

# HALF YEAR RESULTS

8 November 2017

**WORKSPACE GROUP PLC**  
**INTERIM RESULTS**

## **WORKSPACE GROUP PLC**

**Trading profit growth and 30% dividend increase reflecting  
the strength of our business model.**

Workspace Group PLC (“Workspace”) publishes its results for the six months ended 30 September 2017 on 8 November 2017. The comments in this announcement refer to the period from 1 April 2017 to 30 September 2017 (“the period”) unless otherwise stated.

The Workspace Advantage, which offers highly designed and super connected space to businesses on flexible terms, has delivered the performance set out below:

### **Financial highlights**

- Strong growth in net rental income year on year of 21% to £46.1m, resulting in 25% growth in adjusted trading profit after interest to £29.4m
- Profit before tax of £123.7m with a significant uplift in the property valuation (30 September 2016: £7.1m)
- EPRA net asset value per share of £10.14, up 6.4% in the six months
- An underlying increase of 3.5% in the property valuation to £2,139m in the six months
- A 30% increase in the interim dividend to 8.84p reflecting the strong financial performance
- Loan to value at 20% with undrawn facilities (including cash) of £243m

### **Operating performance in the six months**

- Good, consistent level of customer demand with enquiries averaging 1,047 per month
- Total rent roll up 17.1% to £104.8m (31 March 2017: £89.5m)
- Like-for-like rent roll up 4.1% to £63.5m (31 March 2017: £61.0m)
- Like-for-like occupancy at 92.4%, up 1.5%, and rent per sq. ft. up 2.7% to £33.56

### **Strategic progress in the six months**

- Two industrial estates sold for £80m, a profit of £23m on the book value at 31 March 2017
- One residential redevelopment sold in the period, another contracted for sale
- 13-17 Fitzroy Street, Fitzrovia acquired in April 2017 for £98.5m
- The Record Hall, a new flagship business centre in Holborn, opened in May 2017
- The Salisbury, Finsbury Circus acquired in June 2017 for £158.7m
- Secured longer term funding with £200m private placement

## Commenting on the results, Jamie Hopkins, Chief Executive Officer said:

“We have seen good customer demand in the first half of the year, driven by our ability to provide well connected, inspiring space on flexible terms to an increasingly wide range of businesses. Owning our properties in the right locations across London, combined with a deep understanding of and direct relationships with our customers, provides us with a key market advantage and further prospects for growth.

We have continued to reshape our portfolio, acquiring two properties in Fitzrovia and the City and disposing of non-core industrial assets. We have made good progress on our refurbishment and redevelopment projects, and have a strong pipeline of activity which will bring new and upgraded space to the market.

Workspace’s clearly differentiated market position and strong fundamentals have given the Board the confidence to recommend a 30% increase to the interim dividend and reinforce our belief that we can deliver long-term value for shareholders.”

## Summary results

	September 2017	September 2016	Change
<b>Financial performance</b>			
Net rental income	£46.1m	£38.0m	+21%
Profit before tax	£123.7m	£7.1m	+£116.6m
Adjusted trading profit after interest <sup>(1)</sup>	£29.4m	£23.6m	+25%
Interim dividend per share	8.84p	6.80p	+30%

	September 2017	March 2017	Change
<b>Property valuation</b>			
CBRE property valuation <sup>(2)</sup>	£2,139m	£1,844m	+3.5%**
Like-for-like capital value per sq. ft.	£534	£501	+6.6%
Like-for-like initial yield	5.3%	5.4%	-0.1%*
Like-for-like equivalent yield	6.5%	6.6%	-0.1%*
EPRA net asset value per share <sup>(1)</sup>	£10.14	£9.53	+6.4%
<b>Financing</b>			
Loan to value	20%	13%	+7%*
Undrawn bank facilities and cash	£243m	£123m	£120m*

\* absolute change

\*\* underlying change

<sup>(1)</sup> Adjusted performance measures are used by Workspace to assess and explain its performance but are not defined under IFRS.

- Adjusted trading profit after interest is net rental income and joint venture trading, less administrative expenses and net finance costs.
- EPRA net asset value 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.
- Adjusted underlying earnings is based on adjusted trading profit after interest excluding exceptional items.

<sup>(2)</sup> Refer to note 8 to the Financial Statements for the reconciliation of the CBRE property valuation to Investment Properties as per the balance sheet.

Definitions of other performance measures included in the interim results are consistent with those in the glossary contained in the Annual Report and Accounts for the year ended 31 March 2017.

For media and investor enquiries, please contact:

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**Notes to Editors**

About Workspace Group PLC:

Workspace is geared towards helping businesses perform at their very best. The Workspace Advantage is our unique customer offer and is open to all – we provide inspiring, flexible work spaces with super-fast technology in dynamic London locations. Established in 1987, and listed on the London Stock Exchange since 1993, Workspace owns and manages 3.6 million sq. ft. of business space across 68 London properties. We are home to some 4,000 businesses including some of the fastest growing and established brands across a wide range of sectors.

The way businesses work is changing. That's why we continually invest in providing the technology infrastructure that enables our customers to think and move fast, and alongside their working environment, is tailored to each individual business.

Workspace (WKP) is a FTSE 250 listed Real Estate Investment Trust (REIT) and a member of the European Public Real Estate Association (EPRA).

For more information on Workspace, visit [www.workspace.co.uk](http://www.workspace.co.uk).

**Details of results presentation**

There will be a results presentation to analysts and investors hosted by the Workspace Executive Team on Wednesday 8 November 2017 at 9.30am. The venue for the presentation is Bank of America Merrill Lynch, 2 King Edward Street, London, EC1A 1HQ. There is also a webcast and conference call facility in conjunction with the presentation.

Webcast: The live webcast will be available here  
<https://secure.emincote.com/client/workspace/workspace008>

Conference call details:

Dial in: +44 (0)20 3059 8125

## BUSINESS REVIEW

### ENQUIRIES AND LETTINGS

We have seen a consistent level of demand in the first half of the year with enquiries averaging 1,047 per month (FY 2016/17: 1,060), and lettings averaging 96 per month (FY 2016/17: 99). There will be some fluctuations in enquiries and lettings from month to month linked to seasonal impacts and the timing of marketing initiatives, particularly around the launch of new buildings.

Average number per month	Quarter Ended				
	30 Sept 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sept 2016
Enquiries	1,039	1,055	1,183	1,009	999
Lettings	97	95	101	85	103

The good levels of enquiries and lettings have continued into the second half of the financial year with 1,106 enquiries and 97 lettings in October 2017.

### RENT ROLL

Total rent roll is up 17.1% (£15.3m) to £104.8m in the six month period as detailed below:

Rent Roll	£m
At 31 March 2017	89.5
Like-for-like Portfolio	2.5
Completed Projects	2.2
Refurbishment and Redevelopment Projects	(1.9)
Acquisitions	15.8
Disposals	(2.5)
Other	(0.8)
<b>At 30 September 2017</b>	<b>104.8</b>

The total estimated rental value (ERV) of the portfolio, comprising the ERV of the like-for-like portfolio, properties acquired and those currently undergoing refurbishment or redevelopment (but including properties at the design stage at their current rent roll) is £158.9m. Assuming a 90% occupancy level this equates to a rent roll of £143.3m, £38.5m higher than the current rent roll.

#### Like-for-like Portfolio

The like-for-like portfolio represents 61% of the total rent roll as at 30 September 2017. It comprises properties with stabilised occupancy, excluding recent acquisitions and buildings impacted by significant refurbishment or redevelopment activity. The like-for-like portfolio has been restated in the six months for two properties transferred in from completed projects, two disposals and one property transferred out. Like-for-like trends reported for previous financial years are not restated for the property transfers made in the current financial year.

The like-for-like rent roll has increased by 4.1% (£2.5m) in the six months to £63.5m. We continue to see good growth in the like-for-like rent roll although, as expected, it has moderated from the double-digit annual growth levels achieved in recent years. The rental growth in the last six months has come from an increase in both occupancy and pricing. Like-for-like occupancy has increased by 1.5% to 92.4% in the six months and like-for-like rent per sq. ft. is up 2.7% to £33.56.

	Six months Ended				
	30 Sept 2017	31 Mar 2017	30 Sept 2016	31 Mar 2016	30 Sept 2015
Like-for-like properties					
Rent roll growth	4.1%	6.2%	7.1%	5.6%	9.2%
Occupancy movement	1.5%	(0.3%)	0.2%	(0.4%)	(0.7%)
Rent per sq. ft. growth	2.7%	6.7%	5.7%	5.0%	10.9%

As we upgrade and reposition our business centre portfolio, we are seeing more transfers in and out of the like-for-like category. This together with the increased number of larger individual lettings can have a disproportionate and potentially misleading impact on quarterly reported statistics. We have therefore decided to limit the reporting of like-for-like trends to half yearly in line with our financial reporting.

