The Workspace Advantage

Workspace Group PLC
Annual Report and Accounts 2018

Some of the stories from our year

Seeing around corners

Our people are unique
Our centre managers are legends. Meet Mesut and Marnie – their specialist subject is seeing things before they happen, which is why customers in East London love Workspace.

Page 13.

If you don't listen, you can't hear

Our response to market trends keeps us ahead
Anisha is our Head of Marketing. Constantly listening and responding to the market, analysing customer trends as well as loads of data. All of which helps engage customers throughout their Workspace journey.

Page 5.

I'm going to run this business one day

Working with our suppliers and partners
See how we worked with XLP to get Sam an apprenticeship at Cogent. It has given him hope of a career and stimulated ambitions in him he didn't know he had.

Page 19.

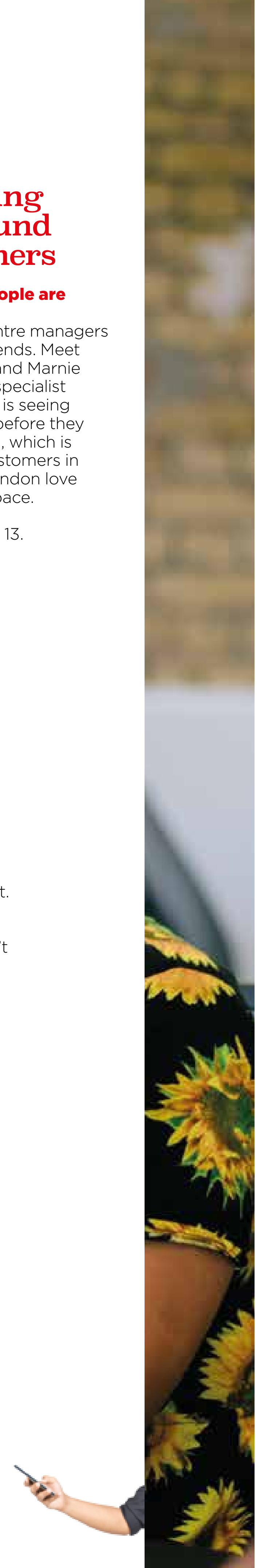
THINKING LIKE A CUSTOMER

The right partners
See how Bryony and architects Squire & Partners have created a cutting-edge new environment for our customers at The Frames in Shoreditch.

Page 43.

Our people
This year we have showcased some of the amazing people who help us deliver The Workspace Advantage across London.

The front cover shows some of our people in action.



Driving growth and adding value.

I love spinning plates

Asset management
Roshi is an asset manager with 23 properties in his portfolio. You'll often find Roshi on site, talking to centre managers, obsessing over details. It's what he does.

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The Workspace Advantage at a glance

