to advice on remuneration neither Kepler Associates nor its parent, Mercer, provided any other services to the Company.

### Summary of shareholder voting at the 2015 AGM

The table below shows the results of the advisory vote on the 2014/15 Remuneration Report at the 2015 AGM on 15 July 2015. The table also shows the results for the binding vote on the Policy Report at the 2014 AGM. 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.

Director	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%	125,405,152	98.10%
Against	649,528	0.74%	2,432,512	1.90%
<b>Total votes cast (excluding withheld votes)</b>	<b>87,358,471</b>	<b>100%</b>	<b>127,837,664</b>	<b>100%</b>
Votes withheld <sup>1</sup>	43,394		1,040	
<b>Total votes cast (including withheld votes)</b>	<b>87,401,865</b>		<b>127,838,704</b>	

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.

### Supplementary information on Directors' remuneration Long-term equity incentive plan 2008

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

Name	At 1 April 2015			Lapsed during the year		Vested during the year			At 31 March 2016		
	Performance <sup>2</sup>	Invested <sup>3</sup>	Matching <sup>4</sup>	Performance	Matching	Performance	Invested	Matching	Performance	Invested	Matching
<b>Jamie Hopkins</b>											
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	-	-	-	-	-	73,469	16,000	60,378
26/06/2015 <sup>1</sup>	-	-	-	-	-	-	-	-	49,229	7,263	27,407
<b>Graham Clemett</b>											
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	-	-	-	-	-	45,918	12,168	45,918
26/06/2015 <sup>1</sup>	-	-	-	-	-	-	-	-	30,084	7,972	30,084

Notes:

- Awards will vest subject to the satisfaction of performance conditions detailed on pages 112 to 113 over the three-year performance period.
- Performance Awards made to the Executive Directors: Awards in June 2012 were 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, in June 2014 awards were in respect of 100% of salary based on a share price at date of award of £5.7033 and in June 2015 awards were in respect of 100% of salary based on a share price at date of award of £9.1408.
- 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 114 of this Report.
- 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 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, in 2014 matching shares granted were up to 100% of salary for Mr Clemett and 82% of salary for Mr Hopkins, and in 2015 matching shares granted were up to 100% of salary for Mr Clemett and 56% of salary for Mr Hopkins.



## Share options

The following table shows, for the Directors who served during the year, the interests in outstanding awards under the HMRC-approved Savings Related Share Option Plan and SIP Awards.

	At 01/04/2015	Granted during the year	Lapsed during the year	Vested in year	At 31/03/2016	Exercise price	Normal exercise date	
							From	To
<b>Jamie Hopkins</b>	4,663 <sup>1</sup>	-	-	(4,663)	-	£1.93	01.09.2015	01.03.2016
	-	2,475 <sup>1</sup>	-	-	2,475	£7.27	01.09.2018	01.03.2019
	292 <sup>2</sup>	-	-	(292)	-	-	22.03.2016	-
	-	107 <sup>2</sup>	-	-	107	-	18.09.2018	-
<b>Graham Clemett</b>	4,663 <sup>1</sup>	-	-	(4,663)	-	£1.93	01.09.2015	01.03.2016
	1,960 <sup>1</sup>	-	-	-	1,960	£4.59	01.09.2017	01.03.2018
	-	1,237 <sup>1</sup>	-	-	1,237	£7.27	01.09.2018	01.03.2019
	292 <sup>2</sup>	-	-	(292)	-	-	22.03.2016	-
	-	107 <sup>2</sup>	-	-	107	-	18.09.2018	-

Notes:

1. SAYE scheme.
2. SIP scheme.

There have been no changes in Directors' interests over options in the period between the balance sheet date and 7 June 2016.

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**

7 June 2016

# Report of the Directors

The Directors present their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2016.

## 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. As at 31 March 2016 the Company had eight active subsidiaries, four of which are property investment companies owning properties in Greater London. The other four companies are: 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 Workspace Glebe Limited, which is an intermediate holding company. The Group currently has two joint ventures, BlackRock Workspace Property Trust and Generate Studio Limited. A full list of the Company's subsidiaries and other related undertakings appears on page 162.

During the year, the Group simplified its structure and reduced the number of active subsidiaries. In July 2015, the Group sold its share of the Enterprise House Investments LLP joint venture.

Significant events which occurred during the year are detailed in the Chairman's introduction on page 04 the Chief Executive Officer's Strategic Review on pages 18 to 20 and the Business Review on pages 53 to 60.

A description of the principal risks and uncertainties facing the Company can be found on pages 43 to 51. Details of the Company's health and safety policies can be found on page 122 and information on its environmental and community engagement activities can be found on pages 36 to 42.

This section of the Annual Report sets out the information required to be disclosed by the Company in the Directors' Report. Certain matters that would otherwise be disclosed in the Directors' Report have been reported elsewhere in the Annual Report and consequently this Directors' Report should be read in conjunction with the Strategic Report on pages 6 to 61, which includes our report on Resources and Relationships on pages 36 to 42, and the Corporate Governance Report for the year ended 31 March 2016 on pages 69 to 119, which are incorporated by reference into this Directors' Report.

## Profit and dividends

The Group's profit after tax for the year attributable to shareholders amounted to £388.9m (2015: £350.9m).

The interim dividend of 4.86 pence (2015: 3.89 pence) was paid in February 2016 and the Board is proposing to recommend the payment of a final dividend of 10.19 pence (2015: 8.15 pence) per share to be paid on 5 August 2016 to shareholders whose names are on the Register of Members at the close of business on 8 July 2016. This makes a total dividend of 15.05 pence (2015: 12.04 pence) for the year.

## Directors

There are currently seven Directors on the Board of Workspace Group PLC. Unless otherwise determined by ordinary resolution of the Company, the Directors shall not be less than two or more than ten in number.

In accordance with the requirements of the UK Corporate Governance Code, all the Directors will offer themselves for re-election at the Annual General Meeting on 14 July 2016.

The Directors of the Company all held office throughout the year. The current Directors and their biographies can be found on pages 66 to 68. Details of Directors' remuneration are provided in the Remuneration Report on pages 98 to 119. Details of the Directors' shareholdings in the share capital of the Company and options over shares are provided on pages 114 to 115 and 118 to 119.

## Directors' indemnity

Under the Company's Articles of Association, to the extent permitted by the Companies Act, the Company indemnifies any Director, Secretary or other Officer of the Company against any liability and may purchase and maintain insurance against such liability. The Board understands that the provision of such indemnification is in keeping with current market practice and believes that it is in the best interest of the Group to provide such indemnities in order to attract and retain high calibre Directors and Officers. The Company purchased and maintained Directors' and Officers' liability insurance during the year and at the date of approval of the Directors' Report.

## Directors' conflicts of interest

During the year, no Director had any beneficial interest in any contract significant to the Company's business, other than a contract of employment.

The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Company, they are required to notify the Board in writing or verbally at the next Board Meeting.

## Going Concern and the Viability Statement

The Company's Going Concern and Viability Statements can be found on page 52.

The Group's activities, strategy and performance are explained in the Strategic Report on pages 6 to 61.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 131 to 163.

## Employees

The Group highly values the commitment of its employees and has maintained its practice of communicating business developments to them in a variety of formats. The Group's employees are kept informed of its activities and performance through a series of Director-led staff briefings at key points during the year and the circulation of corporate announcements and other relevant information to staff which is supplemented by updates on the intranet. These briefings also serve as an informal forum for employees to ask questions about the Company.

Share schemes are a long-established and successful part of our total reward package, encouraging and supporting employee share ownership. In particular, all employees are invited to participate in the Company's Savings Related Share Option Scheme ('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 27 on page 163.

Further information on Group employees can be found on pages 37 to 38, 108 and 142.

## Share capital and control

As at 31 March 2016, the Company's issued share capital comprised a single class of 162,404,600 Ordinary Shares of £1.00 each. Details of the Company's issued share capital are set out on page 157.

Full details of share options and awards under the terms of the Company's share incentive plans can be found on pages 158 to 161.

Other relevant requirements from the takeover directive are included elsewhere in the Report of the Directors, the Corporate Governance Report, the Directors' Remuneration Report and the notes to the Group and Company financial statements. There are no agreements in place between the Group and its employees or Directors for compensation for loss of office or employment that occur because of a takeover bid.

## Restrictions on transfer of shares

There are no restrictions on the transfer of ordinary shares in the Company other than in relation to certain restrictions that are imposed from time to time by laws and regulations (for example insider trading laws). In addition, pursuant to the Listing Rules of the Financial Conduct Authority, Directors and certain officers and employees of the Group require the approval of the Company to deal in ordinary shares of the Company.

## Substantial shareholdings in the Company

As at 31 March 2016, 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*	44,633,123	27.48%
BlackRock Inc	13,455,286	8.29%
Old Mutual PLC	13,168,163	8.11%
Standard Life PLC	7,473,576	4.60%
Aberdeen Group	6,344,494	3.91%
Legal & General Group PLC	5,027,562	3.10%

Note:

\* 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.

## Report of the Directors

continued

As at 24 May 2016, 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*	44,633,123	27.48%
Old Mutual PLC	13,519,164	8.32%
BlackRock Inc	12,831,135	7.90%
Standard Life PLC	7,407,417	4.56%
Aberdeen Group	6,540,144	4.03%
Legal & General Group PLC	5,034,730	3.10%

Note:

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

### Purchase of own shares

Under the Company's Articles of Association, the Company may purchase any of its own shares. The Company was granted authority at the 2015 Annual General Meeting to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2016 Annual General Meeting and a resolution will be proposed to renew this authority. No ordinary shares were purchased under this authority during the year.

### 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 page 97.

### 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.

### Political donations

The Company and its subsidiaries made no political donations during the year (2015: Nil).

### Articles of Association

A number of changes are being proposed to the Articles of Association to reflect developments in practice and to provide clarification and flexibility. These are summarised in the 2016 Notice of Annual General Meeting.

### Greenhouse gas ('GHG') emissions

In line with the requirements of The Greenhouse Gas Emissions (Directors' Reports) Regulations 2013 we have continued to benchmark and report our emissions that result from our business activities. Emissions are calculated from the following sources:

#### Scope 1 Emissions – direct emissions

- **On-site fuel combustion:**  
Gas or oil purchased for our assets. This includes tenant consumption where we procure gas on their behalf.
- **Fugitive emissions:**  
Refrigerant leaks from owned air-conditioning ('RAC') equipment.
- **Company vehicles:**  
Fuel combustion and refrigerant leakage.

#### Scope 2 Emissions – indirect emissions

- **Purchased electricity:**  
Electricity purchased for our assets. This includes tenant consumption where we procure electricity on their behalf.
- **Purchased heat:**  
Heat purchased for our assets. This includes tenant consumption where we procure district heat on their behalf.

## Carbon emissions by source (tCO<sub>2</sub>e)

In order to satisfy the requirements we report both absolute emissions and emissions as an intensity ratio, this is based on net lettable and occupied area.

Source of Emissions	2012/13	2013/14	2014/15	2015/16	% Change
<b>Scope 1 (Direct Emissions)</b>	4,222	3,846	3,515	<b>3,375</b>	-20%
<b>Workspace</b>					
Gas	3,959	3,535	3,194	<b>2,847</b>	
Fugitive Emissions	169	216	244	<b>458</b>	
Vehicle Emissions	2	2	4	<b>7</b>	
<b>Joint Venture</b>					
Gas	60	64	51	<b>42</b>	
Heating Oil	31	28	20	<b>20</b>	
Fugitive Emissions	0	2	2	<b>2</b>	
<b>Scope 2 (Indirect Emissions)</b>	10,822	11,290	12,405	<b>12,366</b>	+14%
<b>Workspace</b>					
Purchased Electricity	10,510	10,956	12,037	<b>12,129</b>	
Purchased Heat	0	0	0	<b>84</b>	
<b>Joint Venture</b>					
Purchased Electricity	312	334	368	<b>153</b>	
<b>Total</b>	15,044	15,136	15,920	<b>15,741</b>	+5%
Net Lettable Area tCO <sub>2</sub> e/m <sup>2</sup>	0.030	0.031	0.035	<b>0.036</b>	
Occupied space Area tCO <sub>2</sub> e/m <sup>2</sup>	0.035	0.036	0.040	<b>0.041</b>	

### Notes:

1. Previous data has been recalculated to account for changes and additions.
2. Emissions from vacant units have been omitted from data collection as they are considered to be immaterial.
3. Calculations based upon a 5% materiality threshold.
4. Joint venture emissions as a proportion of our equity share.
5. DEFRA Environmental Reporting Guidelines and the financial control approach applied.

This year GHG emissions across the portfolio have increased by 5% against our 2012/13 baseline. Compared to the previous year GHG emissions across the portfolio have decreased by 1%.

This increase can be mainly attributed to the addition of a number of new buildings to the portfolio. Since 2012, we have grown in size increasing the amount of air-conditioned floor space we let, which has increased our overall portfolio carbon intensity. Both of these factors mean that our scope 1 and scope 2 purchased energy emissions have increased alongside our scope 1 fugitive emissions.