If all the like-for-like properties were at 90% occupancy at the CBRE estimated rental values at 30 September 2017, the rent roll would be £71.7m, £8.2m higher than the rent roll at 30 September 2017.

### Completed Projects

We are seeing strong demand from customers for the new and upgraded space we are delivering from our project pipeline, with rent roll increasing by £2.2m in the six months to £13.2m.

During the first half of the year, we completed two refurbishments and opened a new business centre. The refurbishments at The Leather Market, London Bridge and Barley Mow Centre, Chiswick were completed in August 2017 and The Record Hall, a new business centre in Holborn, opened in May 2017. Also included in this category is the acquisition of 160 Fleet Street, where we have now completed the repositioning of the building, and Cannon Wharf which we acquired as a vacant property.

	At 30 September 2017		
	Lettable Area (sq. ft.)	Rent	Occupancy
The Leather Market	123,000	£5.4m	89.9%
Grand Union Studios	65,000	£2.0m	86.6%
160 Fleet Street	42,000	£1.8m	78.9%
Barley Mow Centre	72,000	£1.7m	62.1%
The Record Hall	58,000	£1.6m	63.2%
Cannon Wharf	33,000	£0.7m	84.2%
<b>Total</b>		<b>£13.2m</b>	

If the six buildings were at 90% occupancy at the CBRE estimated rental values at 30 September 2017, the rent roll would be £16.5m, £3.3m higher than the 30 September 2017 rent roll.

### Projects Underway – Refurbishments

We are currently underway on twelve refurbishment projects that will deliver 635,000 sq. ft. of new and upgraded space. The rent roll at 30 September 2017 at these refurbishments was £7.4m, down £1.4m in the six months.

The short-term reduction in rent roll at these refurbishments will be replaced in due course by a significant uplift in rent as they complete and the new and upgraded space is let. Assuming 90% occupancy at the CBRE estimated rental values at 30 September 2017, the rent roll at these twelve buildings once they are completed would be £26.1m, an uplift of £18.7m.

## Projects Underway – Redevelopments

There are currently eight mixed-use redevelopment projects underway or contracted for sale. The buildings are vacated upon sale and Workspace receives a consideration comprising cash, and at four of these properties, new business centres (built at no cost to Workspace) providing 141,000 sq. ft. of net lettable space.

As at 30 September 2017, rent roll was £0.7m, down £0.1m in the six months. Assuming 90% occupancy at the CBRE estimated rental values at 30 September 2017, the rent roll at the four new business centres we will receive back would be £3.6m, an uplift of £2.9m.

## Projects at Design Stage

This comprises properties where we are planning a refurbishment or redevelopment that has not yet commenced. In most cases this is because we are awaiting planning consent. The rent roll at these properties at 30 September 2017 was £3.5m, down £0.4m in the six months.

## Acquisitions

We have revised this category to only include properties where refurbishment activity has not yet commenced. This comprises recent acquisitions and properties where we need to obtain vacant possession before we can progress with our repositioning plans, typically where there is currently a single occupier of the building. We completed on two significant acquisitions in the six months, 13-17 Fitzroy Street, Fitzrovia and The Salisbury, Moorgate. Also included in this category is Alexandra House, Wood Green, which has been transferred from the like-for-like category.

Fitzroy Street and Alexandra House are currently let to single occupiers until 2020 and 2021 respectively. We plan in due course to reposition these buildings as multi-let business centres. The configuration of The Salisbury is well suited to our multi-let strategy and we see significant potential to progressively upgrade the building to establish a flagship business centre in the heart of the City, close to the new Crossrail station at Moorgate.

	At 30 September 2017		
	Lettable Area	Rent Roll	Occupancy
The Salisbury	235,000 sq. ft.	£11.0m*	90%
Fitzroy Street	93,000 sq. ft.	£4.9m	100%
Alexandra House	55,000 sq. ft.	£0.7m	100%
<b>Total</b>		<b>£16.6m</b>	

\*There is ground rent of 22% of rents received payable to the City of London Corporation.

If the three properties in this category were at 90% occupancy at the CBRE estimated rental values at 30 September 2017, the rent roll would be £22.0m, an uplift of £5.4m.

## Disposals

In line with our strategy, we completed the sale of two non-core industrial estates in the half year (at a significant premium to their 31 March 2017 book value) with the loss of £2.5m of rent roll.

## PROFIT PERFORMANCE

Adjusted trading profit after interest for the half year (which included in the prior year our share of the trading profit of the Blackrock joint venture after interest) is £29.4m, up 25% compared to the prior year.

£m	30 Sept 2017	30 Sept 2016
Net rental income	46.1	38.0
Joint venture income	-	0.3
Administrative expenses - underlying	(6.9)	(6.5)
Administrative expenses – share related	(1.1)	(0.9)
Net finance costs	(8.7)	(7.3)
Adjusted trading profit after interest	29.4	23.6

Net rental income increased by 21% (£8.1m) in the period to £46.1m as detailed below:

£m	30 Sept 2017	30 Sept 2016
Like-for-like properties	30.1	26.4
Completed projects	5.5	4.3
Current projects	5.3	6.0
Acquisitions	4.6	0.3
Disposals	0.6	1.0
Total net rental income	46.1	38.0

Total administration costs are up 8% (£0.6m) in the year to £8.0m, with underlying costs (excluding share based costs) up 6% (£0.4m) to £6.9m, largely as a result of staff salary increases averaging 3.7% and some inflationary cost increases. Share based payments have increased by £0.2m due to a higher share price.

Net finance costs increased by £1.4m (19.2%) in the six months to September 2017. The average net debt balance over the six months was £80m higher than in the prior year, whilst the average interest rate has reduced from 5.5% to 4.8%. This interest rate includes the commitment fee on the undrawn revolver facility. The exit rate interest cost of the drawn debt as at 30 September 2017 is 4.5% and the marginal cost of the undrawn revolver facility is 1.4% over LIBOR.

Profit before tax for the six months is £123.7m compared to a profit of £7.1m in the prior half year as detailed below:

£m	30 Sept 2017	30 Sept 2016
Adjusted trading profit after interest	29.4	23.6
Change in fair value of investment properties	71.2	(14.6)
Profit on sale of investment properties	22.9	(0.1)
Exceptional finance costs	-	(1.4)
Other items	0.2	(0.4)
Profit before tax	123.7	7.1
Adjusted underlying earnings per share	17.9p	14.4p

The reported change in fair value of investment properties of £71.2m reflects the underlying increase in the CBRE valuation in the period of £71.5m, adjusted for the change in fair value of overage which is reclassified in the accounts as deferred consideration.

The profit on sale of investment properties of £22.9m relates to the sale of Uplands and Zennor Road Industrial Estates.

The exceptional finance costs of £1.4m in the prior year related to break costs associated with the early repayment of £45m of term debt in September 2016.

Adjusted underlying earnings per share is up 24% to 17.9p, in line with the increase in adjusted trading profit after interest. Diluted earnings per share for the period, based on the reported profit before tax, is 75.1p up from 4.3p in the prior half year.

## DIVIDEND

Our dividend policy is based on the growth in adjusted trading profit after interest taking into account our investment and acquisition plans and the distribution requirements that we have as a REIT. The current intention is to grow the dividend on a covered trading profit basis, with a target of maintaining cover of at least 1.3 times adjusted underlying earnings per share. In due course with the strong growth we are achieving in trading profit, we may need to revise our target dividend cover to satisfy our property income distribution requirements under the REIT regime.

The interim dividend of 8.84p (2016: 6.80p) will be paid on 6<sup>th</sup> February 2018 to shareholders on the register at 12<sup>th</sup> January 2018 and reflects the strong financial performance and confidence in outlook. The dividend will be paid as a Property Income Distribution.

## PROPERTY VALUATION

At 30 September 2017, the wholly owned portfolio was independently valued by CBRE at £2,139m, an underlying increase of 3.5% (£72m) in the six months.