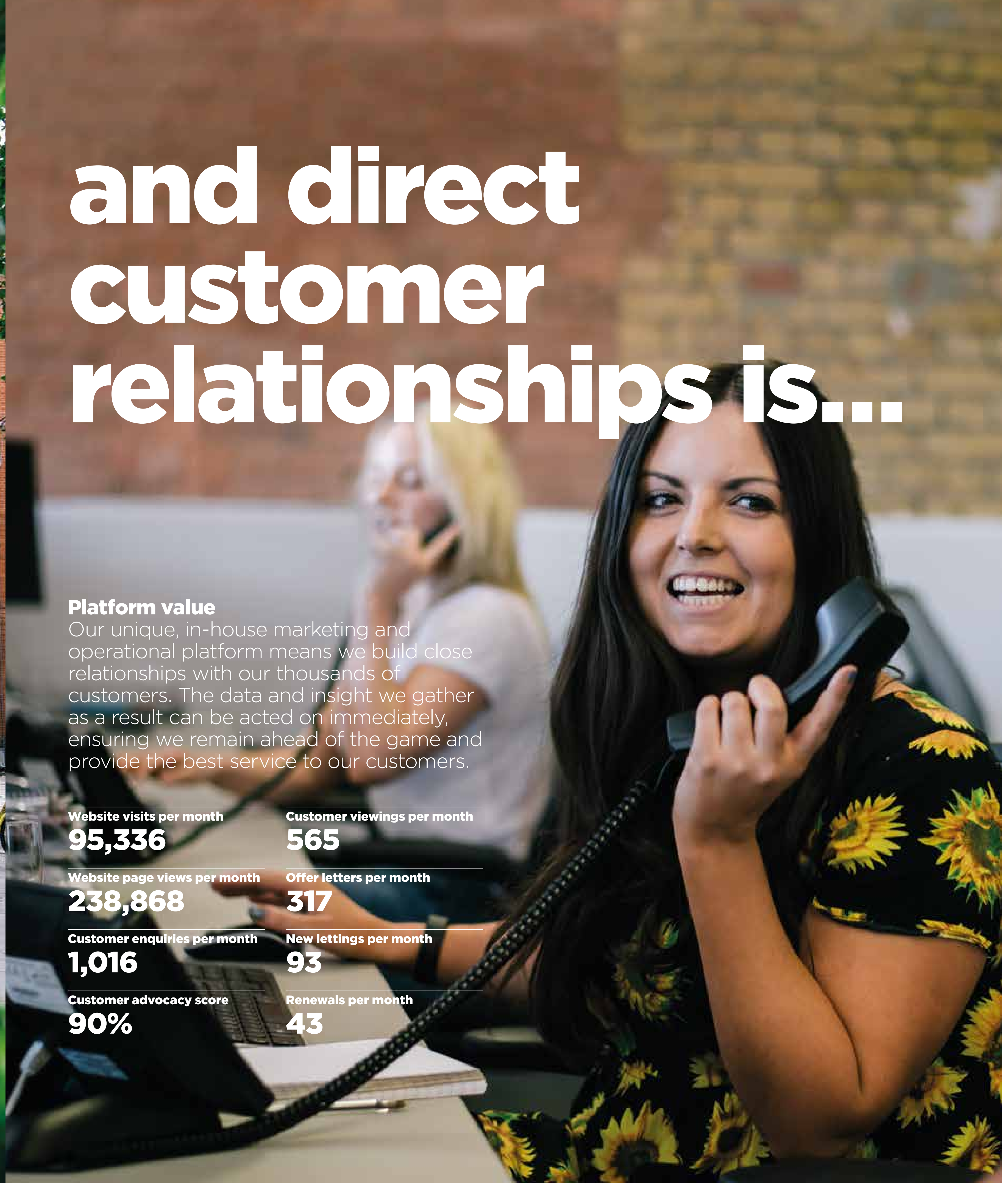
Two distinct parts that come together to drive growth and add value.

Combining asset ownership...

Portfolio value

Asset ownership ensures control and ability to adapt properties. Our extensive pipeline of refurbishment and redevelopment projects provides significant opportunity to add value over the long term.

Properties in London	Space in our portfolio
66	3.7m sq. ft.
Property portfolio	**New and upgraded space coming to market in 2018/19**
£2.3bn	456,000 sq. ft.



and direct customer relationships is...

Platform value

Our unique, in-house marketing and operational platform means we build close relationships with our thousands of customers. The data and insight we gather as a result can be acted on immediately, ensuring we remain ahead of the game and provide the best service to our customers.

Website visits per month	Customer viewings per month
95,336	565
Website page views per month	**Offer letters per month**
238,868	317
Customer enquiries per month	**New lettings per month**
1,016	93
Customer advocacy score	**Renewals per month**
90%	43

Powering performance

Driving growth and adding value.

I love spinning plates

Asset management
Roshi is an asset manager with 23 properties in his portfolio. You'll often find Roshi on site, talking to centre managers, obsessing over details. It's what he does.

Page 59.