To tackle our emissions we have focused on energy efficiency measures within our existing portfolio, as well as incorporating energy efficiency measures such as natural ventilation and LED lighting into our new developments.

We will continue to focus on energy efficiency initiatives within our buildings and engage with our occupiers to ensure that our emissions decline over time.

This data has been verified to a limited level of assurance by Carbon Credentials.

### 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 the following locations:

Section	Topic	Location in the Annual Report
1	Interest capitalised	Financial Statements, page 145, note 10
4	Details of long-term incentive schemes	Remuneration Report page 112 to 113 and 118

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

### 2016 Annual General Meeting

The 30th Annual General Meeting of the Company will be held at Chester House, Kennington Park, 1-3 Brixton Road, London SW9 6DE on Thursday 14 July 2016 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 sent to shareholders who have elected to receive hard copies of shareholder information and is also available on the Company's website.

By Order of the Board

**Carmelina Carfora**  
**Company Secretary**  
 7 June 2016

# 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.
- 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](http://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 are fair, balanced and understandable and provide 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 66 to 68 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.
- The Strategic Report contained on pages 4 to 61 includes a fair review of the development and performance of the business and position of the Group, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board on 7 June 2016 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 2016 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

The financial statements, included within the Annual Report and Accounts (the 'Annual Report'), comprise:

- the Consolidated balance sheet as at 31 March 2016;
- the Consolidated income statement 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, 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 IFRSs as adopted by the European Union, and applicable law.

## Our audit approach

### Overview



- Overall Group materiality: £18.8 million which represents 1% of total assets.
- Specific materiality of £5.5 million used for certain Consolidated income statement line items, being a percentage of profit before tax, net finance costs and investment property valuation movements.
- All work in support of the Group audit opinion is performed by the Group audit team.
- Valuation of investment properties due to materiality and the level of judgement involved.
- Accounting treatment in relation to the BlackRock Workspace Property Trust joint venture due to the application of IFRS 11 and the recognition of the performance fee in the current year.
- Compliance with the REIT regime due to the impact of the tax exempt status on the Group's business and the financial statements.

### 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.

# Independent Auditors' Report to the Members of Workspace Group PLC

continued

## Area of focus

### Valuation of investment properties

Refer to page 94 (Audit Committee Report), pages 145 to 147 (Notes to the financial statements - note 10), page 135 (Significant judgements, key assumptions and estimates), and page 136 (Significant accounting policies).

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 £1,749.4 million as at 31 March 2016 and the revaluation gain of £296.6 million is included within 'Change in fair value of investment property' in the Consolidated income statement.

The property valuations are carried out by external 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 includes yield and Estimated Rental Value ('ERV') movements (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.

## How our audit addressed the area of focus

In order to assess the accuracy of the valuation of the property portfolio as at 31 March 2016 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. As part of our evaluation we assessed the independence of CBRE given the Non-Executive Director role of Stephen Hubbard. We also discussed the scope of its work and reviewed the terms of its engagement. 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 2015. Where relevant, we were able to corroborate the explanations for yields and ERV movements with comparable property transactions and market benchmarks.

We found that yields and ERVs were predominantly consistent with comparable benchmarking information for the asset location and that the assumptions applied appropriately reflected 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 had been 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. We noted that the overall valuation primarily increased as a result of a larger quantity of higher quality and valued available lettable space.

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 for 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, quantity surveyor reports and cash to check that they had been correctly capitalised; and
- visited selected properties within the portfolio over the course of the year for physical verification purposes.



**Area of focus**

**Investment in BlackRock Workspace Property Trust joint venture ('BlackRock JV')**

*Refer to page 94 (Audit Committee Report), pages 147 to 148 (Notes to the financial statements – note 12(a)), page 135 (Significant judgements, key assumptions and estimates), and page 137 (Significant accounting policies).*

We focused on this area due to the particular judgement surrounding the continued treatment of the investment as a joint venture given Workspace's 20.1% investment, and the accounting treatment and recognition of the performance fee in the current year.

Management concluded that based on their day to day operation and the contractual arrangements in place, BlackRock JV was a joint venture at 31 March 2016 and should be equity accounted in the Group Financial Statements.

Under the joint venture agreement, Workspace is entitled to a performance fee for the services it provided in its capacity as the property manager of the joint venture from the date of inception until the earlier of the end of the service period, being 22 February 2016, or exit from the joint venture agreement. The fee is based on outperformance of benchmarks specified in the joint venture agreement and completion of the service period.

Based on the criteria above, Workspace has recognised a performance fee of £24.1m within 'Other Income' in the Consolidated income statement. An accrual for the full value of this liability has been recognised by the BlackRock JV in their accounts.

**Compliance with the REIT regime**

*Refer to page 94 (Audit Committee Report), pages 142 to 143 (Notes to the financial statements – note 6) and page 135 (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 of the regime.

We focused on this area because the rules are complex and the tax exempt status has a significant impact on the Group's business and the Group financial statements.

Last year (2015) we noted that the Group was in discussions with HMRC regarding the application of the REIT criteria. Following these discussions, Management concluded that there was no breach of the criteria last year.

In the current year, due to the receipt of the £24.1m BlackRock JV performance fee (see previous Area of focus), Workspace generated less than 75% of its total accounting profits from its property rental business. If the level generated from the property rental business falls below 75% of its total accounting profits next year, Workspace may be deemed to fail the Balance of Business test, which represents a minor breach of the REIT regime criteria. It is noted that if the Balance of Business test results in accounting profits from property rental falling below 50% in any one year this would trigger an immediate REIT compliance breach and potential loss of REIT status.

We therefore considered the Balance of Business test for 2015, 2016 and 2017 to understand whether a breach had occurred or was likely to occur in future periods.

**How our audit addressed the area of focus**

We obtained and read the documentation and contracts governing the structure of the joint arrangement, the relevant board minutes and other supporting information. This provided sufficient evidence that Workspace has shared control over the key strategic and operational decisions meaning that, consistent with the prior year, it was appropriate for the BlackRock JV investment to be equity accounted for as a joint venture.

We were also satisfied that sufficient and appropriate disclosures in accordance with IFRS 11 have been included within note 12(a) to the Consolidated financial statements.

We obtained management's calculations supporting the value of the performance fee and were able to confirm that the inputs to, and mechanics of, the calculation were accurate and in line with the contract. Management obtained confirmation of the amount due by the other joint venture partner.

We were satisfied that the recognition of the performance fee in the current period was appropriate as the service period has expired and the amount can now be reliably estimated.

We confirmed our understanding of management's overall approach to checking their compliance with the REIT regime requirements to our satisfaction.

We obtained management's calculations and supporting documentation for the current and preceding year Balance of Business tests, testing the inputs, calculation and application of the rules.

With respect to the calculation of the Balance of Business test for 2015, we saw the confirmation from HMRC that concluded that management's basis of calculation was appropriate. This provided us with good evidence to concur with management's conclusion that no breach occurred in 2015.

For 2016, based on our work on the calculations and supporting documentation, we were satisfied with management's conclusion that Workspace generated more than 50% and less than 75% of its total accounting profits from its property rental business. We also considered management's forecasts for future periods and these supported their conclusions that the likelihood of accounting profits from its property rental business being below 75% of total accounting profits is remote.

# Independent Auditors' Report to the Members of Workspace Group PLC

continued

## 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 active entities, eighteen dormant entities and the Group's two 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 on the individual financial statement line items and disclosures and in evaluating 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:

<b>Overall Group materiality</b>	£18.8 million (2015: £13.4 million).
<b>How we determined it</b>	1% of total assets.
<b>Rationale for benchmark applied</b>	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 level based on total assets.
<b>Specific materiality</b>	£5.5 million (2015: £2.0 million).
<b>How we determined it</b>	A percentage of profit before tax, net finance costs and investment property valuation movements.
<b>Rationale for benchmark applied</b>	A number of key performance indicators of the Group are driven by income statement items and we therefore applied a lower specific materiality to the components of profit before tax, excluding net finance costs and investment property valuation movements.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.4 million (2015: £0.2 million) 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 Directors' statement, set out on page 52, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. 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:

<ul style="list-style-type: none"> <li>- information in the Annual Report is:               <ul style="list-style-type: none"> <li>- materially inconsistent with the information in the audited financial statements; or</li> <li>- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or</li> <li>- otherwise misleading.</li> </ul> </li> </ul>	<p>We have no exceptions to report.</p>
<ul style="list-style-type: none"> <li>- the statement given by the Directors on page 85, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.</li> </ul>	<p>We have no exceptions to report.</p>
<ul style="list-style-type: none"> <li>- the section of the Annual Report on pages 91 to 97 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.</li> </ul>	<p>We have no exceptions to report.</p>

**The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group**

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

<ul style="list-style-type: none"> <li>- the Directors' confirmation on page 92 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.</li> </ul>	<p>We have nothing material to add or to draw attention to.</p>
<ul style="list-style-type: none"> <li>- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.</li> </ul>	<p>We have nothing material to add or to draw attention to.</p>
<ul style="list-style-type: none"> <li>- the Directors' explanation on page 52 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.</li> </ul>	<p>We have nothing material to add or to draw attention to.</p>

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

# Independent Auditors' Report to the Members of Workspace Group PLC

continued

## 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 ten further provisions of the 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 124, 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 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 2016 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

7 June 2016

# Consolidated income statement

## For the year ended 31 March 2016

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	Notes	2016 £m	2015 £m
Revenue	1	<b>101.2</b>	83.6
Direct costs	1	<b>(27.1)</b>	(25.9)
<b>Net rental income</b>	1	<b>74.1</b>	57.7
Administrative expenses	2	<b>(14.6)</b>	(13.8)
<b>Trading profit excluding share of joint ventures</b>		<b>59.5</b>	43.9
Profit on disposal of investment properties	3(a)	<b>8.1</b>	0.3
Loss on disposal of joint ventures	3(b)	<b>(0.1)</b>	-
Other income	3(c)	<b>39.0</b>	10.1
Change in fair value of investment properties	10	<b>296.6</b>	318.0
<b>Operating profit</b>	2	<b>403.1</b>	372.3
Finance income	4	<b>0.1</b>	0.1
Finance costs	4	<b>(17.0)</b>	(18.6)
Change in fair value of derivative financial instruments	16(f)	<b>0.9</b>	(2.2)
Gains from share in joint ventures	12(a)	<b>4.2</b>	8.4
<b>Profit before tax</b>		<b>391.3</b>	360.0
Taxation	6	<b>(2.4)</b>	(0.1)
<b>Profit for the year after tax</b>		<b>388.9</b>	359.9
Attributable to:			
- Owners of the parent		<b>388.9</b>	350.9
- Non-controlling interests	19	<b>-</b>	9.0
		<b>388.9</b>	359.9
Basic earnings per share (pence)	8	<b>240.3p</b>	231.4p
Diluted earnings per share (pence)	8	<b>237.3p</b>	227.4p

# Consolidated statement of comprehensive income

## For the year ended 31 March 2016

	Notes	2016 £m	2015 £m
Profit for the financial year		<b>388.9</b>	359.9
Other comprehensive income:			
Items that may be classified subsequently to profit or loss:			
Change in fair value of derivative financial instruments (cash flow hedge)	16(f)	<b>1.4</b>	(0.3)
<b>Total comprehensive income for the year</b>		<b>390.3</b>	359.6
Attributable to:			
- Owners of the parent		<b>390.3</b>	350.6
- Non-controlling interests	19	<b>-</b>	9.0
		<b>390.3</b>	359.6

The notes on pages 135 to 163 form part of these financial statements.

# Consolidated balance sheet

## As at 31 March 2016

	Notes	2016 £m	2015 £m
<b>Non-current assets</b>			
Investment properties	10	<b>1,749.4</b>	1,408.9
Intangible assets		<b>0.6</b>	0.4
Property, plant and equipment	11	<b>2.0</b>	2.0
Investment in joint ventures	12(a)	<b>22.3</b>	28.6
Other investments	12(b)	<b>4.2</b>	1.0
Trade and other receivables	13	<b>14.2</b>	8.7
Derivative financial instruments	16(e) & (f)	<b>3.9</b>	0.3
		<b>1,796.6</b>	1,449.9
<b>Current assets</b>			
Trade and other receivables	13	<b>52.0</b>	18.9
Cash and cash equivalents	14	<b>27.8</b>	42.6
Assets held for sale	10	<b>-</b>	0.3
		<b>79.8</b>	61.8
<b>Total assets</b>		<b>1,876.4</b>	1,511.7
<b>Current liabilities</b>			
Trade and other payables	15	<b>(48.4)</b>	(45.4)
Deferred tax	6	<b>(1.1)</b>	-
		<b>(49.5)</b>	(45.4)
<b>Non-current liabilities</b>			
Borrowings	16(a)	<b>(309.3)</b>	(317.4)
Derivative financial instruments	16(e) & (f)	<b>-</b>	(2.6)
		<b>(309.3)</b>	(320.0)
<b>Total liabilities</b>		<b>(358.8)</b>	(365.4)
<b>Net assets</b>		<b>1,517.6</b>	1,146.3
<b>Shareholders' equity</b>			
Share capital	20	<b>162.4</b>	161.1
Share premium	20	<b>135.9</b>	136.8
Investment in own shares	22	<b>(8.9)</b>	(8.8)
Other reserves	21	<b>19.0</b>	15.7
Retained earnings		<b>1,209.2</b>	841.5
<b>Total shareholders' equity</b>		<b>1,517.6</b>	1,146.3
EPRA net asset value per share	9	<b>£9.23</b>	£7.03

The notes on pages 135 to 163 form part of these financial statements.