The main movements in the valuation over the half year are set out below:

	£m
Valuation at 31 March 2017	1,844
Revaluation uplift	72
Capital expenditure	35
Acquisitions	268
Property disposals	(57)
Capital receipts	(23)
<b>Valuation at 30 September 2017</b>	<b>2,139</b>

A summary of the half year revaluation uplift by property type is set out below:

£m	Valuation	Uplift
Like-for-like Properties	1,094	58
Completed Projects	283	20
Refurbishments	282	7
Redevelopments	206	(5)
Acquisitions	274	(8)
<b>Total</b>	<b>2,139</b>	<b>72</b>



### Like-for-like Properties

There was a 5.6% (£58m) increase in the valuation of like-for-like properties to £1,094m, comprising:

- An increase in ERV per sq. ft. of 4.5% equating to an uplift in value of some £47m;
- A 0.1% reduction in equivalent yield equating to an increase in value of some £11m.

	<b>30 Sept 2017</b>	31 March 2017	Change
ERV per sq. ft.	<b>£38.92</b>	£37.25	+4.5%
Rent per sq. ft.	<b>£33.56</b>	£32.69	+2.7%
Equivalent Yield	<b>6.5%</b>	6.6%	(0.1%)
Net Initial Yield	<b>5.3%</b>	5.4%	(0.1%)
Capital Value per sq. ft.	<b>£534</b>	£501	+6.6%

### Completed Projects

The uplift of 7.6% (£20m) in value of the six completed projects to £283m reflects the strong demand and pricing levels that have been achieved at these properties since launch. The most significant uplifts in the six months being £8m at The Record Hall and £6m at The Leather Market. The overall valuation metrics for completed projects are set out below:

	<b>30 Sept 2017</b>
ERV per sq. ft.	<b>£47.06</b>
Rent per sq. ft.	<b>£43.07</b>
Equivalent Yield	<b>5.8%</b>
Net Initial Yield	<b>4.3%</b>
Capital Value per sq. ft.	<b>£723</b>

### Current Refurbishments

We have seen an uplift of 2.5% (£7m) in the value of current refurbishments to £282m, including:

- A £5m uplift at The Light Box, Chiswick, where we are adding 19,000 sq. ft. of new space and upgrading the common areas.
- A £2m uplift at The Chocolate Factory, Wood Green, where we are upgrading part of the business centre unaffected by future redevelopment plans.

### Current Redevelopments

The reduction of 2.4% (£5m) in the value of current redevelopment projects to £206m includes a reduction of £7m in value of Rainbow Industrial Estate, Raynes Park. We obtained a mixed-use planning consent for this site in September 2015 but have been informed by Network Rail that it may be safeguarded in relation to Crossrail 2.

## Acquisitions

Two properties were acquired in the period:

- In April 2017, we acquired 13-17 Fitzroy Street, Fitzrovia for £98.5m. This property comprises 92,700 sq. ft. of net lettable space, currently let in its entirety to Arup until September 2022 at annual rent of £4.9m (£53 per sq. ft.), rising to £6.0m (£65 per sq. ft.) in March 2021. Arup plan to relocate from this building and the lease provides for their early exit with effect from September 2020 with a rolling nine-month break option.
- In June 2017, we acquired The Salisbury at 28-31 Finsbury Circus for £158.7m. This multi-let property provides 235,000 sq. ft. of net lettable space. It was acquired at a capital value of £661 per sq. ft., a low average passing rent of £41.50 per sq. ft. and at a net initial yield of 5.0%.

At 30 September 2017, the valuation of the three properties in this category (which includes Alexandra House, Wood Green) was £274m, a reduction of £8m in the period due to the write-off of acquisition costs and stamp duty.

## Disposals

We disposed of two industrial estates in the period for £80m, a profit of £23m on the book cost at 31 March 2017 of £57m.

- In May 2017, we sold Uplands Industrial Estate in Walthamstow for £50m. The industrial estate totalled 290,000 sq. ft. of net lettable space with an average rent per sq. ft. of £5.70. The property was sold at a premium of 25% (£10m) to the 31 March 2017 valuation at a net initial yield of 3.1%.
- In September 2017, we sold Zennor Road Industrial Estate in Balham for £30m. This three acre site was sold at a premium of 84% (£13.7m) to the 31 March 2017 valuation at a net initial yield of 2.9%.

In September 2017, we exchanged contracts for the sale of Stratford Office Village for £14m. We obtained a mixed-use planning consent on this site in 2016 for 101 residential units and 13,000 sq. ft. of commercial space. The sale price is in line with the 31 March 2017 valuation and we completed the sale on 2 November 2017.

## Capital Receipts

We received £23m in capital receipts from our redevelopment programme during the six months. This included:

- In June 2017, we sold the third and final phase of the mixed-use redevelopment at Bow Enterprise, Devons Road. This final phase, comprising 130 residential units, was sold for £6.3m in cash and the return of a new 40,000 sq. ft. business centre. The sale was in line with the 31 March 2017 valuation.
- In June 2017, we received £7.9m in overage from the sale of the residential units in the first phase of the Bow Enterprise redevelopment.

- In September 2017, we completed the sale of the second phase of the redevelopment of The Lightbulb, Wandsworth, of 77 residential units for £7.8m in cash, together with the delivery in due course of 17,000 sq. ft. of new commercial space.

## REFURBISHMENT ACTIVITY

A summary of the status of the refurbishment pipeline at 30 September 2017 is set out below:

Projects	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	12	£34m	£115m	635,000
Design stage (without planning)	4	-	£64m	240,000

Of the twelve refurbishment projects underway, we are currently on-site at nine, have obtained vacant possession on one and are working towards achieving vacant possession at the remaining two. We would expect the capital expenditure on these projects to be incurred relatively evenly over the next four years (subject to obtaining planning consent on the design stage schemes).

## REDEVELOPMENT ACTIVITY

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

A summary of the status of the redevelopment pipeline at 30 September 2017 is set out below:

	No. of properties	Residential units	Cash received	Cash/overage to come	New commercial space (sq. ft.)
Underway	8	1,696	£100m	£31m	141,000
Design stage (with planning)	3	646	-	-	124,000
Design stage (without planning)	3	683 (est)	-	-	-

The sale of the residential units at the eight redevelopment schemes underway is expected to deliver £131m in cash and four new commercial buildings.

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

## CASH FLOW

The Group generates strong operating cash flow in line with trading profit, with good levels of cash collection. Bad debts are low in the period at £0.1m (September 2016: £0.1m). A summary of the movements in cash flow are set out below:

£m	30 Sept 2017	30 Sept 2016
Net cash from operations after interest	33	22
Dividends paid	(22)	(15)
Capital expenditure	(35)	(30)
Purchase of investment properties	(256)	-
Property disposals	80	-
Capital receipts	23	13
Distributions and proceeds from joint ventures	-	46
Other	(3)	(3)
Net movement	(180)	33
Debt at 31 March 2017 (net of cash)	(242)	
<b>Debt at 30 September 2017 (net of cash)</b>	<b>(422)</b>	

## FINANCING

In June 2017, we exercised the options to extend the maturity of our revolver bank facility by the year to 2022 and increase the quantum of the facility from £150m to £250m.

In August 2017, we completed the placing of £200m of private placement notes, comprising £80m of eight year notes and £120m of ten year notes at a blended fixed rate coupon of 3.14%.

The Group had £18m of cash and £440m of drawn debt at 30 September 2017 with £665m of committed facilities as detailed below:

	Drawn Amount	Facility	Maturity
Private Placement Notes	£357.5m	£357.5m	2020-2027
Retail bond	£57.5m	£57.5m	2019
Bank facilities	£25m	£250m	2022
<b>Total</b>	<b>£440m</b>	<b>£665m</b>	

All facilities are provided on an unsecured basis with an average maturity of 6.0 years (31 March 2017: 5.2 years). The average interest cost of our fixed rate private placement notes has reduced to 4.2% from 5.5% following the £200m issue in August 2017. The retail bond has a fixed interest rate of 6%. Our revolver bank facilities are provided at a floating rate of 1.65% over LIBOR. At 30 September 2017, 61% of our facilities are at fixed rates, representing 92% of our borrowings on a drawn basis.

At 30 September 2017, loan to value was 20% (31 March 2017: 13%) and interest cover (based on net rental income) was 5.3 times (31 March 2017: 5.8), providing good headroom on all facility covenants.

## NET ASSETS

Net assets increased in the six months by £101m to £1,680m. EPRA net asset value per share at 30 September 2017 is £10.14 (31 March 2017: £9.53), an increase of 6.4% (£0.61). The calculation of EPRA net asset value per share is set out in note 7 of the interim accounts.