Another year of strong performance

2018 financial highlights

Profit before tax

£170.4m

Adjusted trading profit after interest*

£60.7m +20%

EPRA NAV per share*

£10.37 +8.8%

Dividend per share

27.39p +30%

Like-for-like rent roll

+8.6%

2018 non-financial highlights

Average enquiries per month

1,016

Customer advocacy

90%

*See pages 66 to 70 of the Business Review, notes 8 and 9 on pages 159 and 160 and the Glossary for definitions.

Chairman's statement

This year, we have seen London retain its robust nature as a global centre for business. The city continues to be a thriving, vibrant hub of commerce and culture, despite the political and economic uncertainty that abounds. With a growing number of businesses attracted to London and those already here continuing to rethink their occupational strategies, it remains the ideal home for Workspace.

Against this backdrop, the business has delivered another excellent set of results, driving both income and capital growth. Net rental income has risen 21% to £95.6m and we have seen our EPRA Net Asset Value per share increase by 8.8% to £10.37.

This strong financial performance and outlook has given the Board the confidence to recommend a 30% increase in the total dividend, demonstrating our commitment to a progressive dividend policy and our continued focus on driving income growth.

Over the last year, the Board has approved the acquisition of some larger properties in very attractive locations. Properties such as The Salisbury in the City and Centro Buildings in Camden are fantastic additions to the Workspace portfolio, and we are excited about the future asset management and income growth opportunities these will provide. We also have a huge amount of activity ongoing across our existing portfolio, with a number of new and extensively refurbished buildings launching from our project pipeline over the next year.

Everyone at Workspace – from centre managers to Non-Executive Directors – is focused on delivering The Workspace Advantage. The Board and I would like to thank all our colleagues for wholeheartedly embracing our strategy and for working so hard to achieve our objectives. The work we have done internally this year to articulate our Company culture and values has highlighted the fantastic ethos that Workspace people bring to work each day. The drive that our people exhibit extends beyond the day-to-day operations of our business, and I am extremely proud of the work we do to support our local communities.

With London continuing to offer strong growth opportunities, and the structural shift in the real estate market towards our business model, the Board and I have every confidence in the future of this business.

We strongly believe that we have the right strategy, the right business model and the right team in place to continue to deliver value for shareholders over the long term.

Daniel Kitchen
Non-Executive Chairman

Governance overview
To understand how governance underpins The Workspace Advantage:

– Nomination Committee on page 100
– Audit Committee on page 104
– Risk Committee on page 111
– Investment Committee on page 112
– Remuneration Committee on page 113

1

IF YOU DON’T LISTEN, YOU CAN’T HEAR

How Anisha, Head of Marketing, helps us deliver The Workspace Advantage

Listening to our customers and reading our market is a big part of my team's job and we are constantly thinking about how to optimise the customer experience.

It is all about ensuring that our prospects and customers have exactly what they need, and all the right information at their fingertips, when they need it. We want our product to be visually engaging and we've adopted VR technology to showcase new buildings before they launch.

Everything we do is about making our customers feel engaged throughout their Workspace journey.

Anisha Patel
Head of Marketing, pictured with her team at Kennington Park, Oval.

To see how our market understanding helps to shape our customer offer go to page 8.

Understanding and responding to market trends

Workspace's leading-edge offer is proving increasingly appealing to all businesses in London.

To help us maintain our market advantage we:

1. Listen to the constantly changing trends that affect the London market.
2. Maintain an up-to-date understanding of what our customers need and respond appropriately.
3. Evolve and innovate to stand out from the crowd in a competitive landscape.

Super connected:
Delivering The Workspace Advantage requires all parts of our business to work together.

An up-to-date market understanding is critical to our overall success.

Our market knowledge means we can ensure our business model and strategy are aligned to current market trends. It also allows our Audit and Risk Committees to monitor our risk mitigation activities – including the assessment of potential new risks if the market changes.