The financial statements on pages 131 to 163 were approved and authorised for issue by the Board of Directors on 7 June 2016 and signed on its behalf by:

**J Hopkins**  
**G Clemett**  
**Directors**

# Consolidated statement of changes in equity

## For the year ended 31 March 2016

	Notes	Attributable to owners of the parent					Total share-holders' equity £m	Non-controlling interests £m	Total equity £m
		Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m			
<b>Balance at 31 March 2014</b>		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	21	-	-	-	(0.3)	-	(0.3)	-	(0.3)
Total comprehensive income		-	-	-	(0.3)	350.9	350.6	9.0	359.6
Transactions with owners:									
Share issues	20	15.5	78.6	0.1	-	-	94.2	-	94.2
Dividends paid	7	-	-	-	-	(16.6)	(16.6)	-	(16.6)
Reclassification		-	-	-	-	-	-	11.0	11.0
Acquisition of non-controlling interest	19	-	-	-	-	(10.0)	(10.0)	(20.0)	(30.0)
Share based payments	23	-	-	-	2.0	-	2.0	-	2.0
<b>Balance at 31 March 2015</b>		161.1	136.8	(8.8)	15.7	841.5	1,146.3	-	1,146.3
Profit for the year		-	-	-	-	<b>388.9</b>	<b>388.9</b>	-	<b>388.9</b>
Change in fair value of derivatives	21	-	-	-	<b>1.4</b>	-	<b>1.4</b>	-	<b>1.4</b>
Total comprehensive income		-	-	-	<b>1.4</b>	<b>388.9</b>	<b>390.3</b>	-	<b>390.3</b>
Transactions with owners:									
Share issues	20	<b>1.3</b>	<b>(0.9)</b>	-	-	<b>(0.1)</b>	<b>0.3</b>	-	<b>0.3</b>
Own shares purchase (net)		-	-	<b>(0.1)</b>	-	-	<b>(0.1)</b>	-	<b>(0.1)</b>
Dividends paid	7	-	-	-	-	<b>(21.1)</b>	<b>(21.1)</b>	-	<b>(21.1)</b>
Share based payments	23	-	-	-	<b>1.9</b>	-	<b>1.9</b>	-	<b>1.9</b>
<b>Balance at 31 March 2016</b>		<b>162.4</b>	<b>135.9</b>	<b>(8.9)</b>	<b>19.0</b>	<b>1,209.2</b>	<b>1,517.6</b>	-	<b>1,517.6</b>

The notes on pages 135 to 163 form part of these financial statements.

# Consolidated statement of cash flows

## For the year ended 31 March 2016

	Notes	2016 £m	2015 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	18	<b>67.6</b>	54.3
Interest received		<b>0.1</b>	0.1
Interest paid		<b>(17.9)</b>	(18.5)
Tax refunded		<b>-</b>	0.2
Net cash inflow from operating activities		<b>49.8</b>	36.1
<b>Cash flows from investing activities</b>			
Purchase of investment properties		<b>(107.4)</b>	(79.7)
Capital expenditure on investment properties		<b>(55.4)</b>	(35.8)
Proceeds from disposal of investment properties (net of sale costs)		<b>123.0</b>	99.4
Purchase of intangible assets		<b>(0.4)</b>	(0.3)
Purchase of property, plant and equipment		<b>(0.8)</b>	(0.7)
Capital distributions from joint ventures	12(a)	<b>6.3</b>	2.0
Proceeds from disposal of joint ventures		<b>3.1</b>	-
Other income (overage receipts)		<b>0.7</b>	-
Purchase of investments		<b>(1.7)</b>	(1.0)
Movement in funding balances with joint ventures		<b>0.2</b>	0.2
Income distributions from joint ventures	12(a)	<b>1.2</b>	1.1
Net cash outflow from investing activities		<b>(31.2)</b>	(14.8)
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary share capital	21	<b>0.3</b>	96.7
Fees paid on share issue		<b>-</b>	(2.6)
Finance costs for new/amended borrowing facilities		<b>(1.0)</b>	-
Settlement and re-coupons of derivative financial instruments		<b>(1.7)</b>	-
Repayment of bank borrowings	16(b)	<b>(10.0)</b>	(30.0)
Own shares purchase (net)		<b>(0.1)</b>	-
Acquisition of non-controlling interests	19	<b>-</b>	(30.0)
Dividends paid	7	<b>(20.9)</b>	(16.5)
Net cash (outflow)/inflow from financing activities		<b>(33.4)</b>	17.6
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(14.8)</b>	38.9
Cash and cash equivalents at start of year	18	<b>42.6</b>	3.7
<b>Cash and cash equivalents at end of year</b>	18	<b>27.8</b>	42.6

The notes on pages 135 to 163 form part of these financial statements.



Workspace Group PLC (the 'Company') and its subsidiaries (together 'the Group') are engaged in property investment in the form of letting of 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 continue to be accounted for as a joint venture.

### **BlackRock Workspace Property Trust performance fee**

As property manager of the BlackRock Workspace Property Trust joint venture, the Group is entitled to a performance fee at the end of the five year term of the fund in February 2016. This is based on the Group's performance as property manager over the service period. Other income of £24.1m has been included within the Consolidated financial statements given the service period has expired and the level of the performance fee can be reliably estimated.

### **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.

During the year, the Group recorded Other income of £24.1m for the performance fee relating to the BlackRock Workspace Property Trust joint venture (see above). Recognition of this fee will cause the Group to fail the 75% Balance of Business income test for the current year. Two consecutive breaches are required for the Group to incur a minor breach. There is no reason to expect that any further breaches will occur in future periods and so no impact on the Group's tax exempt status is expected.

The Directors intend that the Group should continue as a REIT for the foreseeable future, with the result that deferred tax is not recognised on temporary differences relating to the property rental business which is within the REIT structure.

## Notes to the financial statements

### continued

#### 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 2016. 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.

## Notes to the financial statements

### continued

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 21.

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 ('NCI') in the acquiree at the NCI's proportionate share of the acquiree's identifiable net assets.

A NCI was recognised last year for the Glebe Proceeds Share Agreement (note 19). Total comprehensive income and loss was attributed to the NCI in line with the terms of the relevant contract. For the Glebe Proceeds Share Agreement, amounts were attributed to the NCI when it was considered probable that the Group 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.

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 NCI (that is, through equity).

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.

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 19.

#### 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 2016 the Group adopted the following accounting standards and guidance:

Standard or interpretation	Content
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

These standards or guidance had no material impact on the Group's financial statements or resulted in changes to presentation and disclosure only.

b) The following accounting standards and guidance are not yet effective 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
Annual improvements 2014	Changes to IFRS 5/IFRS 7/IAS 19/IAS 34
IFRS 9	Financial instruments
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
Amendment: IAS 7	Statement of cash flows on disclosure initiatives
Amendment: IAS 12	Recognition of deferred tax assets for unrealised losses
IFRS 16	Leases

**Notes to the financial statements**  
continued

**1. Analysis of net rental income and segmental information**

	2016			2015		
	Revenue £m	Direct costs £m	Net rental income £m	Revenue £m	Direct costs £m	Net rental income £m
Rental income	<b>79.6</b>	<b>(1.9)</b>	<b>77.7</b>	63.8	(2.3)	61.5
Service charges	<b>16.3</b>	<b>(18.5)</b>	<b>(2.2)</b>	15.3	(17.8)	(2.5)
Empty rates and other non recoverables	<b>-</b>	<b>(3.6)</b>	<b>(3.6)</b>	-	(2.8)	(2.8)
Services, fees, commissions and sundry income	<b>5.3</b>	<b>(3.1)</b>	<b>2.2</b>	4.5	(3.0)	1.5
	<b>101.2</b>	<b>(27.1)</b>	<b>74.1</b>	83.6	(25.9)	57.7

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.

**2. Operating profit**

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

	2016 £m	2015 £m
Depreciation <sup>1</sup>	<b>0.8</b>	0.7
Staff costs (including share based costs) <sup>1</sup> (note 5)	<b>16.2</b>	15.3
Repairs and maintenance expenditure on investment properties	<b>2.9</b>	3.5
Trade receivables impairment (note 13)	<b>0.2</b>	0.3
Amortisation of intangibles	<b>0.3</b>	0.2
Operating lease rentals payable	<b>0.1</b>	0.1
Audit fees payable to the Company's auditors	<b>0.2</b>	0.2

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

<b>Auditors' remuneration: Services provided by the Company's auditors and its associates</b>	2016 £000	2015 £000
<b>Audit fees:</b>		
Audit of Parent Company and consolidated financial statements	<b>149</b>	143
Audit of subsidiary financial statements	<b>32</b>	31
	<b>181</b>	174
<b>Fees for other services:</b>		
Audit related assurance services	<b>34</b>	138
Tax advisory, tax compliance and legal services	<b>15</b>	20
	<b>49</b>	158

	2016 £m	2015 £m
<b>Total administrative expenses are analysed below:</b>		
Staff costs	<b>7.5</b>	6.8
Cash settled share based costs	<b>0.9</b>	1.3
Equity settled share based costs	<b>1.9</b>	2.0
Other	<b>4.3</b>	3.7
	<b>14.6</b>	13.8

### 3(a). Profit on disposal of investment properties

	2016 £m	2015 £m
Proceeds from sale of investment properties (net of sale costs)	122.7	99.0
Book value at time of sale (including assets held for sale)	(115.0)	(98.7)
Profit on disposal	7.7	0.3
Realisation of profits on sale of properties out of joint ventures (note 12(a))	0.4	-
	<b>8.1</b>	<b>0.3</b>

£0.4m (2015: £nil) above relates to previously unrealised profit from the sale of property by the Group to joint ventures.

£1.5m (2015: £1.5m) of the proceeds for the year were in the form of deferred consideration, of which the full amount is outstanding at 31 March 2016 (31 March 2015: £1.5m) and is included in the Consolidated Balance Sheet under non-current and current trade and other receivables.

### 3(b). Loss on disposal of joint ventures

	2016 £000	2015 £000
Proceeds from disposal of joint ventures	3.1	-
Carrying value at time of disposal (note 12(a))	(3.2)	-
Loss on disposal	(0.1)	-

### 3(c). Other income

	2016 £m	2015 £m
Joint venture performance fee	24.1	-
Change in fair value of deferred consideration	9.5	10.1
Lease surrender premium	5.4	-
	<b>39.0</b>	<b>10.1</b>

The Group as property manager to the BlackRock Workspace Property Trust joint venture is due a performance fee based on the returns achieved over the five year term of the fund. The five year term came to an end in February 2016 and the Group has agreed with its partner to sell the remaining properties to bring the joint venture to a conclusion. Based on the returns achieved over the life of the fund and the valuation at 31 March 2016 of the remaining properties the fee was estimated at £24.1m. In accordance with IAS 18 recognition rules this has been recognised as income for the year.

The value of deferred consideration (cash and overage) from the sale of investment properties has been re-valued by CBRE Limited at 31 March 2016 and 31 March 2015. The amounts receivable are included in the Consolidated balance sheet under non-current and current trade and other receivables (note 13).

The lease surrender premium is in respect of an amount received from a tenant in order to break their lease.

## 4. Finance income and costs

	2016 £m	2015 £m
Interest income on bank deposits	0.1	0.1
<b>Finance income</b>	<b>0.1</b>	<b>0.1</b>
Interest payable on bank loans and overdrafts	(2.7)	(3.6)
Interest payable on other borrowings	(13.9)	(14.7)
Amortisation of issue costs of borrowings	(0.8)	(0.8)
Interest payable on finance leases	(0.5)	(0.3)
Interest capitalised on property refurbishments (note 10)	0.9	0.8
Foreign exchange (losses)/gains on financing activities	(2.2)	(7.2)
Cash flow hedge - transfer from equity	2.2	7.2
<b>Finance costs</b>	<b>(17.0)</b>	<b>(18.6)</b>

## Notes to the financial statements

continued

### 5. Employees and Directors

	2016 £m	2015 £m
<b>Staff costs for the Group during the year were:</b>		
Wages and salaries	12.8	11.2
Social security costs	1.4	1.3
Other pension costs (note 27)	0.8	0.7
Cash settled share based costs (note 23)	0.9	1.3
Equity settled share based costs (note 23)	1.9	2.0
	<b>17.8</b>	<b>16.5</b>
Less costs capitalised	<b>(1.6)</b>	<b>(1.2)</b>
	<b>16.2</b>	<b>15.3</b>
<b>The monthly average number of people employed during the year was:</b>	<b>2016 Number</b>	<b>2015 Number</b>
Head office staff (including Directors)	92	85
Estates and property management staff	119	114
	<b>211</b>	<b>199</b>

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 98 to 119. These form part of the financial statements.