	£
At 31 March 2017	9.53
Property valuation surplus	0.43
Trading profit after interest	0.18
Dividends paid in year	(0.14)
Profit on sale of investment properties	0.14
<b>At 30 September 2017</b>	<b>10.14</b>

## KEY PROPERTY STATISTICS

	Half Year ended				
	30 Sept 2017	31 March 2017	30 Sept 2016	31 March 2016	30 Sept 2015
<b>Workspace Group Portfolio</b>					
Property valuation	<b>£2,139m</b>	£1,844m	£1,780m	£1,779m	£1,631m
Number of properties	<b>68</b>	68	69	69	75
Lettable floorspace (million sq. ft.)	<b>3.6</b>	3.6	3.7	3.8	4.2
Number of lettable units	<b>4,544</b>	4,306	4,521	4,554	4,663
Rent roll of occupied units	<b>£104.8m</b>	£89.5m	£84.8m	£78.2m	£79.0m
Average rent per sq. ft.	<b>£33.80</b>	£28.41	£26.86	£24.32	£21.11
Overall occupancy	<b>85.2%</b>	87.0%	84.2%	85.8%	89.8%
Like-for-like number of properties	<b>34</b>	35	35	36	38
Like-for-like lettable floor space (million sq. ft.)	<b>2.1</b>	2.3	2.3	2.3	2.4
Like-for-like rent roll growth	<b>4.1%</b>	6.2%	7.1%	5.6%	9.2%
Like-for-like rent per sq. ft. growth	<b>2.7%</b>	6.7%	5.7%	5.0%	10.9%
Like-for-like occupancy movement	<b>1.5%</b>	(0.3%)	0.2%	(0.4%)	0.7%

### Notes:

- 1) The like-for-like category has been restated in the first half of the financial year for the following:
  - The transfer in of The Print Rooms, Southwark and Vox Studios, Vauxhall from completed projects
  - The disposal of Uplands Industrial Estate, Walthamstow and Zennor Road Industrial Estate, Balham
  - The transfer out of Alexandra House, Wood Green to the acquisition category
- 2) Like-for-like statistics for prior years are not restated for the changes made to the like-for-like property portfolio in the current financial year.

CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Notes	Unaudited 6 months ended 30 September 2017 £m	Unaudited 6 months ended 30 September 2016 £m	Audited Year ended 31 March 2017 £m
Revenue	1	61.5	53.4	108.8
Direct costs	1	(15.4)	(15.4)	(29.6)
<b>Net rental income</b>	1	<b>46.1</b>	<b>38.0</b>	<b>79.2</b>
Administrative expenses		(8.0)	(7.4)	(15.1)
<b>Trading profit excluding share of joint ventures</b>		<b>38.1</b>	<b>30.6</b>	<b>64.1</b>
Profit/(loss) on disposal of investment properties	2(a)	22.9	(0.1)	(0.6)
Loss on disposal of joint ventures	2(b)	-	(0.1)	(0.2)
Other income	2(c)	0.2	1.1	2.1
Other expenses	2(c)	-	(1.2)	(1.2)
Change in fair value of investment properties	8	71.2	(14.6)	39.5
<b>Operating profit</b>		<b>132.4</b>	<b>15.7</b>	<b>103.7</b>
Finance income	3	-	0.1	0.1
Finance costs	3	(8.7)	(7.4)	(13.7)
Exceptional finance costs	3	-	(1.4)	(1.4)
Gains from share in joint ventures		-	0.1	0.1
<b>Profit before tax</b>		<b>123.7</b>	<b>7.1</b>	<b>88.8</b>
Taxation	4	-	-	(0.1)
<b>Profit for the period after tax</b>		<b>123.7</b>	<b>7.1</b>	<b>88.7</b>
Basic earnings per share	6	75.7p	4.4p	54.5p
Diluted earnings per share	6	75.1p	4.3p	53.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Notes	Unaudited 6 months ended 30 September 2017 £m	Unaudited 6 months ended 30 September 2016 £m	Audited Year ended 31 March 2017 £m
Profit for the period		123.7	7.1	88.7
Other comprehensive income:				
Items that may be classified subsequently to profit or loss:				
Change in fair value of derivative financial instruments (cash flow hedge)	13(f)	0.6	4.6	(2.2)
<b>Total comprehensive income for the period</b>		<b>124.3</b>	<b>11.7</b>	<b>86.5</b>

CONSOLIDATED BALANCE SHEET  
AS AT 30 SEPTEMBER 2017

	Notes	Unaudited 30 September 2017 £m	Audited 31 March 2017 £m	Unaudited 30 September 2016 £m
<b>Non-current assets</b>				
Investment properties	8	2,125.9	1,839.0	1,764.8
Intangible assets		0.8	0.7	0.6
Property, plant and equipment		3.0	2.9	2.5
Investment in joint ventures	9	0.3	0.3	0.2
Other investments		3.1	3.1	3.0
Trade and other receivables	10	3.4	7.3	6.4
Derivative financial instruments	13(e) & (f)	8.2	12.1	11.2
		<b>2,144.7</b>	<b>1,865.4</b>	<b>1,788.7</b>
<b>Current assets</b>				
Assets held for sale	8	25.6	-	-
Trade and other receivables	10	17.9	25.2	28.4
Cash and cash equivalents	11	21.7	6.5	6.5
		<b>65.2</b>	<b>31.7</b>	<b>34.9</b>
<b>Total assets</b>		<b>2,209.9</b>	<b>1,897.1</b>	<b>1,823.6</b>
<b>Current liabilities</b>				
Trade and other payables	12	(65.9)	(52.2)	(50.4)
Deferred tax		(0.9)	(0.9)	(1.1)
		<b>(66.8)</b>	<b>(53.1)</b>	<b>(51.5)</b>
<b>Non-current liabilities</b>				
Borrowings	13(a)	(463.2)	(265.5)	(258.4)
		<b>(463.2)</b>	<b>(265.5)</b>	<b>(258.4)</b>
<b>Total liabilities</b>		<b>(530.0)</b>	<b>(318.6)</b>	<b>(309.9)</b>
<b>Net assets</b>		<b>1,679.9</b>	<b>1,578.5</b>	<b>1,513.7</b>
<b>Shareholders' equity</b>				
Share capital		163.8	163.2	163.2
Share premium		135.3	135.4	135.4
Investment in own shares		(9.8)	(8.9)	(8.9)
Other reserves		20.0	18.7	24.4
Retained earnings		1,370.6	1,270.1	1,199.6
<b>Total shareholders' equity</b>		<b>1,679.9</b>	<b>1,578.5</b>	<b>1,513.7</b>
EPRA net asset value per share	7	£10.14	£9.53	£9.15



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

Unaudited 6 months to 30 September 2017	Notes	Attributable to owners of the Parent					Total Share- holders' equity £m
		Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	
<b>Balance at 1 April 2017</b>		<b>163.2</b>	<b>135.4</b>	<b>(8.9)</b>	<b>18.7</b>	<b>1,270.1</b>	<b>1,578.5</b>
Profit for the period		-	-	-	-	123.7	123.7
Change in fair value of derivatives		-	-	-	0.6	-	0.6
Total comprehensive income		-	-	-	0.6	123.7	124.3
Transactions with owners:							
Share issues		0.6	(0.1)	(0.9)	-	-	(0.4)
Dividends paid	5	-	-	-	-	(23.2)	(23.2)
Share based payments		-	-	-	0.7	-	0.7
<b>Balance at 30 September 2017</b>		<b>163.8</b>	<b>135.3</b>	<b>(9.8)</b>	<b>20.0</b>	<b>1,370.6</b>	<b>1,679.9</b>
<b>Unaudited 6 months to 30 September 2016</b>							
<b>Balance at 1 April 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>
Profit for the period		-	-	-	-	7.1	7.1
Change in fair value of derivatives		-	-	-	4.6	-	4.6
Total comprehensive income		-	-	-	4.6	7.1	11.7
Transactions with owners:							
Share issues		0.8	(0.5)	-	-	(0.2)	0.1
Dividends paid	5	-	-	-	-	(16.5)	(16.5)
Share based payments		-	-	-	0.8	-	0.8
<b>Balance at 30 September 2016</b>		<b>163.2</b>	<b>135.4</b>	<b>(8.9)</b>	<b>24.4</b>	<b>1,199.6</b>	<b>1,513.7</b>
<b>Audited 12 months to 31 March 2017</b>							
<b>Balance at 1 April 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>
Profit for the year		-	-	-	-	88.7	88.7
Change in fair value of derivatives		-	-	-	(2.2)	-	(2.2)
Total comprehensive income		-	-	-	(2.2)	88.7	86.5
Transactions with owners:							
Share issues		0.8	(0.5)	-	-	(0.1)	0.2
Dividends paid	5	-	-	-	-	(27.7)	(27.7)
Share based payments		-	-	-	1.9	-	1.9
<b>Balance at 31 March 2017</b>		<b>163.2</b>	<b>135.4</b>	<b>(8.9)</b>	<b>18.7</b>	<b>1,270.1</b>	<b>1,578.5</b>