- A business model designed to create long-term value – page 16
- A focus on Doing the Right Thing helps us to manage our resources and relationships – page 22
- Chief Executive's strategic review – page 28
- Using risk to help make the right strategic decisions – page 46
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1. Listen to the constantly changing trends that affect the London market.

London trend
London is still seen as a global hub for business

Description
Despite continuing political and economic uncertainty, there is no sign of London losing its lustre as a business and cultural centre. London represents 23% of national output and generates just under £400bn every year in economic activity[1].

What this means for Workspace
London remains the ideal home for Workspace. With 5.8m workers and 128,000[2] new jobs created in the year to October 2017, we believe the capital holds great opportunities for our business. There is no let up expected – a Knight Frank survey predicts almost 900,000 jobs will be created in the next decade.

5.8m
Workers in London[3]

Link to our strategy
- Right Market

London trend
The spotlight on flexible space continues to grow, along with demand from across the business spectrum

Description
In 2017, flexible space providers took up over 21% of Central London office space[4]. The majority of this space is let to operators, but the year also saw traditional landlords launching flexible space products as businesses of all shapes and sizes are now demanding flexibility.

What this means for Workspace
Increased interest in our market is positive for Workspace as our model has long been focused on flexibility. We continue to reiterate our differentiated position to customers and investors to ensure all stakeholders understand The Workspace Advantage and what differentiates our model and offer.

10.7m
Sq. ft. of flexible space in Central London[4]

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

London trend
London continues to attract significant investment capital

Description
Transaction volumes in London's investment market rose 33% in 2017[2], overcoming the political headwinds of the previous year. This demand for London real estate has continued into 2018, with £2.25bn worth of commercial deals transacted in Q1 2018[5].

What this means for Workspace
With significant capital chasing commercial assets in London, our investment team has built extensive knowledge of the assets that would work for our model and is nimble enough to move quickly when an opportunity arises. We have a strict hurdle rate for acquisitions but have a strong track record of finding value in the market.

£2.25bn
Commercial deals in Q1 2018[5]

Link to our strategy
- Right Properties
- Right Market

London trend
Smaller businesses are driving the economy

Description
Since 2010, the number of small and medium-sized enterprises in London has grown by 41%[2]. These businesses are powering the economy, providing 60% of private sector jobs and 47% of turnover[6].

What this means for Workspace
Our offer is open to all but the built-in flexibility means The Workspace Advantage is particularly attractive to growing businesses. We continue to see strong demand for our space and reported 351 expansions in the year as customers have grown with Workspace.

41%
Increase in small businesses in London since 2010[2]

Link to our strategy
- Right Customers

1. GLA Economics Current Issues Note 57, May 2018.
2. The London Report 2018, Knight Frank.
3. Human Capital: Disruption, Opportunity and Resilience in London's workforce, Centre for London, 2018.
4. Co-working 2018, Cushman & Wakefield.
5. Central London Quarterly – Offices Q1 2018, Knight Frank.
6. Small Business, Big Ambition: FSB General Election Manifesto 2017.

2. Maintain an up-to-date understanding of what our customers need and respond appropriately.

Customer trend
Businesses want built-in flexibility and a well-designed work environment that encourages collaboration

Description
While the growth of SMEs and start-ups in London has undoubtedly driven increased demand for flexibility, this trend has now reached larger businesses. Securing and retaining talent is a challenge for every business and the right working environment can have a great impact on that.

What this means for Workspace
We have always built flexibility into our offer, as we want our customers to be able to grow or contract but remain with Workspace. The design of our spaces has become increasingly important, and we are constantly evolving the look and feel of our buildings, as well as the amenities we provide, in line with changing trends.

351
Customer expansions in 2017/18

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

Customer trend
Employers are increasingly focused on providing healthy workplaces

Description
Cushman & Wakefield reports that up to 90% of companies' operational expenditure is on employees[1]. It is therefore no surprise that employers have woken up to the productivity benefits that healthy workplaces can deliver. A recent survey found that 87% of real estate leaders said health and wellbeing was the biggest change in sustainability issues in the past five years[2].