### 6. Taxation

	2016 £m	2015 £m
<b>Current tax:</b>		
UK corporation tax	1.3	-
Adjustments to tax in respect of previous periods	-	0.1
	<b>1.3</b>	<b>0.1</b>
<b>Deferred tax:</b>		
On origination and reversal of temporary differences	1.1	-
	<b>1.1</b>	<b>-</b>
<b>Total taxation charge</b>	<b>2.4</b>	<b>0.1</b>

The tax on the Group's profit for the year differs from the standard applicable corporation tax rate in the UK of 20% (2015: 21%). The differences are explained below:

	2016 £m	2015 £m
Profit on ordinary activities before taxation	391.3	360.0
Adjust gains from share in joint ventures	(4.2)	(8.4)
	<b>387.1</b>	<b>351.6</b>
Tax at standard rate of corporation tax in the UK of 20% (2015: 21%)	77.4	73.8
Effects of:		
REIT exempt income	(10.3)	(5.8)
Changes in fair value not subject to tax as a REIT	(59.3)	(66.3)
Change in fair value of derivatives not subject to tax	(0.5)	-
Share-based payment adjustments	(3.0)	(0.7)
Other income	0.2	0.2
Adjustments to tax in respect of previous periods	-	0.1
Losses carried forward previously unrecognised	0.3	(1.2)
Losses brought forward	(2.4)	-
<b>Total taxation charge</b>	<b>2.4</b>	<b>0.1</b>

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. A substantial amount of other income has been recorded this year (note 3(c)). £30.7m (2015: £6.7m) of this income is subject to tax and so the Group has a higher tax charge than in previous years. The Group estimates that as the majority of its future profits will be exempt from tax, it will have a very low tax charge.



Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The Group currently has unrecognised tax losses carried forward of £1.4m (2015: £3.6m) calculated at a corporation tax rate of 19% (2015: 20%).

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

	2016 £m	2015 £m
<b>Deferred tax assets:</b>		
- Deferred tax to be recovered within 12 months	3.1	2.3
<b>Deferred tax liabilities:</b>		
- Deferred tax liabilities to be recovered within 12 months	(4.2)	(2.3)
<b>Deferred tax liabilities (net)</b>	<b>(1.1)</b>	-

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Other income (average receipts) £m	Total £m
<b>Deferred tax liabilities</b>		
At 1 April 2014	-	-
Charged to income statement	2.3	2.3
At 31 March 2015	2.3	2.3
Charged to income statement	1.9	1.9
At 31 March 2016	4.2	4.2

	Expenses (share-based payment) £m	Tax losses £m	Total £m
<b>Deferred tax assets</b>			
At 1 April 2014	-	-	-
Credited to income statement	-	(2.3)	(2.3)
At 31 March 2015	-	(2.3)	(2.3)
(Credited)/charged to income statement	(1.1)	0.3	(0.8)
At 31 March 2016	(1.1)	(2.0)	(3.1)

## 7. Dividends

	Payment date	Per share	2016 £m	2015 £m
<b>Ordinary dividends paid</b>				
For the year ended 31 March 2014:				
Final dividend	August 2014	7.09p	-	10.3
For the year ended 31 March 2015:				
Interim dividend	February 2015	3.89p	-	6.3
Final dividend	August 2015	8.15p	13.2	-
For the year ended 31 March 2016:				
Interim dividend	February 2016	4.86p	7.9	-
Dividends for the year			21.1	16.6
Timing difference on payment of withholding tax			(0.2)	(0.1)
<b>Dividends cash paid</b>			<b>20.9</b>	<b>16.5</b>

In addition the Directors are proposing a final dividend in respect of the financial year ended 31 March 2016 of 10.19 pence per ordinary share which will absorb an estimated £16.5m of revenue reserves and cash. If approved by the shareholders at the AGM, it will be paid on 5 August 2016 to shareholders who are on the register of members on 8 July 2016. The dividend will be paid as a REIT Property Income Distribution ('PID') net of withholding tax where appropriate.

## Notes to the financial statements

continued

### 8. Earnings per share

	2016 £m	2015 £m
<b>Earnings used for calculating earnings per share:</b>		
Basic and diluted earnings (attributable to owners of the parent)	<b>388.9</b>	350.9
Change in fair value of investment properties	<b>(296.6)</b>	(318.0)
Adjustments for non-controlling interests share of change in fair value of investment property	-	3.7
Profit on disposal of investment properties	<b>(8.1)</b>	(0.3)
Loss on disposal of joint ventures	<b>0.1</b>	-
Movement in fair value of derivative financial instruments	<b>(0.9)</b>	2.2
Group's share of EPRA adjustments of joint ventures	<b>(5.6)</b>	(9.3)
EPRA adjusted earnings	<b>77.8</b>	29.2
Adjustment for non-trading items:		
Group's share of joint ventures other expenses	<b>2.7</b>	2.1
Other income (note 3(c))	<b>(39.0)</b>	(10.1)
Non-controlling interest (less adjustment above)	-	5.3
Taxation	<b>2.4</b>	0.1
Adjusted underlying earnings	<b>43.9</b>	26.6

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. Adjusted underlying earnings represents trading profits after interest, including trading profits of joint ventures. Taxation in the Consolidated income statement for both years is in respect of non-trading items.

	2016 Number	2015 Number
<b>Number of shares used for calculating earnings per share:</b>		
Weighted average number of shares (excluding own shares held in trust)	<b>161,843,774</b>	151,635,965
Dilution due to share option schemes	<b>2,018,833</b>	2,649,360
Weighted average number of shares for diluted earnings per share	<b>163,862,607</b>	154,285,325

<b>In pence:</b>	2016	2015
Basic earnings per share	<b>240.3p</b>	231.4p
Diluted earnings per share	<b>237.3p</b>	227.4p
EPRA earnings per share <sup>1</sup>	<b>47.5p</b>	18.9p
Adjusted underlying earnings per share <sup>1</sup>	<b>26.8p</b>	17.2p

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

### 9. Net assets per share

	2016 £m	2015 £m
<b>Net assets used for calculating net assets per share:</b>		
Net assets at end of year (basic)	<b>1,517.6</b>	1,146.3
Derivative financial instruments at fair value	<b>(3.9)</b>	2.3
EPRA net assets	<b>1,513.7</b>	1,148.6

	2016 Number	2015 Number
<b>Number of shares used for calculating net assets per share:</b>		
Shares in issue at year-end	<b>162,404,600</b>	161,107,649
Less own shares held in trust at year-end	<b>(122,362)</b>	(114,354)
Number of shares for calculating basic net assets per share	<b>162,282,238</b>	160,993,295
Dilution due to share option schemes	<b>1,673,407</b>	2,462,487
Number of shares for calculating diluted adjusted net assets per share	<b>163,955,645</b>	163,455,782

	2016	2015
EPRA net assets per share	<b>£9.23</b>	£7.03

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

	2016 £m	2015 £m
Balance at 1 April	1,408.9	1,068.3
Purchase of investment properties	107.4	80.0
Acquisition of finance leases	-	3.6
Capital expenditure	54.3	37.2
Capitalised interest on refurbishments (note 4)	0.9	0.8
Disposals during the year	(114.7)	(98.7)
Change in fair value of investment properties	296.6	318.0
Balance at 31 March	1,753.4	1,409.2
Less: classified as assets held for sale	-	(0.3)
Less: classified as trade and other receivables	(4.0)	-
Total investment properties	1,749.4	1,408.9

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

Capitalised interest is included at a rate of capitalisation of 4.8% (2015: 5.2%). The total amount of capitalised interest included in investment properties is £6.7m (2015: £5.8m).

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 58.

Investment properties include buildings under finance leases of which the carrying amount is £7.1m (2015: £7.1m). 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 2016 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.

## Notes to the financial statements

continued

### 10. Investment properties continued

Redevelopment properties are also valued using the residual value method. The completed proposed redevelopment which would be undertaken by a residential developer is valued based on the market value for similar sites and then adjusted for costs to complete, developer's profit margin and a time discount factor. Allowance is also made for planning and construction risk depending on the stage of the redevelopment. If a contract is agreed for the sale/redevelopment of the site, the property is valued based on agreed consideration.

For all methods the valuers are provided with information on tenure, letting, town planning and the repair of the buildings and sites.

An increase/decrease to ERVs 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:

	2016 £m	2015 £m
Total per CBRE valuation report	1,778.6	1,423.4
Deferred consideration on sale of property	(36.3)	(21.3)
Assets held for sale	-	(0.3)
Head leases treated as finance leases under IAS 17	7.1	7.1
<b>Total investment properties per balance sheet</b>	<b>1,749.4</b>	<b>1,408.9</b>

The Group's Investment properties are carried at fair value and under IFRS 13 are required to be analysed by level depending on the valuation method adopted. The different valuation methods are as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data.

Level 3 - Use of a model with inputs that are not based on observable market data.

As noted in the Significant judgements, key assumptions and estimates section, property valuations are complex and involve data which is not publicly available and involves a degree of judgement. All the investment properties are classified as Level 3, due to the fact that one or more significant inputs to the valuation are not based on observable market data. If the degree of subjectivity or nature of the measurement inputs changes then there could be a transfer between Levels 2 and 3 of classification. No changes requiring a transfer have occurred during the current or previous year.

The following table summarises the valuation techniques and inputs used in the determination of the property valuation.

#### Key unobservable inputs:

Property category	Valuation £m	Valuation technique	ERVs - per sq. ft.		Equivalent yields	
			Range	Weighted average	Range	Weighted average
Like-for-like	864	1	£7-£83	£26	4.5%-8.2%	6.4%
Completed projects	316	1	£28-£65	£49	5.2%-6.4%	6.1%
Refurbishments	192	2	£20-£63	£44	5.3%-7.0%	5.6%
Redevelopments	176	2	£15-£35	£26	5.0%-7.0%	6.4%
Other	194	1	£16-£56	£38	2.5%-7.0%	5.2%
Head leases	7	n/a				
<b>Total</b>	<b>1,749</b>					

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	+86/-86	-32/+35
Completed projects (refurbishments)	+32/-32	-12/+14
Refurbishments	+24/-24	-11/+15
Redevelopments	+12/-12	-5/+5
Other	+19/-19	-9/+10

## 11. Property, plant and equipment

Cost or valuation	Equipment and fixtures £m	Total £m
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
Additions during the year	0.8	0.8
Disposals during the year	(3.6)	(3.6)
<b>Balance at 31 March 2016</b>	<b>5.1</b>	<b>5.1</b>

### Accumulated depreciation

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
Charge for the year	0.8	0.8
Disposals during the year	(3.6)	(3.6)
<b>Balance at 31 March 2016</b>	<b>3.1</b>	<b>3.1</b>

### Net book amount at 31 March 2016

Net book amount at 31 March 2015	2.0	2.0
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## 12(a). Investment in joint ventures

The Group's investment in joint ventures represents:

	2016 £m	2015 £m
Balance at 1 April	28.6	23.1
Capital distributions received*	(6.3)	(2.0)
(Repayment)/payment of loans to joint ventures	(0.2)	0.2
Share of gains	4.2	8.4
Income distributions received*	(1.2)	(1.1)
Disposal of joint ventures (note 3(a))	(3.2)	-
Realisation of profits on sale of properties out of joint ventures (note 3(a))	0.4	-
<b>Balance at 31 March</b>	<b>22.3</b>	<b>28.6</b>

\* Capital distributions are from proceeds on disposal of investment properties. Income distributions are from trading profits.

The Group had the following joint ventures during the year:

	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

\* The Company sold its share in this joint venture in July 2015.

## Notes to the financial statements

continued

### 12(a). Investment in joint ventures continued

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 was established to obtain mixed-use planning consent and redevelop Enterprise House, Hayes for new residential and commercial space. The Group sold its share in this joint venture in July 2015.

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:

	2016 £m	2015 £m
<b>Balance sheets of joint ventures</b>		
Investment properties	<b>130.6</b>	139.7
Cash and cash equivalents	<b>6.3</b>	8.0
Other current assets	<b>1.8</b>	1.5
Current liabilities	<b>(27.8)</b>	(14.5)
Net assets	<b>110.9</b>	134.7

The net assets of BlackRock Workspace Property Trust included above are £110.5m (2015: £127.9m).

	2016 £m	2015 £m
<b>Income statements of joint ventures</b>		
Revenue	<b>9.5</b>	9.8
Direct costs	<b>(2.9)</b>	(3.0)
Net rental income	<b>6.6</b>	6.8
Administrative expenses	<b>(1.8)</b>	(1.9)
Other expenses	<b>(13.9)</b>	(10.2)
Profit on disposal of investment properties	<b>0.8</b>	5.7
Change in fair value of investment properties	<b>27.5</b>	36.6
Profit before tax	<b>19.2</b>	37.0
Taxation	<b>(0.1)</b>	-
Profit after tax	<b>19.1</b>	37.0

The profit after tax of BlackRock Workspace Property Trust included above is £18.9m (2015: £34.4m).