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD 30 SEPTEMBER 2017

	Notes	Unaudited 6 month ended 30 September 2017 £m	Unaudited 6 months ended 30 September 2016 £m	Audited Year ended 31 March 2017 £m
<b>Cash flows from operating activities</b>				
Cash generated from operations	14	41.2	30.2	69.7
Interest received		–	0.1	0.1
Interest paid		(8.2)	(8.1)	(15.0)
Tax paid		–	–	(1.4)
Net cash inflow from operating activities		33.0	22.2	53.4
<b>Cash flows from investing activities</b>				
Purchase of investment properties		(256.0)	–	(10.8)
Capital expenditure on investment properties		(34.6)	(29.0)	(56.8)
Proceeds from disposal of investment properties (net of sale costs)		93.3	–	7.8
Purchase of intangible assets		(0.1)	(0.3)	(0.4)
Purchase of property, plant and equipment		(0.7)	(0.5)	(1.8)
Capital distributions from joint ventures		–	2.7	2.7
Proceeds from disposal of joint ventures		–	17.7	18.7
Other income (overage receipts)		9.4	12.8	23.8
Performance fee from joint venture		–	24.5	24.5
Movement in funding balances with joint ventures		–	(0.3)	0.4
Income distributions from joint ventures		–	0.8	0.6
Net cash (outflow)/inflow from investing activities		(188.7)	28.4	8.7
<b>Cash flows from financing activities</b>				
Proceeds from issue of ordinary share capital		0.4	0.1	0.2
Own share purchase		(0.9)	–	–
Finance costs for new/amended borrowing facilities		(1.7)	(0.8)	(0.3)
Exceptional finance costs		–	(1.4)	(0.9)
Repayment of bank borrowings		(5.0)	(54.0)	(55.0)
Proceeds from bank borrowings		200.0	–	–
Dividends paid	5	(21.9)	(15.8)	(27.4)
Net cash inflow/(outflow) from financing activities		170.9	(71.9)	(83.4)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>15.2</b>	<b>(21.3)</b>	<b>(21.3)</b>
Cash and cash equivalents at start of period	11	6.5	27.8	27.8
<b>Cash and cash equivalents at end of period</b>	11	<b>21.7</b>	<b>6.5</b>	<b>6.5</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

The half year report has been prepared in accordance with the Disclosure and Transparency Rules and with IAS34 'Interim Financial Reporting' as adopted by the European Union. The half year report should be read in conjunction with the annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with IFRSs as adopted by the European Union.

The condensed financial statements in the half year report are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Annual Report and Accounts for the year to 31 March 2017, which were prepared under IFRS as adopted by the European Union have been delivered to the Registrar of Companies. The auditor's opinion on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement made under Section 498 of the Companies Act 2006.

The Group's financial performance does not suffer materially from seasonal fluctuations. There have been no changes in estimates of amounts reported in prior periods which have a material impact on the current half year period.

The directors are satisfied that the Group has adequate resources, and sufficient headroom on its bank facilities to cover current liabilities, in order to continue in operational existence for a period of at least twelve months from the date of signing this report and for this reason the half year report is prepared on a going concern basis.

This report was approved by the Board on 7 November 2017.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2017, as described in those annual financial statements, except that taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings.

1. Analysis of net rental income

	6 months ended 30 September 2017			6 months ended 30 September 2016		
	Revenue £m	Direct costs £m	Net rental income £m	Revenue £m	Direct costs £m	Net rental income £m
Rental income	50.3	(1.4)	48.9	41.6	(1.0)	40.6
Service charges	8.6	(9.8)	(1.2)	8.0	(9.6)	(1.6)
Empty rates and other non recoverables	-	(2.6)	(2.6)	0.1	(2.1)	(2.0)
Services, fees, commissions and sundry income	2.6	(1.6)	1.0	3.7	(2.7)	1.0
	<b>61.5</b>	<b>(15.4)</b>	<b>46.1</b>	<b>53.4</b>	<b>(15.4)</b>	<b>38.0</b>

	Year ended 31 March 2017		
	Revenue £m	Direct costs £m	Net rental income £m
Rental income	86.8	(2.0)	84.8
Service charges	15.4	(18.5)	(3.1)
Empty rates and other non recoverables	-	(4.8)	(4.8)
Services, fees, commissions and sundry income	6.6	(4.3)	2.3
	<b>108.8</b>	<b>(29.6)</b>	<b>79.2</b>

All of the Group's properties are geographically close to each other and have similar economic features and risks. Management information utilised by the Executive Committee to monitor and review performance is reviewed as one portfolio. As a result, management have determined that the Group operates a single operating segment of providing business space for rent in London.

## 2(a). Profit on disposal of investment properties

	6 months ended 30 September 2017 £m	6 months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Proceeds from sale of investment properties (net of sale costs)	93.8	(0.2)	7.8
Book value at time of sale (including assets held for sale)	(70.9)	-	(8.5)
Profit on disposal	22.9	(0.2)	(0.7)
Realisation of profits on sale of properties out of joint ventures	-	0.1	0.1
	22.9	(0.1)	(0.6)

Proceeds from sale of investment properties for the period includes £14.1m (March 2017: £nil, September 2016: £nil) of capital receipts from two part disposals. In the prior year £0.1m above relates to previously unrealised profits from the sale of property by the Group to joint ventures.

## 2(b). Loss on disposal of joint ventures

	6 months ended 30 September 2017 £m	6 months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Proceeds from disposal of joint ventures	-	18.7	18.7
Carrying value at time of disposal (note 9)	-	(18.8)	(18.9)
Loss on disposal	-	(0.1)	(0.2)

The BlackRock Workspace Property Trust joint venture was sold in June 2016 with the loss on sale being recognised in the prior year.

## 2(c). Other income and expenses

### Other income

	6 months ended 30 September 2017 £m	6 months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Joint venture performance fee	-	0.4	0.4
Change in fair value of deferred consideration	0.2	(1.3)	(0.5)
Rights of light compensation	-	2.0	2.2
	0.2	1.1	2.1

The value of deferred consideration (cash and overage) from the sale of investment properties has been re-valued by CBRE Limited at 30 September 2017. The amounts receivable are included in the Consolidated balance sheet under non-current and current trade and other receivables (note 10).

### Other expenses

	6 months ended 30 September 2017 £m	6 months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Impairment of other investments	-	(1.2)	(1.2)
	-	(1.2)	(1.2)

In the prior year, the Group provided 100% against its 9% investment in Mailstorage Ltd, resulting in a charge of £1.2m.

### 3. Finance income and costs

	6 months ended 30 September 2017 £m	6 months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Interest income on bank deposits	-	0.1	0.1
<b>Finance income</b>	-	0.1	0.1
Interest payable on bank loans and overdrafts	(1.7)	(0.6)	(1.2)
Interest payable on other borrowings	(6.8)	(6.8)	(12.8)
Amortisation of issue costs of borrowings	(0.4)	(0.4)	(0.7)
Interest payable on finance leases	(0.4)	(0.2)	(0.5)
Interest capitalised on property refurbishments (note 10)	0.6	0.6	1.5
Foreign exchange gains/(losses) on financing activities	4.6	2.6	(10.3)
Cash flow hedge – transfer from equity	(4.6)	(2.6)	10.3
<b>Finance costs</b>	<b>(8.7)</b>	<b>(7.4)</b>	<b>(13.7)</b>
Exceptional finance costs	-	(1.4)	(1.4)
<b>Total finance costs</b>	<b>(8.7)</b>	<b>(8.8)</b>	<b>(15.1)</b>

Exceptional finance costs of £1.4m were incurred in the prior year upon repayment of the £45m UK Fund Debt in September 2016. The costs included a £0.9m break fee payment and £0.5m of unamortised finance costs and legal fees relating to this debt.

### 4. Taxation

	6 months ended 30 September 2017 £m	6 months ended 30 September 2016 £m	Year ended 31 March 2017 £m
<b>Current tax:</b>			
UK corporation tax	-	-	0.6
Adjustments to tax in respect of previous periods	-	-	(0.3)
	-	-	0.3
<b>Deferred tax:</b>			
<b>On origination and reversal of temporary differences</b>	-	-	(0.2)
	-	-	(0.2)
<b>Total taxation charge</b>	-	-	0.1

The Group is a Real Estate Investment Trust (REIT). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Group's other income is subject to corporation tax. No tax charge has arisen on this other income for the half year (31 March 2017: £0.1m, 30 September 2016: £nil).