What this means for Workspace
Many of our customers cycle or run to work and we are installing dry cycle storage and showers at our centres as a result. For example, at China Works, a major refurbishment near Vauxhall, we have retrofitted the basement with 75 bicycle spaces, six showers and 36 lockers.

311
Cycling spaces installed across the portfolio in 2017/18

Link to our strategy
- Right People
- Right Properties

Customer trend
Technology is all-important, both in the provision of solutions for customers and in creating a more engaging customer experience

Description
With operations becoming increasingly digital, all businesses expect best-in-class technology as a basic requirement in their space. A survey conducted for the Federation of Small Businesses found that 94% of companies surveyed interact with customers and suppliers online, while 94% use internet banking for their business[2].

What this means for Workspace
Workspace has committed to rolling out WiredScore accreditations across its portfolio, with 50 buildings targeted for Wired Certified Gold or Platinum by 2019. Internally, technology is crucial to enhancing the customer's experience, for example, through the use of Virtual Reality tours of upcoming property launches.

15
Workspace buildings Wired Certified Gold or Platinum

Link to our strategy
- Right Brand
- Right Customers

Customer trend
There is a drive for companies to articulate a wider purpose beyond making a profit

Description
Many businesses are considering their role in the local community and in society as a whole. Investors are also increasingly focused on ESG (Environment, Social and Governance) factors and the impact that companies have on the environment and on society.

What this means for Workspace
We know that our customers want to have a positive impact on the world around them. In line with our Doing the Right Thing strategy, we run a number of initiatives, from education on recycling to facilitating apprenticeships, with our customer and supplier base for London's disadvantaged young people.

£40,000
Raised for various charities by Workspace people and customers across our portfolio

Link to our strategy
- Right Brand
- Right People

1. The Occupier Edge, Sixth Edition 2018, Cushman & Wakefield.
2. Engage – The Future of Sustainability Issue 1, Greengage.
3. Reassured, Optimised, Transformed: Driving digital demand among small businesses, Federation of Small Businesses, September 2015.

3. Evolve and innovate to stand out from the crowd in a competitive landscape.

Workspace operates in an increasingly popular segment of the real estate market, with 'flexible' space fast becoming an industry buzzword. With that comes inevitable confusion, as there are many different players offering different products under different descriptions, from co-working to managed space to flexi space.

Competition
This year has seen a further shift in the real estate market as ways of working continue to change. Major landlords and developers, who traditionally let space to large corporates, are now either signing leases to skilled operators who can bring in the smaller, more disruptive businesses of the future, or alternatively, launching new products themselves in order to try and tap into this market directly.

Workspace history in flexible space
With a 30-year history offering leases on flexible terms, Workspace's business model – generating value through ownership of properties and a focus on direct customer relationships – has not changed.

However, we are very aware of the need to constantly innovate and evolve our offer as trends develop and customer requirements change, as shown opposite.

We have a rolling programme of refurbishments and redevelopments to upgrade our historic and characterful buildings to modern standards, and we are constantly on the lookout for new buildings in dynamic locations to add to our portfolio.

We work hard to ensure that our customer offer, The Workspace Advantage, remains up-to-date. We provide inspiring spaces that customers personalise and furnish themselves, with best-in-class, reliable and secure technology throughout the building.

2

SEEING AROUND CORNERS

How Mesut Ulusoylu, Cluster Centre Manager in East London, helps us deliver The Workspace Advantage

Seeing around corners is an art I've perfected over the last couple of years. It means seeing things before they happen. From the big things, like a customer running out of space, to the little, such as water bottles in the meeting rooms not being refilled.

In my job, I worry about how I can do more for our customers. Knowing what they like (and don't like) is all part of my day. Showing we care about that is a big part of how Workspace does things.

Mesut Ulusoylu
Cluster Centre Manager, pictured with Marnie Otton, Centre Manager, Pill Box, Bethnal Green.