There are no differences in accounting policies between the Group and the joint ventures.

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:

	2016 £m	2015 £m
<b>Summarised financial information</b>		
Opening net assets 1 April	<b>134.7</b>	111.6
Profit for the period	<b>19.1</b>	37.0
Capital distributions	<b>(31.5)</b>	(10.0)
Income distributions	<b>(4.7)</b>	(4.3)
Loans to joint ventures	<b>(0.4)</b>	0.4
Disposal of joint ventures	<b>(6.3)</b>	-
Closing net assets 31 March	<b>110.9</b>	134.7
Group's interest	<b>22.4</b>	29.1
Unrealised surplus on sale of properties to joint ventures	<b>(0.1)</b>	(0.5)
Carrying amount	<b>22.3</b>	28.6

## 12(b). Other investments

The Group holds the following investments:

	2016 £m	2015 £m
9% of share capital of Mailstorage Ltd	1.2	1.0
10% of share capital of The Excell Group plc	3.0	-
	<b>4.2</b>	1.0

## 13. Trade and other receivables

<b>Non-current trade and other receivables</b>	2016 £m	2015 £m
Prepayments and accrued income	7.2	-
Deferred consideration on sale of investment properties (see below)	7.0	8.7
	<b>14.2</b>	8.7

	2016 £m	2015 £m
Deferred consideration on sale of investment properties:		
Balance at 1 April	8.7	11.2
Additions (cash receivable)	1.6	1.5
Less: classified as current	(12.8)	(14.1)
Change in fair value (note 3(c))	9.5	10.1
Balance at 31 March	<b>7.0</b>	8.7

The deferred consideration arising on the sale of investment properties relates to cash and overage. The conditional value of the portion of the receivable that relates to overage is held at fair value through profit and loss – £4.0m (2015: £7.2m). 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 gain of £9.5m (31 March 2015: £10.1m) (note 3(c)).

<b>Current trade and other receivables</b>	2016 £m	2015 £m
Trade receivables	3.4	2.8
Less provision for impairment of receivables	(0.4)	(0.4)
Trade receivables - net	3.0	2.4
Prepayments and accrued income	19.7	2.4
Deferred consideration on sale of investment properties	29.3	14.1
	<b>52.0</b>	18.9

Accrued income (non-current and current) includes £24.1m (2015: £nil) in respect of a performance fee for the BlackRock Workspace Property Trust joint venture (note 3(c)).

### Receivables at fair value:

Included within deferred consideration on sale of investment properties is £29.3m (2015: £13.1m) 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:

	2016 £m	2015 £m
Balance at 1 April	0.4	0.3
Increase in provision for impairment of trade receivables	0.2	0.3
Receivables written off during the year	(0.2)	(0.2)
Balance at 31 March	<b>0.4</b>	0.4

## Notes to the financial statements

continued

### 13. Trade and other receivables continued

As at 31 March 2016, the ageing of trade receivables past due but not impaired was as follows:

	Total 2016 £m	Impaired 2016 £m	Not impaired 2016 £m	Total 2015 £m	Impaired 2015 £m	Not impaired 2015 £m
Up to 3 months past due	2.6	(0.1)	2.5	2.4	(0.1)	2.3
3 to 6 months past due	0.3	(0.1)	0.2	0.2	(0.1)	0.1
Over 6 months past due	0.5	(0.2)	0.3	0.2	(0.2)	–
	<b>3.4</b>	<b>(0.4)</b>	<b>3.0</b>	2.8	(0.4)	2.4

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

	2016 £m	2015 £m
Cash at bank and in hand	24.5	40.3
Restricted cash – tenants' deposit deeds	3.3	2.3
	<b>27.8</b>	42.6

Tenants' deposit deeds represent returnable cash security deposits received from tenants and are ring-fenced under the terms of the individual lease contracts.

### 15. Trade and other payables

	2016 £m	2015 £m
Trade payables	3.7	3.9
Other tax and social security payable	0.5	3.9
Corporation tax payable	1.3	–
Tenants' deposit deeds (note 14)	3.3	2.3
Tenants' deposits	16.0	13.3
Accrued expenses	20.3	18.8
Amounts due to related parties (note 24)	0.4	0.4
Deferred income – rent and service charges	2.9	2.8
	<b>48.4</b>	45.4

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

	2016 £m	2015 £m
<b>Non-current</b>		
Bank loans (unsecured)	38.3	48.8
6% Retail Bond (unsecured)	56.9	56.8
5.6% Senior US Dollar Notes 2023 (unsecured)	69.7	67.6
5.53% Senior Notes 2023 (unsecured)	83.8	83.7
Senior Floating Rate Notes 2020 (unsecured)	9.0	9.0
Other term loan (unsecured)	44.5	44.4
Finance lease obligations	7.1	7.1
	<b>309.3</b>	317.4



## (b) Net Debt

	2016 £m	2015 £m
Borrowings per (a) above	<b>309.3</b>	317.4
Adjust for:		
Finance leases	<b>(7.1)</b>	(7.1)
Cost of raising finance	<b>3.2</b>	3.0
Foreign exchange differences	<b>(5.4)</b>	(3.3)
	<b>300.0</b>	310.0
Cash at bank and in hand (note 14)	<b>(24.5)</b>	(40.3)
Net Debt	<b>275.5</b>	269.7

At 31 March 2016 the Group had £110m (2015: £100m) of undrawn bank facilities and £24.5m of unrestricted cash (2015: £40.3m). £10m of bank borrowings were repaid during the year.

## (c) Maturity

	2016 £m	2015 £m
Repayable between three years and four years	<b>57.5</b>	50.0
Repayable between four years and five years	<b>49.0</b>	57.5
Repayable in five years or more	<b>193.5</b>	202.5
	<b>300.0</b>	310.0
Cost of raising finance	<b>(3.2)</b>	(3.0)
Foreign exchange differences	<b>5.4</b>	3.3
	<b>302.2</b>	310.3
Finance leases		
Repayable in five years or more	<b>7.1</b>	7.1
	<b>309.3</b>	317.4

## (d) Interest rate and repayment profile

	Principal at period end £m	Interest rate	Interest payable	Repayable
<b>Current</b>				
Bank overdraft due within one year or on demand	-	Base +2.25%	Variable	On demand
<b>Non-current</b>				
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
Revolver loan	40.0	LIBOR +1.65%	Monthly	June 2020
6% Retail Bond	57.5	6.0%	Half Yearly	October 2019
	<b>300.0</b>			

In June 2015 the existing £50m term loan and £100m revolver facilities were replaced by a new £150m revolver facility with maturity extended from June 2018 to June 2020 and with reduced rates. The revised terms also provided for the potential extension of the revolver facility for a further two one-year terms to June 2022 and a potential increase in the quantum of the facility from £150m to £250m.

## Notes to the financial statements

continued

### 16. Borrowings continued

#### (e) Derivative financial instruments

The following derivative financial instruments are held:

	Amount	Rate payable (%)	Term/expiry
Cash flow hedge – cross currency swap	\$100m/£64.5m	5.66%	June 2023

The £95m (1.87%) interest rate swap to June 2018 was broken in June 2015 with a cash payment of £1.7m. This was valued as a £2.6m liability at 31 March 2015.

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 other comprehensive income.

#### (f) Financial instruments and fair values

	2016 Book value £m	2016 Fair value £m	2015 Book value £m	2015 Fair value £m
<b>Financial liabilities held at amortised cost</b>				
Bank loans	38.3	38.3	48.8	48.8
6% Retail Bond	56.9	59.7	56.8	62.1
Private Placement Notes	162.5	162.5	160.3	160.3
Other term loan	44.5	44.5	44.4	44.4
Finance lease obligations	7.1	7.1	7.1	7.1
	<b>309.3</b>	<b>312.1</b>	317.4	322.7
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial instruments:				
Interest rate swaps	-	-	2.6	2.6
<b>Financial (assets)/liabilities at fair value through other comprehensive income</b>				
Derivative financial instruments:				
Cash flow hedge – derivatives used for hedging	(3.9)	(3.9)	(0.3)	(0.3)
	<b>(3.9)</b>	<b>(3.9)</b>	2.3	2.3
<b>Financial assets at fair value through profit or loss</b>				
Deferred consideration	33.3	33.3	20.3	20.3

The fair value of the Retail Bond has been established from the quoted market price at 31 March 2016 and is thus a Level 1 valuation as defined by IFRS 13.

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 £0.9m profit (2015: loss of £2.2m). This is net of £1.7m (2015: £nil) cash paid to break the interest rate swap.

The total change in fair value of derivative financial instruments recorded in other comprehensive income was a £1.4m profit (2015: loss of £0.3m).

## (g) Financial instruments by category

	2016 £m	2015 £m
<b>Assets</b>		
<b>a) Derivatives used for hedging</b>		
Derivative financial instruments	3.9	0.3
<b>b) Assets at value through profit or loss</b>		
Financial assets at fair value through profit or loss	33.3	20.3
<b>c) Loans and receivables</b>		
Cash and cash equivalents	27.8	42.6
Trade and other receivables excluding prepayments <sup>1</sup>	6.0	4.9
	<b>33.8</b>	47.5
Total	<b>71.0</b>	68.1
<b>Liabilities</b>	2016 £m	2015 £m
<b>a) Liabilities at fair value through profit or loss</b>		
Derivative financial instruments	-	2.6
<b>b) Other financial liabilities at amortised cost</b>		
Borrowings (excluding finance leases)	302.2	310.3
Finance lease liabilities	7.1	7.1
Trade and other payables excluding non-financial liabilities <sup>2</sup>	43.7	38.7
	<b>353.0</b>	356.1
Total	<b>353.0</b>	358.7

1. Trade and other receivables exclude prepayments of £26.9m (2015: £2.4m) and non cash deferred consideration of £33.3m (2015: £20.3m).
2. Trade and other payables exclude other tax and social security of £0.5m (2015: £3.9m), corporation tax of £1.3m (2015: £nil) and deferred income of £2.9m (2015: £2.8m).

## (h) Finance leases

Finance lease liabilities are in respect of leased investment property.

Minimum lease payments under finance leases fall due as follows:

	2016 £m	2015 £m
Within one year	0.5	0.5
Between two and five years	1.8	1.8
Beyond five years	48.7	49.3
	<b>51.0</b>	51.6
Future finance charges on finance leases	<b>(43.9)</b>	(44.5)
Present value of finance lease liabilities	<b>7.1</b>	7.1

## Notes to the financial statements

continued

### 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 2016 69% (2015: 97%) 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 £0.5m (2015: £0.1m).

#### (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 70 properties. The largest 10 single tenants generate less than 6% (2015: 7%) 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 £19.3m (2015: £15.6m). The Group monitors aged debt balances and any potential bad debts every week, the information being reported to the Executive Committee every month as part of the performance monitoring process. The Group's debtor recovery is consistently high and as such is deemed a low risk area.

Deferred consideration (cash and overage) on the sale of investment properties is contractual and valued regularly by the external valuer based on current and future market factors. Cash and cash equivalents and financial derivatives are held with major UK high street banks or building societies and strict counterparty limits are operated on deposits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>2016</b>	2015
	<b>£m</b>	£m
Cash and cash equivalents (note 14)	<b>27.8</b>	42.6
Trade receivables – current (note 13)	<b>3.0</b>	2.4
Deferred consideration – current (note 13)	<b>29.3</b>	14.1
Deferred consideration – non current (note 13)	<b>7.0</b>	8.7
	<b>67.1</b>	67.8

### (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 £150m (2015: £100m). At 31 March 2016 headroom excluding overdraft and cash was £110m (31 March 2015: £100m).

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.

	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
<b>31 March 2016</b>						
<b>Financial liabilities</b>						
Bank loans	40.0	0.9	0.9	0.9	41.0	43.7
6% Retail Bond	57.5	3.5	3.5	3.5	59.3	69.8
Private Placement Notes	157.5	8.7	8.7	8.7	192.1	218.2
Other term loan	45.0	1.8	1.8	1.8	51.5	56.9
Finance lease liabilities	7.1	0.5	0.5	0.5	49.5	51.0
Trade and other payables†	43.7	43.7	-	-	-	43.7
	<b>350.8</b>	<b>59.1</b>	<b>15.4</b>	<b>15.4</b>	<b>393.4</b>	<b>483.3</b>
<b>31 March 2015</b>						
<b>Financial liabilities</b>						
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
	<b>358.4</b>	<b>56.5</b>	<b>17.8</b>	<b>68.1</b>	<b>366.9</b>	<b>509.3</b>

† Trade and other payables exclude other tax and social security of £0.5m (2015: £3.9m), corporation tax of £1.3m (2015: £nil) and deferred income of £2.9m (2015: £2.8m).