### 5. Dividends

	Payment date	Per share	6 months ended 30 September 2017 £m	6 months ended 30 September 2016 £m	Year ended 31 March 2017 £m
<b>Ordinary dividends paid</b>					
For the year ended 31 March 2016:					
Final dividend	August 2016	10.19p	-	16.5	16.5
For the year ended 31 March 2017:					
Interim dividend	February 2017	6.80p	-	-	11.2
Final dividend	August 2017	14.27p	23.2	-	-
Dividends for the period			23.2	16.5	27.7
Timing difference on payment of withholding tax			(1.3)	(0.7)	(0.3)
Dividends cash paid			21.9	15.8	27.4

In addition the Directors are proposing an interim dividend in respect of the financial year ending 31 March 2018 of 8.84 pence per ordinary share which will absorb an estimated £14.5m of revenue reserves and cash. The dividend will be paid on 6 February 2018 to shareholders who are on the register of members on 12 January 2018. The dividend will be paid as a REIT Property

Income Distribution (PID) net of withholding tax where appropriate.

## 6. Earnings per share

	6 months ended 30 September 2017 £m	6 months ended 30 September 2016 £m	Year ended 31 March 2017 £m
<b>Earnings used for calculating earnings per share:</b>			
Basic and diluted earnings	123.7	7.1	88.7
Change in fair value of investment properties	(71.2)	14.6	(39.5)
(Profit)/loss on disposal of investment properties	(22.9)	0.1	0.6
Loss on disposal of joint ventures	-	0.1	0.2
Group's share of EPRA adjustments of joint ventures	-	(0.1)	-
EPRA adjusted earnings	29.6	21.8	50.0
Adjustment for non-trading items:			
Group's share of joint ventures other expenses	-	0.3	0.1
Other income (note 2(c))	(0.2)	(1.1)	(2.1)
Exceptional finance cost	-	1.4	1.4
Other expense (note 2(c))	-	1.2	1.2
Taxation	-	-	0.1
Adjusted underlying earnings	29.4	23.6	50.7

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.

	6 months ended 30 September 2017	6 months ended 30 September 2016	Year ended 31 March 2017
<b>Number of shares used for calculating earnings per share:</b>			
Weighted average number of shares (excluding own shares held in trust)	163,351,276	162,598,961	162,833,428
Dilution due to share option schemes	1,233,148	1,576,312	2,892,100
Weighted average number of shares for diluted earnings per share	164,584,424	164,175,273	165,725,528

	6 months ended 30 September 2017	6 months ended 30 September 2016	Year ended 31 March 2017
<b>In pence:</b>			
Basic earnings per share	75.7p	4.4p	54.5p
Diluted earnings per share	75.1p	4.3p	53.5p
EPRA earnings per share <sup>1</sup>	18.0p	13.0p	30.2p
Adjusted underlying earnings per share <sup>1</sup>	17.9p	14.4p	30.6p

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

## 7. Net assets per share

	30 September 2017 £m	31 March 2017 £m	30 September 2016 £m
Net assets used for calculating net assets per share:			
Net assets at end of period (basic)	1,679.9	1,578.5	1,513.7
Derivative financial instruments at fair value	(8.2)	(12.1)	(11.2)
EPRA net assets	1,671.7	1,566.4	1,502.5

	30 September 2017	31 March 2017	30 September 2016
Number of shares used for calculating net assets per share:			
Shares in issue at year-end	163,800,867	163,199,045	163,195,611
Less own shares held in trust at period-end	(163,874)	(118,274)	(122,362)
Number of shares for calculating basic net assets per share	163,636,993	163,080,771	163,073,249
Dilution due to share option schemes	1,145,053	1,227,537	1,197,807
Number of shares for calculating diluted adjusted net assets per share	164,782,046	164,308,308	164,271,056

  

	30 September 2017	31 March 2017	30 September 2016
EPRA net assets per share	£10.14	£9.53	£9.15
Basic net assets per share	£10.27	£9.68	£9.28

Net assets have been adjusted and calculated on a diluted basis to derive a net asset per share measure as defined by EPRA.

## 8. Investment Properties

	30 September 2017 £m	31 March 2017 £m	30 September 2016 £m
Balance at 1 April	1,839.0	1,749.4	1,749.4
Purchase of investment properties	268.0	-	-
Acquisition of head lease	9.1	-	-
Capital expenditure	34.5	57.1	29.4
Capitalised interest on refurbishments (note 3)	0.6	1.5	0.6
Disposals during the period	(70.9)	(8.5)	-
Change in fair value of investment properties	71.2	39.5	(14.6)
Balance at end of period	2,151.5	1,839.0	1,764.8
Less: reclassified as held for sale	(25.6)	-	-
Total investment properties	2,125.9	1,839.0	1,764.8

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

During the period the Group acquired two properties, The Salisbury and 13-17 Fitzroy Street for a combined £268m.

Capitalised interest is included at a rate of capitalisation of 4.4% (March 2017: 5.2%). The total amount of capitalised interest included in investment properties is £8.8m (March 2017: £8.2m).

The change in fair value of investment properties is recognised in the Consolidated income statement.

### Valuation

The Group's investment properties are held at fair value and were revalued at 30 September 2017 by the external valuer, CBRE Limited, a firm of independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards 2014. All the properties are revalued at period end regardless of the date of acquisition. This includes a physical inspection of all properties, at least once a year. In line with IFRS 13, all investment properties are valued on the basis of their highest and best use. For like-for-like properties their current use equates to the highest and best use. For properties undergoing refurbishment or redevelopment, most of these are currently being used for business accommodation in their current state. However, the valuation is based on the current valuation at the balance sheet date including the impact of the potential refurbishment and redevelopment as this represents the highest and best use.

The Executive Committee and the Board both conduct a detailed review of each property valuation to ensure appropriate assumptions have been applied. Meetings are held with the valuers to review and challenge the valuations, ensuring they have considered all relevant information, and rigorous reviews are performed to ensure valuations are sensible.

The valuation of like-for-like properties (which are not subject to refurbishment or redevelopment) is based on the income capitalisation method which applies market-based yields to the Estimated Rental Values (ERVs) of each of the properties. Yields are based on current market expectations depending on the location and use of the property. ERVs are based on estimated rental potential considering current rental streams, market comparatives, occupancy and timing of rent reviews. Whilst there is market evidence for these inputs and recent transaction prices for similar properties, there is still a significant element of estimation and judgement. As a result of adjustments made to market observable data, the significant inputs are deemed unobservable under IFRS 13.

When valuing properties being refurbished by Workspace, the residual value method is used. The completed value of the refurbishment is determined as for like-for-like properties above. Capital expenditure required to complete the building is then deducted and a discount factor is applied to reflect the time period to complete construction and allowance made for construction and market risk to arrive at the residual value of the property.

The discount factor used is the property yield that is also applied to the Estimated Rental Value to determine the value of the completed building. Other risks such as unexpected time delays relating to planned capital expenditure are assessed on a project-by-project basis, looking at market comparable data where possible and the complexity of the proposed scheme.

Redevelopment properties are also valued using the residual value method. The completed proposed redevelopment which would be undertaken by a residential developer is valued based on the market value for similar sites and then adjusted for costs to complete, developer's profit margin and a time discount factor. Allowance is also made for planning and construction risk depending on the stage of the redevelopment. If a contract is agreed for the sale/redevelopment of the site, the property is valued based on agreed consideration.

For all methods the valuers are provided with information on tenure, letting, town planning and the repair of the buildings and sites.

An increase/decrease to ERVs 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:

	30 September 2017 £m	31 March 2017 £m	30 September 2016 £m
Total per CBRE valuation report	2,138.9	1,844.0	1,779.8
Deferred consideration on sale of property	(3.4)	(12.1)	(22.2)
Head leases treated as finance leases under IAS 17	16.1	7.1	7.1
Less reclassified as held for sale	(25.6)	-	-
Total investment properties per balance sheet	2,125.9	1,839.0	1,764.8

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.

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 at 30 September 2017.