To see the role our people and our values play in value creation go to pages 16 to 17.

A business model designed to create long-term value

Super connected: Delivering The Workspace Advantage requires all parts of our business to work together.

Our aim is to create value for the long term.

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

- Understanding and responding to market trends – page 8
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Key inputs

The key inputs are what we need to run Workspace. Our value-creating activities are designed to develop and strengthen each of them.

1 **Financial strength**
Strong cash flow and prudent balance sheet management allow us to execute our strategy.

2 **The right people**
Workspace people display deep knowledge in their subjects, have an inquisitive nature and thirst for innovation, and show genuine care for our customers, our communities and each other.

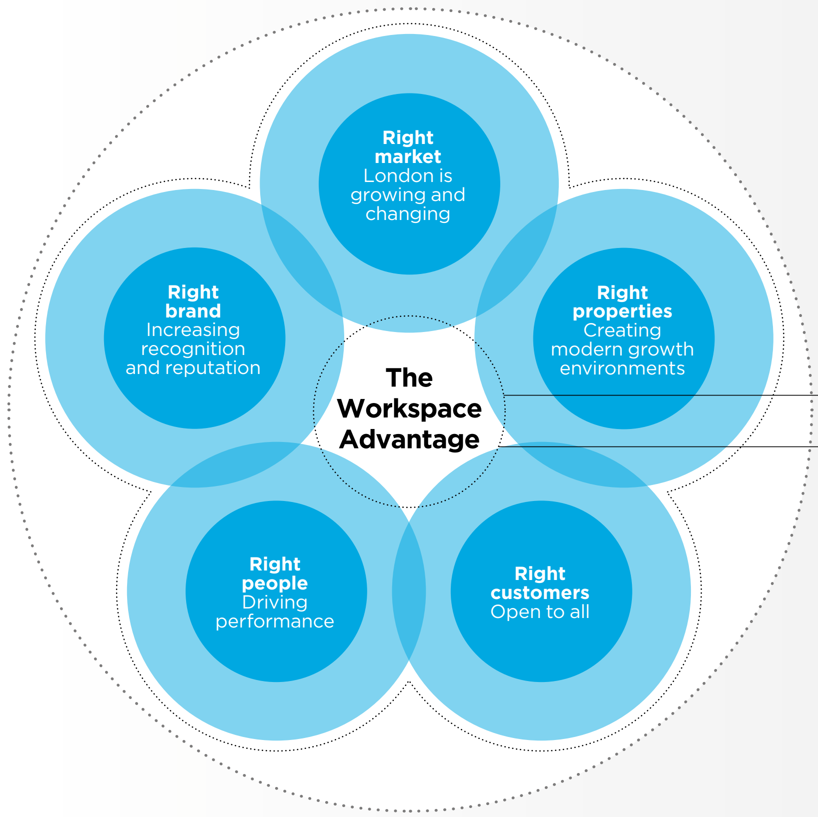
3 **Our properties**
We have a portfolio of high quality, well-located assets in London.

4 **Doing the right thing**
We work hard to improve our practices internally and actively encourage suppliers and customers to do the same, to ensure we have a positive impact on our communities and society as a whole.

5 **Customer relationships**
We enjoy strong relationships with the thousands of businesses in our space. Our success is dependent on staying ahead of the trends and delivering the best service to our customers.

How we create and capture value

Our value-creating activities are split into Portfolio (Asset ownership which ensures control and provides us with the ability to adapt properties) and Platform (Marketing and direct relationships which allow us to attract and retain the right customers).



Portfolio
Adding value to our properties
We own all our properties and operate them to generate income over the long term. We have a strong pipeline of refurbishment and redevelopment projects, and also take advantage of acquisition opportunities to further grow the business.

There are three core value-creating activities:

Like-for-like rental growth
We carry out light internal refurbishments to enhance both pricing and property values.