## Notes to the financial statements

continued

### 17. Financial risk management objectives and policy continued

#### (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 2016 Group equity was £1,517.6m (2015: £1,146.3m), and Group net debt (debt less cash at bank and in hand) was £275.5m (2015: £269.7m). Group gearing at 31 March 2016 was 19% (2015: 24%).

The Group's borrowings are 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:

	2016 £m	2015 £m
Profit before tax	391.3	360.0
Depreciation	0.8	0.7
Amortisation of intangibles	0.3	0.2
Profit on disposal of investment properties	(8.1)	(0.3)
Loss on disposal of joint ventures	0.1	-
Other income	(33.6)	(10.1)
Net gain from change in fair value of investment property	(296.6)	(318.0)
Equity settled share based payments	1.9	2.0
Change in fair value of financial instruments	(0.9)	2.2
Finance income	(0.1)	(0.1)
Finance expense	17.0	18.6
Gains from share in joint ventures	(4.2)	(8.4)
Changes in working capital:		
Increase in trade and other receivables	(0.5)	(0.1)
Increase in trade and other payables	0.2	7.6
Cash generated from operations	67.6	54.3

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2016 £m	2015 £m
Cash at bank and in hand	24.5	40.3
Restricted cash – tenants' deposit deeds	3.3	2.3
	27.8	42.6

### 19. 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 were 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. On settlement the Group derecognised non-controlling interests of £20m and recorded a decrease in equity attributable to owners of the parent of £10m.

Profit and comprehensive income attributable to NCI was £nil (2015: £9.0m).

## 20. Share capital and share premium

	2016 Number	2015 Number
Issued: Fully paid ordinary shares of £1 each	<b>162,404,600</b>	161,107,649

	2016 £m	2015 £m
Issued: Fully paid ordinary shares of £1 each	<b>162.4</b>	161.1

<b>Movements in share capital were as follows:</b>	2016 Number	2015 Number
Number of shares at 1 April	<b>161,107,649</b>	145,616,695
Issue of shares	<b>1,296,951</b>	15,490,954
Number of shares at 31 March	<b>162,404,600</b>	161,107,649

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 issued 1,296,951 (2015: 863,462 shares) shares during the year to satisfy the exercise of share options.

	Share Capital		Share Premium	
	2016 £m	2015 £m	2016 £m	2015 £m
Balance at 1 April	<b>161.1</b>	145.6	<b>136.8</b>	58.2
Issue of shares	<b>1.3</b>	15.5	<b>(0.9)</b>	78.6
Balance at 31 March	<b>162.4</b>	161.1	<b>135.9</b>	136.8

## 21. Other reserves

	Equity settled share based payments £m	Merger reserve £m	Hedging reserve £m	Total £m
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
Share based payments	1.9	-	-	1.9
Change in fair value of derivative financial instruments (cash flow hedge)	-	-	1.4	1.4
<b>Balance at 31 March 2016</b>	<b>12.1</b>	<b>8.7</b>	<b>(1.8)</b>	<b>19.0</b>

## Notes to the financial statements

continued

### 22. Investment in own shares

The Company has an Employee Share Ownership Trust ('ESOT') and a trust for the Share Incentive Plan ('SIP'). Shares are purchased in the market for distribution at a later date in accordance with the terms of the various share schemes. The shares are held by independent trustees. No shares were purchased for the ESOT during the year and no shares were transferred to employees on the exercise of share options. At 31 March 2016 the number of shares held by the ESOT totalled 75,226 (2015: 75,226).

The SIP is governed by HMRC rules (note 23(iii)). 20,651 shares were purchased for the Plan in September 2015 at a cost of £0.2m and 8,584 surplus shares were sold for £0.1m. At 31 March 2016 the number of shares held for the SIP totalled 47,136 (2015: 39,128).

	2016 £m	2015 £m
Balance at 1 April	8.8	8.9
Shares purchased for the Trusts	0.2	-
Shares issued/sold from the Trusts	(0.1)	(0.1)
Balance at 31 March	8.9	8.8

### 23. 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 2015 LTIP scheme 402,421 performance and matching shares were awarded in June 2015 to Directors and Senior Management (2014 LTIP scheme: 597,967).

Details of the movements for the LTIP scheme during the year were as follows:

	LTIP Number
At 31 March 2014	2,655,889
Granted	597,967
Exercised	(762,587)
Lapsed	(1,656)
At 31 March 2015	2,489,613
Granted	402,421
Exercised	(1,141,871)
Lapsed	(27,348)
<b>At 31 March 2016</b>	<b>1,722,815</b>

The average closing share price at the date of exercise of shares exercised during the year was £8.85 (2015: £6.00).

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:

	2016	2015
Share price at grant	<b>914p</b>	570p
Exercise price	<b>Nil</b>	Nil
Average expected life (years)	<b>3</b>	3
Risk free rate	<b>1%</b>	1%
Expected dividend yield	<b>2%</b>	2%
Average share price volatility	<b>25%</b>	29%
Fair value per option – Absolute TSR element	<b>305p</b>	221p
Fair value per option – Relative TSR element	<b>306p</b>	211p

The relative NAV is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 914 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	
	Number	Weighted exercise price	Number	Weighted exercise price
Options outstanding				
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
Options granted	-	-	86,251	£7.27
Options exercised	-	-	(155,081)	£1.93
Options lapsed	(17,941)	£18.53	(17,983)	£5.33
<b>At 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>267,693</b>	<b>£4.95</b>

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 average closing share price at the date of exercise for the SAYE options exercised during the year was £8.73 (2015: £7.30).

86,251 SAYE share options were granted in the year (2015: 126,060 shares).

## Notes to the financial statements

continued

### 23. Share-based payments continued

The fair value has been calculated using the Black-Scholes model. Inputs to the model are summarised as follows:

	2016 SAYE 3 year	2016 SAYE 5 year	2015 SAYE 3 year	2015 SAYE 5 year
Weighted average share price at grant	908p	908p	550p	550p
Exercise price	727p	727p	459p	459p
Expected volatility	25%	25%	28%	28%
Average expected life (years)	3	5	3	5
Risk free rate	1%	1%	1%	1%
Expected dividend yield	2%	2%	2%	2%
Possibility of ceasing employment before vesting	25%	25%	25%	25%

The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. The expected dividend yield is based on the present value of expected future dividend payments to expiry.

Fair values per share of these options were:

	2016		2015	
	Grant date	Fair value of award	Grant date	Fair value of award
SAYE - 3 year	24 July 2015	222p	25 July 2014	135p
SAYE - 5 year	24 July 2015	259p	25 July 2014	151p

### III) Share incentive plan ('SIP')

All staff were granted £1,000 worth of shares in both March 2013 and September 2015. 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. 20,651 shares were granted in the year (2015: nil shares). 12,643 (2015: 1,168) shares were exercised in the year and 3,426 (2015: 2,044) shares lapsed.

### IV) Year end summary

At 31 March 2016 in total there were 2,034,218 (2015: 2,901,188) 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	
26 June 2013	-	740,197	-	26.06.2016	-
26 June 2014	-	585,236	-	26.06.2017	-
26 June 2015	-	397,382	-	26.06.2018	-
SAYE				Exercisable between	
30 July 2012	£1.93	18,652	-	01.09.2017	01.03.2018
31 July 2013	£3.47	48,584	-	01.09.2016	01.03.2017
31 July 2013	£3.47	8,644	-	01.09.2018	01.03.2019
25 July 2014	£4.59	106,228	-	01.09.2017	01.03.2018
25 July 2014	£4.59	6,927	-	01.09.2019	01.03.2020
25 July 2015	£7.27	77,174	-	01.09.2018	01.03.2019
25 July 2015	£7.27	1,484	-	01.09.2020	01.03.2021
SIP				Exercisable between	
22 March 2013	-	24,236	24,236	22.03.2016	22.03.2018
18 September 2015	-	19,474	-	18.09.2018	18.09.2020
<b>Total</b>		<b>2,034,218</b>	<b>24,236</b>		

The share awards/options outstanding at 31 March 2016 had a weighted average remaining contractual life of: LTIP - 1.1 years (2015: 1.1 years), SAYE - 1.6 years (2015: 1.4 years), SIP - 1.1 years (2015: 1 year).

## 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:

	2016 £m	2015 £m
Equity-settled share based payments	1.9	2.0
Cash-settled share based payments	0.9	1.3
	<b>2.8</b>	<b>3.3</b>

The total liability at the end of the year in respect of cash-settled share based schemes was £1.1m (2015: £1.6m).

## 24. Related party transactions

	2016 £m	2015 £m
Transactions for the year ended 31 March:		
Capital distributions received from joint ventures (note 12(a))	6.3	2.0
Repayment/payment of loans to joint ventures (note 12(a))	0.2	(0.2)
Fee income and recharges to joint ventures (including performance fees)	25.1	0.9
Fee income and recharges from joint ventures	(1.2)	(0.7)
Income distributions received from joint ventures (note 12(a))	1.2	1.1
Fees paid to CBRE Limited	(0.2)	(0.2)
Balances with joint ventures at 31 March:		
Amounts payable to joint ventures (note 15)	(0.4)	(0.4)

Fee income and recharges to joint ventures includes a performance fee of £24.1m (2015: £nil). Refer to note 3(c) for details.

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:

<b>Key management compensation:</b>	2016 £m	2015 £m
Short-term employee benefits	3.0	2.9
Post-employment benefits	0.2	0.2
Share based payments	1.2	1.1
	<b>4.4</b>	<b>4.2</b>

## 25. Capital commitments

At the year end the estimated amounts of contractual commitments for future capital expenditure not provided for were:

	2016 £m	2015 £m
Construction or redevelopment of investment property	18.8	42.3

## Notes to the financial statements

continued

### 26. Subsidiary and other related undertakings

The Company's subsidiary and other related undertakings at 31 March 2016, and up to the date of signing the financial statements, are listed below.

Except where indicated otherwise, the Company owns 100% of the ordinary share capital of the following subsidiary undertakings incorporated and operating in the UK, all of which are consolidated in the Group's financial statements:

Name	Nature of business
Workspace 12 Limited*	Property Investment
Workspace 13 Limited	Property Investment
Workspace 14 Limited	Property Investment
Workspace 16 (Jersey) Limited†	Investor in joint venture
Workspace Glebe Limited	Holding Company
Glebe Three Limited*	Property Investment
LI Property Services Limited	Insurance Agents
Workspace Management Limited	Property Management
Workspace 1 Limited*	Dormant
Workspace 2 Limited*	Dormant
Workspace 3 Limited*	Dormant
Workspace 4 Limited*	Dormant
Workspace 5 Limited*	Dormant
Workspace 6 Limited	Dormant
Workspace 7 Limited*	Dormant
Workspace 8 Limited*	Dormant
Workspace 9 Limited*	Dormant
Workspace 10 Limited	Dormant
Workspace 11 Limited	Dormant
Workspace 15 Limited	Dormant
Workspace Holdings Limited	Dormant
Anyspacedirect.co.uk Limited	Dormant
Enerjet Limited	Dormant
Redhill Workspace Limited	Dormant
London Industrial (Kingsland Viaduct) Limited	Dormant
Vylan Limited	Dormant
Workspace Newco 1 Limited^	Holding Company
Workspace Newco 2 Limited^	Holding Company

\* 100% of the ordinary share capital of these subsidiaries is held by other Group companies.

† Company registered in Jersey.

^ Incorporated after 31 March 2016.

The Company's other related undertakings are as follows:

Name	Country of incorporation or operation	Class of shares held	Ownership
BlackRock Workspace Property Trust*	Jersey	n/a	20.1%
Generate Studio Limited	UK	Ordinary	50%

\* This undertaking is held by another Group company. The address of its principal place of business is Liberté House, 19-23 La Motte Street, St Helier, Jersey JE2 4SY.

See Note 12(a) for further details of these other related undertakings.

## 27. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for this scheme in the year was £0.8m (2015: £0.7m) representing contributions payable by the Group to the fund and is charged through operating profit.

The Group's commitment with regard to pension contributions, consistent with the prior year, ranges from 6% to 16.5% of an employee's salary. The pension scheme is open to every employee in accordance with the new Government auto-enrolment rules. The number of employees in the scheme at the year end was 186 (2015: 181).

## 28. Operating leases

The following future minimum lease payments are due under non-cancellable operating leases:

	2016 £m	2015 £m
<b>Motor vehicles and office equipment:</b>		
Due within one year	0.1	0.1
Due between two and five years	0.1	–
	<b>0.2</b>	0.1
<b>Land and buildings:</b>		
Within one year	34.7	29.4
Between two and five years	5.0	5.8
Beyond five years	1.5	0.5
	<b>41.2</b>	35.7

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.

## 29. Post balance sheet events

In June 2016 the Group exercised the option for the first extension of the maturity term of the £150m revolver facility for a year to June 2021.

# 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 2016;
- 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

The financial statements, included within the Annual Report and Accounts (the 'Annual Report'), comprise:

- the Parent Company balance sheet as at 31 March 2016;
- the Parent Company 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, 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 United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law (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 124, 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.