#### Key unobservable inputs:

Property category	Valuation £m	Valuation technique	ERVs – per sq. ft.		Equivalent yields	
			Range	Weighted average	Range	Weighted average
Like-for-like	1,093.7	1	£12 - £85	£38	5.0% - 7.5%	6.5%
Completed projects	282.8	1	£27 - £60	£47	5.2% - 7.1%	6.8%
Refurbishments	282.4	2	£16 - £75	£41	5.5% - 6.8%	5.8%
Redevelopments	203.4	2	£15 - £35	£24	5.2% - 7.0%	6.2%
Other	273.1	1	£25 - £72	£64	4.3% - 6.4%	5.6%
Head leases	16.1	n/a				
Total	2,151.5					
Less classified as held for sale	(25.6)					
Total per balance sheet	2,125.9					

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



## 9. Investment in joint ventures

The Group's investment in joint ventures represents:

	30 September 2017 £m	31 March 2017 £m	30 September 2016 £m
Balance at 1 April	0.3	22.3	22.3
Capital distributions received†	-	(2.7)	(2.7)
Share of gains	-	0.1	0.1
Income distributions received†	-	(0.6)	(0.8)
Disposal of joint ventures (note 2(b))	-	(18.9)	(18.8)
Realisation of profits on sale of properties out of joint ventures (note 2(a))	-	0.1	0.1
Balance at end of period	0.3	0.3	0.2

† Capital distributions were from proceeds on disposal of investment properties. Income distributions were from trading profits.

The Group had the following joint venture during the period:

	Partner	Established	Ownership	Measurement Method
Generate Studio Limited	Whitebox Creative Limited	February 2014	50%	Equity

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 venture.

## 10. Trade and other receivables

	30 September 2017 £m	31 March 2017 £m	30 September 2016 £m
<b>Non-current trade and other receivables</b>			
Prepayments and accrued income	-	3.0	-
Deferred consideration on sale of investment properties	3.4	4.3	6.4
	3.4	7.3	6.4

	30 September 2017 £m	31 March 2017 £m	30 September 2016 £m
<b>Deferred consideration on sale of investment properties:</b>			
Balance at 1 April	4.3	7.0	7.0
Additions	0.5	0.2	-
Cash settlements	(1.6)	(1.9)	-
Change in fair value (note 2(c))	0.2	(1.0)	(0.6)
Balance at end of period	3.4	4.3	6.4

The deferred consideration arising on the sale of investment properties relates to cash and overage. 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 change in fair value recorded in the Consolidated income statement was a profit of £0.2m (31 March 2017: loss of £0.5m, 30 September 2016: loss of £1.3m) (note 2(c)).

	30 September 2017 £m	31 March 2017 £m	30 September 2016 £m
<b>Current trade and other receivables</b>			
Trade receivables	4.8	3.5	4.4
Less provision for impairment of receivables	(0.5)	(0.3)	(0.3)
Trade receivables – net	4.3	3.2	4.1
Prepayments and accrued income	13.6	14.2	8.5
Deferred consideration on sale of investment properties	-	7.8	15.8
	17.9	25.2	28.4

### Receivables at fair value:

Included within deferred consideration (both non-current and current) on sale of investment properties is £0.9m (March 2017: £9.4m, September 2016: £19.3m) of overage or cash which is held at fair value through profit and loss. For September 2017, the Group believes the amount is receivable after the following 12 months and has therefore been classified as non 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.

11. Cash and cash equivalents

	30 September 2017 £m	31 March 2017 £m	30 September 2016 £m
Cash at bank and in hand	17.7	2.7	3.0
Restricted cash – tenants' deposit deeds	4.0	3.8	3.5
	<b>21.7</b>	<b>6.5</b>	<b>6.5</b>

Tenants' deposit deeds represent returnable cash security deposits received from tenants and are ring-fenced under the terms of the individual lease contracts.

12. Trade and other payables

	30 September 2017 £m	31 March 2017 £m	30 September 2016 £m
Trade payables	5.8	4.6	5.0
Other tax and social security payable	4.8	2.0	3.2
Corporation tax payable	-	0.3	-
Tenants' deposit deeds (note 14)	4.0	3.8	3.5
Tenants' deposits	18.6	18.0	17.1
Accrued expenses	25.5	20.2	18.1
Deferred income – rent and service charges	7.2	3.3	3.5
	<b>65.9</b>	<b>52.2</b>	<b>50.4</b>

There is no material difference between the above amounts and their fair values due to the short-term nature of the payables.

13. Borrowings

(a) Balances

	30 September 2017 £m	31 March 2017 £m	30 September 2016 £m
<b>Non-current</b>			
Bank loans (unsecured)	22.5	28.4	29.2
6% Retail Bond (unsecured)	57.2	57.1	57.0
5.6% Senior US Dollar Notes 2023 (unsecured)	75.4	80.1	72.3
5.53% Senior Notes 2023 (unsecured)	83.8	83.8	83.8
Senior Floating Rate Notes 2020 (unsecured)	9.0	9.0	9.0
3.07% Senior Notes (unsecured)	79.6	-	-
3.19% Senior Notes (unsecured)	119.6	-	-
Finance lease obligations	16.1	7.1	7.1
	<b>463.2</b>	<b>265.5</b>	<b>258.4</b>

(b) Net Debt

	30 September 2017 £m	31 March 2017 £m	30 September 2016 £m
Borrowings per (a) above	463.2	265.5	258.4
Adjust for:			
Finance leases	(16.1)	(7.1)	(7.1)
Cost of raising finance	3.9	2.3	2.7
Foreign exchange differences	(11.0)	(15.7)	(8.0)
	440.0	245.0	246.0
Cash at bank and in hand (note 14)	(17.7)	(2.7)	(3.0)
Net Debt	422.3	242.3	243.0

At 30 September 2017, the Group had £225m (31 March 2017: £120m) of undrawn bank facilities and £17.7m of unrestricted cash (31 March 2017: £2.7m).

(c) Maturity

	Unaudited 30 September 2017 £m	Audited 31 March 2017 £m	Unaudited 30 September 2016 £m
Repayable between two and three years	57.5	57.5	-
Repayable between three years and four years	9.0	9.0	57.5
Repayable between four years and five years	25.0	30.0	-
Repayable in five years or more	348.5	148.5	188.5
	440.0	245.0	246.0
Cost of raising finance	(3.9)	(2.3)	(2.7)
Foreign exchange differences	11.0	15.7	8.0
	447.1	258.4	251.3
Finance leases			
Repayable in five years or more	16.1	7.1	7.1
	463.2	265.5	258.4

(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 (£2m facility)	-	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
3.07% Senior Notes	80.0	3.07%	Half Yearly	August 2025
3.19% Senior Notes	120.0	3.19%	Half Yearly	August 2027
Revolver loan	25.0	LIBOR +1.65%	Monthly	June 2022
6% Retail Bond	57.5	6.0%	Half Yearly	October 2019
	440.0			

In June 2017, the Group extended its revolver loan term by twelve months taking the maturity date to June 2022. In August 2017, the Group raised £200m of new funds via a Private Placement to finance the acquisition of Salisbury House.

(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 above instrument represents 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

	Unaudited 30 September 2017		Audited 31 March 2017		Unaudited 30 September 2016	
	Book Value £m	Fair Value £m	Book Value £m	Fair Value £m	Book Value £m	Fair Value £m
<b>Financial liabilities held at amortised cost</b>						
Bank loans	22.5	25.0	28.4	28.4	29.2	29.2
6% Retail Bond	57.2	61.3	57.1	61.7	57.0	61.7
Private Placement Notes	367.4	388.5	172.9	172.9	165.1	165.1
Finance lease obligations	16.1	16.1	7.1	7.1	7.1	7.1
	463.2	490.9	265.5	270.1	258.4	263.1

**Financial (assets)/liabilities at fair value  
through other comprehensive income**

Derivative financial instruments:

Cash flow hedge – derivatives used for hedging	(8.2)	(8.2)	(12.1)	(12.1)	(11.2)	(11.2)
	(8.2)	(8.2)	(12.1)	(12.1)	(11.2)	(11.2)

**Financial assets at fair value through profit or  
loss**

Deferred consideration	0.9	0.9	9.4	9.4	19.3	19.3
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The fair value of the Retail Bond has been established from the quoted market price at 30 September 2017 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 8.

The total change in fair value of derivative financial instruments recorded in other comprehensive income was a £0.6m profit (March 2017: loss of £2.2m, September 2016: profit of £4.6m).