Existing projects
We have a rolling programme of refurbishments to upgrade or expand our existing properties and grow our footprint in London.

We generate value through intensifying use at existing sites, often creating brand-new business centres in partnership with residential developers.

Acquisition and ongoing ownership of assets
Workspace acquires properties across London. Owning our assets enables us to constantly upgrade and transform them to increase their value and drive rental growth. We will dispose of properties where we believe we can no longer add value or if the property falls below our robust return targets.

Guided by our values, governance, risk mitigation, market insight and strategy

Platform
Adding value for our customers
Workspace's marketing platform provides us with valuable customer relationships and insight. We market to all businesses across London and our unique customer offer is a key differentiator.

There are three core value-creating activities:

Connectivity
Workspace invests in state-of-the-art technology infrastructure to ensure customers can work how and where they want.

Personalisation
There are no constraints placed on our customers, with flexible lease terms, a range of spaces and secure, unlimited data downloads and uploads.

Communities
Workspace customers are connected to each other via a range of networking and business insight events run by our centre managers. Being part of a community of Workspace customers across London provides a range of benefits, from social connections to insights that support business growth.

Key outcomes

Creating value means we can grow the business, continue to attract and retain the right people as well as provide the best service to our customers.

1 **Financial strength**
Consistent returns to shareholders, a 30% increase in the dividend and a strong balance sheet that gives us confidence to continue to grow the business.

Our Business Review is on pages 62 to 71 and our Balance Sheet on page 147.

2 **The right people**
Working for a leading business. Access to development opportunities and a values-driven culture that rewards success.

Our People are discussed in detail in our Resources and Relationships section on pages 22 to 27.

3 **Our properties**
Properties that customers and London love. Our portfolio value has increased to £2.3bn in the year.

Details of our properties are outlined in the Business Review on pages 62 to 71.

4 **Doing the Right Thing**
We focused on improving recycling rates in 2017/18, holding educational roadshows at our properties, with those centres showing a 10% improvement in recycling rates afterwards.

Our sustainability performance is detailed in our Resources and Relationships section on pages 22 to 27 and at www.workspace.co.uk/investors/doing-the-right-thing

5 **Customer relationships**
Our customers benefit from our proactive approach, which helps them focus on their business. In 2017/18 we carried out minor refurbishment works at several centres, upgrading the space and service for our customers.

The relationships we have with our suppliers and partners and the communities in which we operate are detailed in our Resources and Relationships section on pages 22 to 27.

3

I'm going to run this business one day

How Sam Taylor, who we helped place as an apprentice at Cogent, helps us deliver The Workspace Advantage

XLP came to me with the chance to join Cogent as an apprentice nearly two years ago and I was so excited!

To learn and thrive under Cogent has been amazing so far. Thanks to Workspace and XLP, this apprenticeship has given me hope for a different career, which I really appreciate, as the university route was just not for me.

Sam Taylor
Apprentice at Workspace supplier, Cogent Electrical Services Ltd, pictured with Ian Hiley, Community Projects Manager at XLP, outside The Frames, Shoreditch.

To see how we help to bring the next generation into the business place go to page 24.

A focus on Doing the Right Thing helps us to manage our key resources and relationships

Our properties
Resource:
Over the last 30 years, we have built a portfolio of fantastic properties – some full of history and others brand new. It is our responsibility to future proof these buildings and ensure they are sustainable so that they can continue to play an important role in their communities.

Page 24.

Our customers
Relationship:
We foster direct relationships with our customers to ensure we're able to listen, understand and respond to their needs.

Page 26.

Our people
Resource:
Our people are our greatest resource and we have a diverse mix of skills and experience in our teams.

Relationship:
Ensuring our people are motivated and committed is key to the success of this business.

Page 24.

Our suppliers and partners
Resource:
From building contractors to architects, cleaners and technology providers, we rely on suppliers and partners to help us deliver The Workspace Advantage.

Relationship:
Maintaining good working relationships with these groups is of vital importance.