### **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 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 2016.

### **Sonia Copeland**

(Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
7 June 2016

# Parent Company balance sheet

## As at 31 March 2016

	Notes	2016 £m	2015 £m
<b>Fixed assets</b>			
Investments	C	<b>612.6</b>	638.3
Derivative financial instruments	F	<b>3.9</b>	0.3
		<b>616.5</b>	638.6
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	D	<b>7.2</b>	-
Debtors: amounts falling due within one year	D	<b>413.6</b>	394.2
Cash and cash equivalents		<b>0.2</b>	0.6
		<b>421.0</b>	394.8
<b>Total assets</b>		<b>1,037.5</b>	1,033.4
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	E	<b>(115.9)</b>	(119.7)
Current tax liabilities		<b>(0.1)</b>	-
		<b>(116.0)</b>	(119.7)
<b>Creditors: amounts falling due after more than one year</b>			
Borrowings	F	<b>(302.2)</b>	(310.3)
Derivative financial investments	F	<b>-</b>	(2.6)
		<b>(302.2)</b>	(312.9)
<b>Total liabilities</b>		<b>(418.2)</b>	(432.6)
<b>Net assets</b>		<b>619.3</b>	600.8
<b>Capital and reserves</b>			
Share capital	G	<b>162.4</b>	161.1
Share premium	G	<b>135.9</b>	136.8
Investment in own shares	G	<b>(8.9)</b>	(8.8)
Other reserves	G	<b>19.0</b>	15.7
Retained earnings		<b>310.9</b>	296.0
<b>Total shareholders' equity</b>		<b>619.3</b>	600.8

The notes on pages 168 to 170 form part of these financial statements.

The financial statements on pages 166 to 170 were approved by the Board of Directors on 7 June 2016 and signed on its behalf by:

**J Hopkins**  
**G Clemett**

**Directors**

Workspace Group PLC  
Registered number 2041612



# Parent Company statement of changes in equity

## For the year ended 31 March 2016

	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
<b>Balance at 31 March 2014</b>	145.6	58.2	(8.9)	14.0	128.1	337.0
Profit for the year	-	-	-	-	184.5	184.5
Change in fair value of derivatives	-	-	-	(0.3)	-	(0.3)
Total comprehensive income	-	-	-	(0.3)	184.5	184.2
Transactions with owners:						
Share issues	15.5	78.6	0.1	-	-	94.2
Dividends paid	-	-	-	-	(16.6)	(16.6)
Share based payments	-	-	-	2.0	-	2.0
<b>Balance at 31 March 2015</b>	161.1	136.8	(8.8)	15.7	296.0	600.8
Profit for the year	-	-	-	-	36.1	36.1
Change in fair value of derivatives	-	-	-	1.4	-	1.4
Total comprehensive income	-	-	-	1.4	36.1	37.5
Transactions with owners:						
Share issues	1.3	(0.9)	-	-	(0.1)	0.3
Own shares purchase (net)	-	-	(0.1)	-	-	(0.1)
Dividends paid	-	-	-	-	(21.1)	(21.1)
Share based payments	-	-	-	1.9	-	1.9
<b>Balance at 31 March 2016</b>	162.4	135.9	(8.9)	19.0	310.9	619.3

The notes on pages 168 to 170 form part of these financial statements.

# Notes to the Parent Company financial statements

## A. Accounting policies

Although the Group Consolidated financial statements are prepared under IFRS as adopted by the EU, the Workspace Group PLC Company financial statements are prepared under Financial Reporting Standard 101 ('FRS 101') 'Reduced Disclosure Framework'.

Adoption of FRS 101 this year has meant that the prior year financial statements prepared under old UK GAAP have had to be restated. The date of transition to FRS 101 is deemed to be 1 April 2014.

There has been no change in the results or financial position of the Company for the year ended 31 March 2015 as a result of the adoption of FRS 101 and hence no reconciliation of equity has been prepared.

### Basis of accounting

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. The financial statements are presented in Sterling.

In preparing the financial statements the Company has taken advantage of the following disclosure exemptions conferred by FRS 101:

- a) The requirements of IAS 7 to provide a Statement of cash flows for the year;
- b) The requirements of IAS 1 to provide a statement of compliance with IFRS;
- c) The requirements of IAS 1 to disclose information on the management of capital;
- d) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRS's that have been issued but are not yet effective;
- e) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- f) The requirements of IFRS 7 on financial instruments disclosures; and
- g) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

The above disclosure exemptions are allowed because equivalent disclosures are included in the Group Consolidated financial statements.

## Significant Accounting Policies

### i. Investments

Investments are carried in the Company's balance sheet at cost less impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Impairment and reversal of impairment is taken to the profit and loss account.

### ii. Share based payment and investment in own shares

Incentives are provided to employees under share option schemes. The Company has established an Employee Share Ownership Trust ('ESOT') to satisfy part of its obligation to provide shares when Group employees exercise their options. The Company provides funding to the ESOT to purchase these shares.

The Company has also established an employee Share Incentive Plan ('SIP') which is governed by HMRC rules.

The Company itself has no employees. When the Company grants share options to Group employees as part of their remuneration, the expense of the share options is reflected in a subsidiary undertaking, Workspace Management Limited. The Company recognises this as an investment in subsidiary undertakings with a corresponding increase to equity.

The disclosure requirements for share-based payments are met in note 23 of the Group Consolidated financial statements.

### iii. Borrowings

Details of borrowings are described in note F to the Parent Company financial statements. Costs associated with the raising of finance are capitalised, amortised over the life of the instrument and charged as part of interest costs.

### iv. Derivative financial instruments and hedge accounting

The accounting policy for derivative financial instruments and hedge accounting are the same as those for the Group and are set out on pages 137 and 138. Disclosure requirements are provided in note 16 to the Consolidated financial statements.

### v. Foreign currency translation

The accounting policy for foreign currency translation is the same as that for the Group and is set out on page 137.

## 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 £36.1m (2015: £184.5m). £14.4m dividends were received in the year from subsidiary undertakings (2015: £185m).

Auditors' remuneration of £10,000 (2015: £10,000) has been borne by a subsidiary undertaking.

Dividend payments 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
<b>Cost</b>				
Balance at 31 March 2015	659.0	1.8	1.0	661.8
Additions in the year	77.1	-	0.2	77.3
Disposals in the year	-	(1.8)	-	(1.8)
Balance at 31 March 2016	736.1	-	1.2	737.3
<b>Impairment</b>				
Balance at 31 March 2015	23.5	-	-	23.5
Impairment charge in the year	101.2	-	-	101.2
Balance at 31 March 2016	124.7	-	-	124.7
<b>Net book value at 31 March 2016</b>	<b>611.4</b>	<b>-</b>	<b>1.2</b>	<b>612.6</b>
Net book value at 31 March 2015	635.5	1.8	1.0	638.3

Impairment charge of £101.2m (2015: £1.9m reversal of impairment loss) is in respect of two subsidiary undertakings. Following these impairments the Directors believe that the carrying value of the investments is supported by their underlying net assets less impairment.

Refer to note 26 of the Consolidated financial statements for the list of subsidiary and other related undertakings.

The Company sold its 50% interest in Enterprise House Investments LLP during the year. The Company has a 50% interest in Generate Studio Ltd, a company incorporated in the UK.

Other investments represent 9% of the share capital of Mailstorage Ltd, a company incorporated in the UK.

## D. Debtors

<b>Amounts falling due after more than one year</b>	<b>2016 £m</b>	<b>2015 £m</b>
Prepayments and accrued income	7.2	-
	<b>7.2</b>	-
<b>Amounts falling due within one year</b>	<b>2016 £m</b>	<b>2015 £m</b>
Amounts owed by Group undertakings	396.7	394.0
Corporation tax asset	-	0.2
Prepayments and accrued income	16.9	-
	<b>413.6</b>	394.2

Accrued income (non-current and current) includes £24.1m (2015: £nil) in respect of a performance fee for the BlackRock Workspace Property Trust joint venture (see note 3(c) of the Consolidated financial statements).

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

	<b>2016 £m</b>	<b>2015 £m</b>
Amounts owed to Group undertakings	110.7	114.1
Taxation and social security	0.8	0.6
Accruals and deferred income	4.4	5.0
	<b>115.9</b>	119.7

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest is paid to Group undertakings.

**Notes to the Parent Company**  
**financial statements**  
continued

**F. Creditors: amounts falling due after more than one year**

<b>Borrowings and financial instruments</b>	Interest rate	Repayable	<b>2016 £m</b>	2015 £m
Bank loan	LIBOR+1.65%	June 2020	<b>40.0</b>	50.0
5.6% Senior US Dollar Notes 2023	5.6%	June 2023	<b>69.9</b>	67.8
5.53% Senior Notes 2023	5.53%	June 2023	<b>84.0</b>	84.0
Senior Floating Rate Notes 2020	LIBOR+3.5%	June 2020	<b>9.0</b>	9.0
Other term loan	LIBOR+3.5%	May 2022 and May 2023	<b>45.0</b>	45.0
6% Retail Bond	6.0%	October 2019	<b>57.5</b>	57.5
Total borrowings			<b>305.4</b>	313.3
Less cost of raising finance			<b>(3.2)</b>	(3.0)
Net borrowings			<b>302.2</b>	310.3

All the above borrowings are unsecured.

<b>Maturity analysis of borrowings:</b>	<b>2016 £m</b>	2015 £m
Repayable between three and four years	<b>57.5</b>	50.0
Repayable between four and five years	<b>49.0</b>	57.5
Repayable in five years or more	<b>198.9</b>	205.8
	<b>305.4</b>	313.3

The following derivative financial instruments are held:

	Amount	Rate payable (%)	Term/ expiry	<b>2016 £m</b>	2015 £m
Cash flow hedge - cross currency swap	\$100m/£64.5m	5.66%	June 2023	<b>3.9</b>	0.3
				<b>3.9</b>	0.3

The £95m (1.87%) interest rate swap to June 2018 was broken in June 2015 with a cash payment of £1.7m. This was valued as a £2.6m liability at 31 March 2015.

**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 20 to 23 on pages 157 to 161 and in the Statement of changes in equity.

<b>Other reserves:</b>	Equity settled share based payments £m	Merger Reserve £m	Hedging Reserve £m	Total £m
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
Share based payments	1.9	-	-	1.9
Change in fair value of derivative financial instruments	-	-	1.4	1.4
<b>Balance at 31 March 2016</b>	<b>12.1</b>	<b>8.7</b>	<b>(1.8)</b>	<b>19.0</b>

# Five-year Performance (unaudited) 2012-2016

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	31 March 2016 £m	31 March 2015 £m	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m
Rents receivable	79.6	63.8	55.3	51.4	50.2
Service charges and other income	21.6	19.8	18.3	18.1	17.1
<b>Revenue</b>	<b>101.2</b>	83.6	73.6	69.5	67.3
Trading profit before interest including share of joint ventures	60.8	45.1	39.0	37.2	35.1
Net interest payable <sup>^</sup>	(16.9)	(18.5)	(18.5)	(19.3)	(19.1)
<b>Trading profit after interest</b>	<b>43.9</b>	26.6	20.5	17.9	16.0
Profit before taxation	391.3	360.0	252.5	76.4	48.5
Profit after taxation	388.9	359.9	252.4	76.4	49.0
Basic earnings per share*	240.3p	231.4p	166.8p	53.3p	36.3p
Dividends per share*	15.05p	12.04p	10.63p	9.67p	8.79p
Dividends (total)	24.4	19.4	15.5	13.9	12.6
Investment properties	1,749.4	1,408.9	1,068.3	825.9	759.3
Other assets less liabilities	53.0	14.5	(8.4)	2.1	(11.1)
Net borrowings	(284.8)	(277.1)	(333.8)	(327.6)	(312.8)
<b>Net assets</b>	<b>1,517.6</b>	1,146.3	726.1	500.4	435.4
Gearing	19%	24%	46%	65%	72%
Gearing on EPRA net assets	19%	24%	46%	64%	70%
Basic NAV per share*	£9.35	£7.12	£4.99	£3.48	£3.05
EPRA NAV per share*	£9.23	£7.03	£4.96	£3.48	£3.08

\* 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.

<sup>^</sup> Excludes exceptional items.