## 14. Notes to cash flow statement

Reconciliation of profit for the year to cash generated from operations:

	6 months ended 30 September 2017 £m	6 months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Profit before tax	123.7	7.1	88.8
Depreciation	0.6	0.3	0.9
Amortisation of intangibles	0.1	0.1	0.2
Loss/(profit) on disposal of investment properties	(22.9)	0.2	0.6
Loss on disposal of joint ventures	-	-	0.2
Other income	(0.2)	2.4	(2.1)
Other expense	-	-	1.2
Net gain from change in fair value of investment property	(71.2)	14.6	(39.5)
Equity settled share based payments	0.7	0.8	1.9
Finance income	-	-	(0.1)
Finance expense	8.7	7.4	13.7
Exceptional finance cost	-	1.4	1.4
Gains from share in joint ventures	-	(0.1)	(0.1)
Changes in working capital:			
Increase in trade and other receivables	(8.0)	(7.3)	(2.2)
Increase in trade and other payables	9.7	3.3	4.8
Cash generated from operations	41.2	30.2	69.7

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	30 September 2017 £m	31 March 2017 £m	30 September 2016 £m
Cash at bank and in hand	17.7	2.7	3.0
Restricted cash – tenants' deposit deeds	4.0	3.8	3.5
	21.7	6.5	6.5

## 15. Capital commitments

At the period end the estimated amounts of contractual commitments for future capital expenditure not provided for were:

	Unaudited 30 September 2017 £m	Audited 31 March 2017 £m	Unaudited 30 September 2016 £m
Construction or refurbishment of investment properties	55.4	31.6	27.6
Purchase of investment properties	-	9.5	-

## 16. Related party transactions

	Unaudited 30 September 2017 £m	Audited 31 March 2017 £m	Unaudited 30 September 2016 £m
<b>Transactions for the period ending:</b>			
Capital distributions received from joint ventures	-	2.7	2.7
Fee income and recharges to joint ventures	-	0.4	0.4
Fee income and recharges from joint ventures	-	(1.4)	(1.4)
Income distributions from joint ventures	-	0.6	0.6

## 17. Post balance sheet events

In September 2017, the Group exchanged contracts for the sale of Stratford Office Village for £14.0m with completion of the sale on 2 November 2017. As such this has been classified as an asset held for sale at the balance sheet date.

The Group also received proceeds of £13.0m for the sale of Arches Business Centre on 2 November 2017 which exchanged for sale in October 2016. This property was also classified as an asset held for sale at 30 September 2017.

## **Responsibility statement of the directors in respect of the half-yearly financial report**

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Workspace Group PLC are listed in the Workspace Group PLC Annual Report and Accounts for 31 March 2017. A list of current Directors is maintained on the Workspace Group website: [www.workspace.co.uk](http://www.workspace.co.uk).

Approved by the Board on 7 November 2017 and signed on its behalf by

J Hopkins  
G Clemett  
Directors

## **INDEPENDENT REVIEW REPORT TO WORKSPACE GROUP PLC**

### **Conclusion**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **The purpose of our review work and to whom we owe our responsibilities**

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

**Richard Kelly**  
**for and on behalf of KPMG LLP**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

7 November 2017

## Principal Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium-term performance and the factors which mitigate these risks, have not materially changed from those set out in the Group's Annual Report and Accounts 2017 and have been assessed in line with the requirements of the 2014 UK Corporate Governance Code. They are reproduced below. The Board is satisfied that we continue to operate within our risk profile.

Risk area	Description	Mitigating activities
<p><b>Financing</b></p> <p>Reduced availability of financing options resulting in inability to meet business plans or satisfy liabilities.</p>	<ul style="list-style-type: none"> <li>• Inability to fund business plans</li> <li>• Restricted ability to invest in new opportunities</li> <li>• Increased interest costs.</li> <li>• Negative reputational impact amongst lenders and in the investment community</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• We have a broad range of funding relationships in place and regularly review our refinancing strategy</li> <li>• We 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</li> </ul>
<p><b>Valuation</b></p> <p>Value of our properties declining as a result of external market or internal management factors</p>	<ul style="list-style-type: none"> <li>• Covenants (Loan to Value)</li> <li>• Impact on share price</li> </ul>	<ul style="list-style-type: none"> <li>• 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:</li> <li>• Monitor the investment market mood</li> <li>• Monitor market yields and pricing of property transactions across the London market</li> <li>• Alternative use opportunities pursued across the portfolio and continue to drive progress made in achieving planning consent for mixed-use development schemes</li> </ul>
<p><b>Customer</b></p> <p>Demand for our accommodation declining as a result of social, economic or competitive factors.</p>	<ul style="list-style-type: none"> <li>• Fall in occupancy levels at our properties</li> <li>• Falling rent roll and property valuation</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• We stress test our business plans to assess the sensitivity</li> </ul>



		we could tolerate if demand from our customers reduced
<p><b>Development</b></p> <p>Impact on underlying income and capital performance.</p>	<ul style="list-style-type: none"> <li>• Failure to deliver expected returns on developments</li> <li>• Cost over runs</li> <li>• Delayed delivery of key projects</li> <li>• Poor reputation amongst contractors and customers if projects are delayed.</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• 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</li> </ul>
<p><b>London</b></p> <p>Changes in the political, infrastructure and environmental dynamics of London lead to reduced demand from our customers.</p>	<ul style="list-style-type: none"> <li>• Impact on demand for space if London adversely affected by a major incident</li> </ul>	<ul style="list-style-type: none"> <li>• Having been based within the London market for a number of years, we know our markets and areas well</li> <li>• 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</li> </ul>
<p><b>Investment</b></p> <p>Under performance due to inappropriate strategy on acquisitions and disposals.</p>	<ul style="list-style-type: none"> <li>• Poor timing of disposals</li> <li>• Poor timing of acquisitions</li> <li>• Failure to achieve expected returns</li> <li>• Negative reputational impact amongst investors and sell-side analysts.</li> </ul>	<ul style="list-style-type: none"> <li>• We undertake regular monitoring of asset performance and positioning of our portfolio with periodic detailed portfolio reviews</li> <li>• For each new acquisition we undertake thorough due diligence and detailed appraisals prior to purchase</li> <li>• We monitor acquisition performance against target returns.</li> <li>• Property disposals are subject to detailed review and Board approval</li> </ul>
<p><b>Regulatory</b></p> <p>Failure to meet regulatory requirements leading to fines or tax penalties, or the introduction of new requirements that inhibit activity.</p>	<ul style="list-style-type: none"> <li>• Fines or penalties for failure to adhere to regulations</li> <li>• Failure to identify and respond to the introduction of new requirements</li> <li>• Health and Safety breaches</li> <li>• Negative impact on reputation amongst investors and partners/suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Close working relationship maintained with appropriate authorities and all relevant issues openly disclosed</li> <li>• The Risk Committee provides regular updates to the Board on emerging risks and issues</li> </ul>

		<ul style="list-style-type: none"> <li>• The Company Secretary issues a detailed briefing to the Board regularly</li> <li>• The Group's Health and Safety Manager meets regularly with the CEO to keep abreast of any actual or potential Issues</li> </ul>
<p><b>Business Interruption</b></p> <p>Major events mean that Workspace is unable to carry out its business for a sustained period.</p>	<ul style="list-style-type: none"> <li>• Loss of critical data</li> <li>• Loss of access for customers to work at our business centres</li> <li>• Potential loss of income</li> <li>• Potential negative impact on reputation amongst customers.</li> </ul>	<ul style="list-style-type: none"> <li>• We have robust Business Continuity Plans and procedures in place which are regularly tested and updated</li> <li>• IT controls and safeguards are in place across all our systems, including a specific standalone data centre back-up facility</li> </ul>
<p><b>Brand and reputation</b></p> <p>Failure to meet customer and external stakeholder expectations. Joint ventures or other ventures with third parties do not deliver the expected return.</p>	<ul style="list-style-type: none"> <li>• Damage to brand and perception by customers and stakeholders</li> <li>• Adverse publicity impacting on demand from new customers</li> <li>• Worse reputation amongst all stakeholders as a result.</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> <li>• We maintain regular communication with all stakeholders and key shareholders. We hold investor presentations, roadshows and an annual Capital Markets Day</li> </ul>
<p><b>Resourcing</b></p> <p>Failure to progress with strategy due to inability to recruit and retain correct staff.</p>	<ul style="list-style-type: none"> <li>• Reduced ability to action strategy successfully</li> <li>• Insufficient resource to manage increased demands as the Company grows</li> </ul>	<ul style="list-style-type: none"> <li>• We have a robust recruitment process in place to ensure that there is an appropriate level of interviewing and scrutiny of new joiners</li> <li>• 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</li> <li>• Our HR team run a detailed training and development programme to ensure staff are supported and encouraged to progress their learning and study opportunities</li> </ul>
<p><b>Cyber security</b></p> <p>Loss of data or income due to cyber security attack on our business and on that of our customers.</p>	<ul style="list-style-type: none"> <li>• Loss of critical data</li> <li>• Financial loss due to fraud</li> <li>• Reputational damage amongst customers</li> <li>• Potential loss of income</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring information on security threats and targets</li> <li>• Monitoring guidance and best practice issued by Government and advisors</li> <li>• Review of IT systems and infrastructure in place to ensure these are as robust as possible</li> </ul>