## Performance Metrics

	31 March 2016 £m	31 March 2015 £m	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m
<b>Workspace Group:</b>					
Number of estates	69	75	83	86	92
Lettable floorspace (million sq. ft.)	3.8	4.2	4.5	4.7	5.0
Number of lettable units	4,554	4,525	4,653	4,626	4,668
Average unit size (sq. ft.)	834	919	967	1,011	1,070
Rent roll of occupied units	£78.2m	£69.4m	£58.3m	£52.7m	£50.2m
Overall rent per sq. ft.	£24.32	£18.79	£15.12	£12.98	£11.79
Overall occupancy	85.8%	88.7%	85.8%	87.0%	85.3%
Enquiries (number)	12,353	14,664	12,754	12,440	12,103
Lettings (number)	1,212	1,313	1,020	1,014	981
<b>BlackRock Workspace Property Trust:</b>					
Number of estates	8	12	14	16	11
Lettable floorspace (million sq. ft.)	0.3	0.5	0.5	0.5	0.4
Number of lettable units	282	318	410	435	313
Average unit size (sq. ft.)	1,064	1,756	1,300	1,260	1,407
Rent roll of occupied units	£6.3m	£7.1m	£6.4m	£7.0m	£4.7m
Average rent per sq. ft.	£23.01	£16.13	£14.66	£14.20	£11.82
Overall occupancy	95.8%	93.9%	87.7%	90.4%	89.8%
<b>EPRA Measures</b>					
EPRA Earnings per share	47.5p	18.9p	15.4p	-	-
EPRA Net Asset Value per share	£9.23	£7.03	£4.96	-	-
EPRA NNAV	£9.26	£7.01	£4.91	-	-
EPRA Cost Ratio	31%	34%	33%	-	-

# Property Portfolio 2016

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000s	ERV £000s
Alexandra House	N22 7TR	Acquisition	54,843	550,000	1,371,075
Angel House	EC1V 7LQ	Acquisition	45,808	1,146,726	2,199,000
Archer Street Studios	W1D 7AZ	Like-for-like	14,984	846,211	1,241,700
Arches Business Centre	UB2 4AU	Redevelopment	40,725	324,158	383,700
Barley Mow Centre	W4 4PH	Refurbishment	55,112	1,678,477	1,907,131
Belgravia Workshops	N19 4NF	Like-for-like	32,373	465,814	524,332
Bow Enterprise Park	E3 3QY	Redevelopment	12,273	-	78,000
Bow Office Exchange	E3 3QP	Like-for-like	36,962	310,926	363,400
Canalot Studios	W10 5BN	Like-for-like	49,746	1,733,910	1,932,079
Cannon Wharf	SE8 5EN	Acquisition	33,269	226,621	856,340
Cargo Works	SE1 9PG	Refurbishment	72,696	3,836,391	4,503,350
Chiswick Studios	W4 5PY	Like-for-like	14,255	290,623	373,595
Chocolate Factory	N22 6XJ	Like-for-like	116,960	1,141,604	1,683,317
Clerkenwell Workshops	EC1R OAT	Like-for-like	52,879	3,643,274	4,031,213
Cremer Business Centre	E2 8HD	Refurbishment	41,395	650,170	940,140
E1 Studios	E11DU	Like-for-like	40,112	1,096,335	1,224,238
East London Works	E11DU	Like-for-like	38,605	798,633	1,356,095
Easton Street	WC1X 0DS	Acquisition	22,800	173,667	1,254,000
Edinburgh House	SE11 5DP	Acquisition	-	-	2,739,000
Exmouth House	EC1R 0JH	Like-for-like	58,605	3,037,117	3,607,100
Faircharm	SE8 3DX	Redevelopment	-	-	-
160 Fleet Street	EC4A 2DQ	Acquisition	40,427	1,462,151	2,040,930
Garratt Lane	SW18 4LZ	Acquisition	43,000	-	688,000
Grand Union Studios	W10 5AD	Redevelopment	66,874	267,960	2,284,069
60 Gray's Inn Road	WC1X 8AQ	Acquisition	39,440	1,197,823	2,218,010
12-13 Greville Street	EC1N 8SB	Refurbishment	3,989	68,666	-
14 Greville Street	EC1N 8SB	Refurbishment	10,961	382,584	685,224
Havelock Terrace	SW8 4AS	Like-for-like	58,100	1,021,613	1,274,730
Highway Business Park	E1 9HR	Redevelopment	19,786	318,837	333,440
Holywell Centre	EC2A 4PS	Refurbishment	21,800	-	663,915
Kennington Park	SW9 6DE	Like-for-like	361,993	7,192,234	10,536,409
Leroy House	N1 3QP	Like-for-like	46,565	1,155,237	1,243,684
Lombard Business Centre	CRO 3JP	Redevelopment	66,750	387,440	708,070
Mallard Place	N22 6TS	Like-for-like	10,150	82,500	96,000
Mare Street Studios	E8 3QE	Like-for-like	38,312	534,094	614,401
Marshgate Business Centre	E15 2NH	Redevelopment	92,673	310,394	508,170
Metal Box Factory	SE1 OHS	Refurbishment	107,418	4,890,594	6,965,922
Morie Street	SW18 1SL	Like-for-like	21,697	574,963	692,300
Pall Mall Deposit	W10 6BL	Like-for-like	49,285	1,104,387	1,325,332
Parkhall Business Centre	SE21 8EN	Like-for-like	118,206	1,461,873	1,931,425
Parma House	N22 6XF	Like-for-like	34,984	433,268	500,550
Peer House	WC1X 8LZ	Acquisition	10,234	177,010	455,500
Poplar Business Park	E14 9RL	Redevelopment	56,930	844,919	957,270
Q West	TW8 0GP	Redevelopment	55,129	495,963	845,000
Quality Court	WC2A 1HR	Like-for-like	16,924	964,383	1,198,300
Quicksilver Place	N22 6HX	Like-for-like	27,810	333,600	333,700
Rainbow Industrial Estate	SW20 0JK	Redevelopment	154,871	509,111	517,369

<b>Property name</b>	<b>Postcode</b>	<b>Category</b>	<b>Lettable floor area sq. ft.</b>	<b>Net rent roll of occupied units £000s</b>	<b>ERV £000s</b>
Riverside	SW18 4UQ	Like-for-like	100,411	1,475,835	1,584,259
ScreenWorks	N5 2EF	Like-for-like	60,601	2,118,047	3,196,900
Southbank House	SE1 7SJ	Like-for-like	62,242	1,805,835	2,402,656
Spectrum House	NW5 1LP	Like-for-like	46,463	864,093	1,045,482
Stratford Office Village	E15 4BZ	Like-for-like	52,139	830,154	879,060
The Biscuit Factory (1)	SE16 4DG	Redevelopment	-	-	-
The Biscuit Factory (2)	SE16 4DG	Like-for-like	225,944	3,298,505	4,814,613
The Ivories	N1 2HY	Like-for-like	24,814	548,024	713,978
The Leathermarket	SE1 3ER	Refurbishment	124,879	5,095,850	5,717,837
The Light Box	W4 5PY	Like-for-like	71,947	1,555,298	1,877,862
The Light Bulb	SW18 4GQ	Redevelopment	52,534	1,127,270	1,454,280
The Pill Box	E2 6GG	Like-for-like	50,409	1,425,439	2,074,825
The Print Rooms	SE1 0LH	Refurbishment	45,830	1,568,470	2,590,827
The Record Hall	EC1N 7RJ	Refurbishment	-	-	-
The Shaftesbury Centre	W10 6BN	Like-for-like	12,628	247,551	308,886
Thurston Road	SE13 7SH	Redevelopment	-	-	750,750
Uplands Business Park	E17 5QN	Like-for-like	280,496	1,620,023	1,951,996
Vestry Street Studios	N1 7RE	Like-for-like	22,759	690,327	1,050,200
Vox Studios	SE11 5JH	Refurbishment	103,921	1,720,893	4,181,565
Wenlock Studios	N1 7EU	Like-for-like	31,152	1,020,987	1,473,666
Westbourne Studios	W10 5JJ	Like-for-like	58,652	2,291,234	2,814,510
Zennor Road	SW12 OPS	Like-for-like	66,135	805,444	978,261

# Glossary of Terms

**Adjusted underlying earnings** are based on trading profit after interest adjusted to exclude exceptional items.

**BlackRock JV** 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 240 (£196bn) UK domestic property funds.

**LIBOR** is the British Bankers' Association London Interbank Offer Rate.

**Like-for-like** are those properties that have been held throughout a 12 month period and have not been subject to a refurbishment or redevelopment programme in the last 24 months.

**Loan to value** is 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.

**Unique web visits** is the number of unduplicated (counted only once) visitors to a website over the course of a specified time period.

# Investor Information

## Registrar

All general enquiries concerning ordinary shares in Workspace Group PLC should be addressed to:

## Computershare Investor Services PLC

The Pavilions  
Bridgwater Road  
Bristol BS13 8AE  
Telephone: +44 (0) 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](http://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](http://www.workspace.co.uk)

## Registered office and headquarters

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Web: [www.workspace.co.uk](http://www.workspace.co.uk)  
Email: [investor.relations@workspace.co.uk](mailto:investor.relations@workspace.co.uk)

## Company Secretary

Carmelina Carfora

## The Company's advisers include:

### Independent auditors

#### PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London WC2N 6RH

### Solicitors

#### Slaughter and May

One Bunhill Row  
London EC1Y 8YY

### Clearing bankers

#### The Royal Bank of Scotland

280 Bishopsgate  
London EC2M 3UR

### Joint stockbrokers

#### Bank of America Merrill Lynch

2 King Edward Street  
London EC1A 1HQ

### Liberum Capital Limited

Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9LY

# Workspace Group Online

Workspace's comprehensive website gives you fast, direct access to a wide range of Company information.

To find out more go to [www.workspace.co.uk](http://www.workspace.co.uk)

## About us

- What we do
- Our strategy
- Leadership team
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## Investor centre

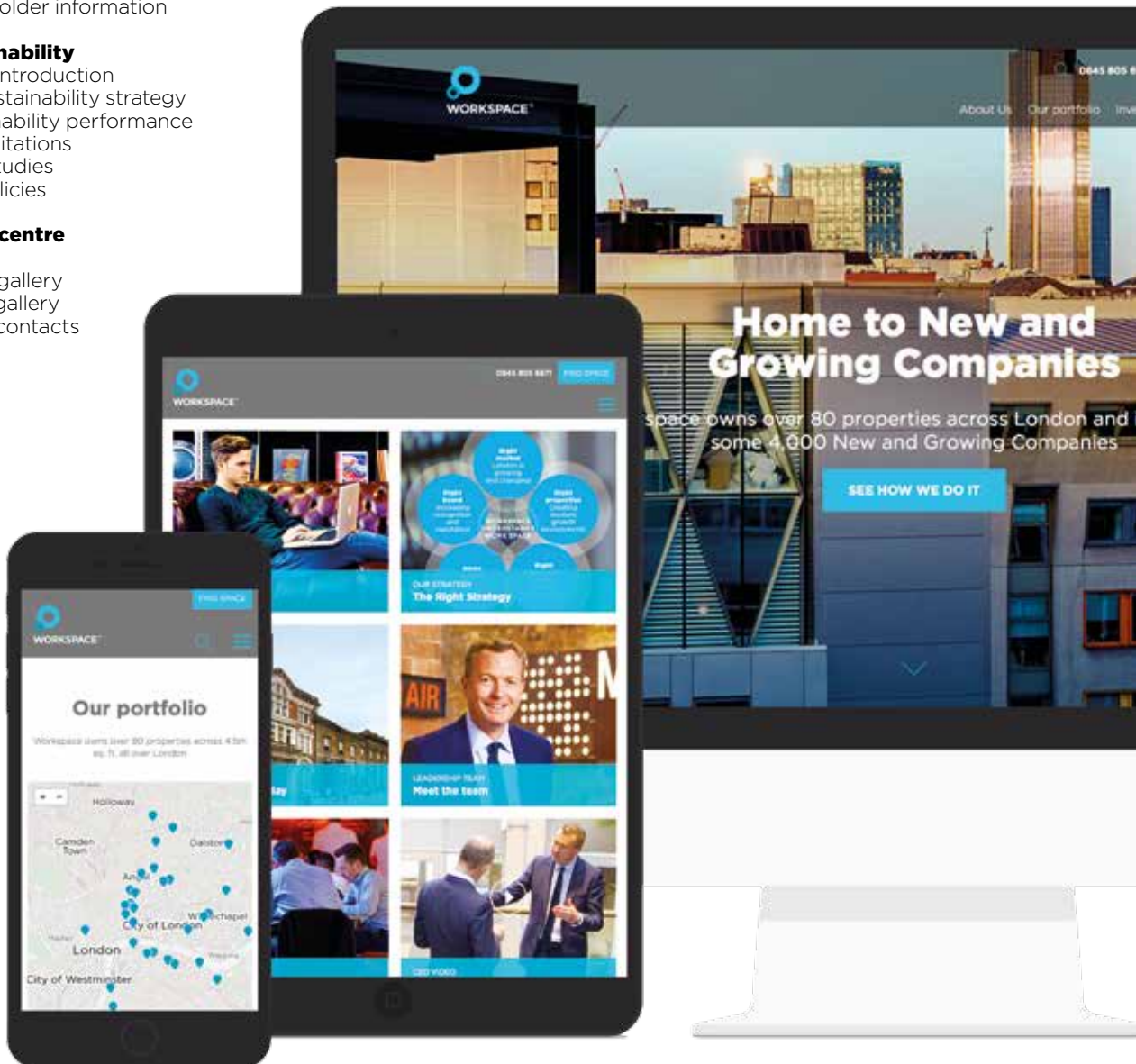
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