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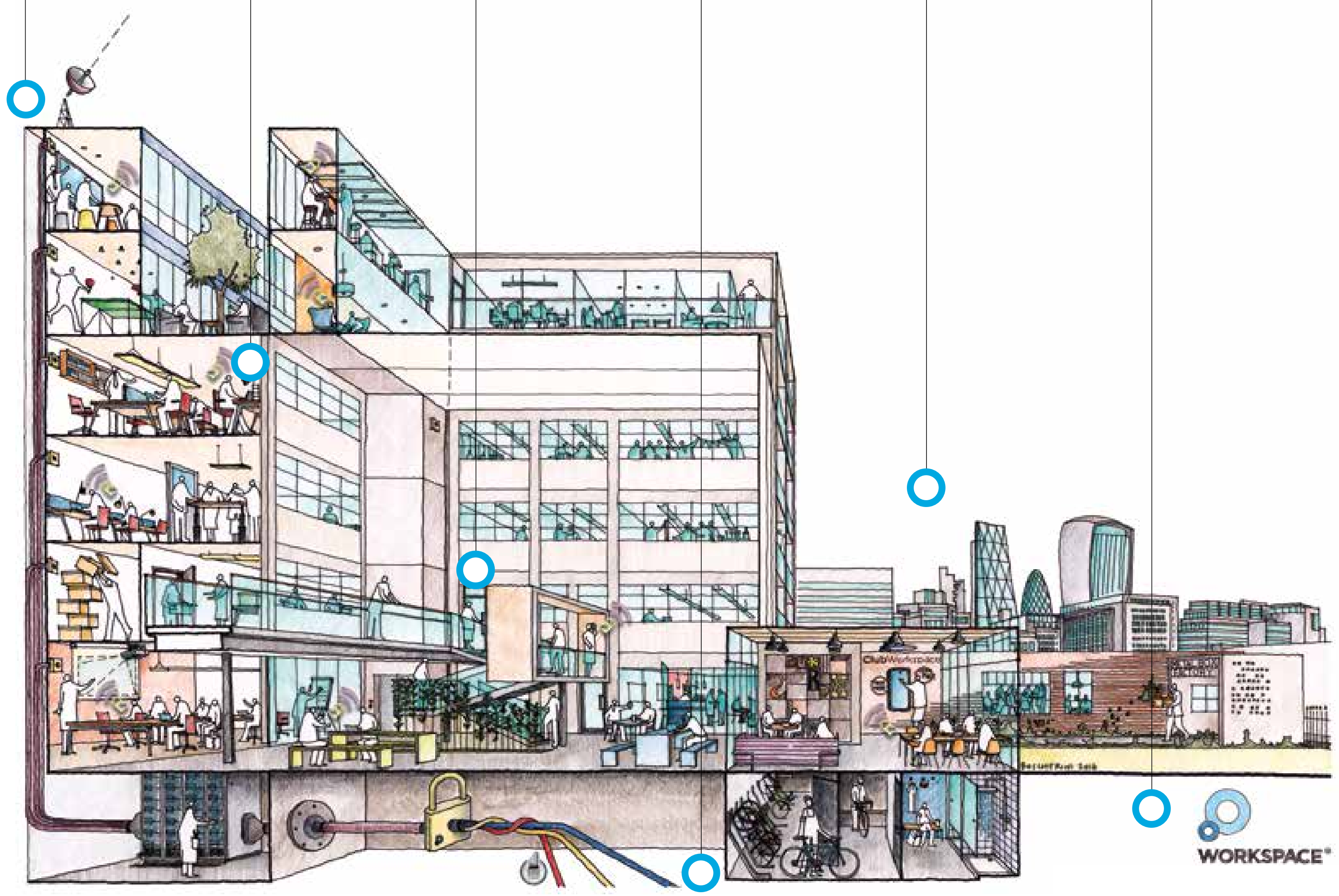
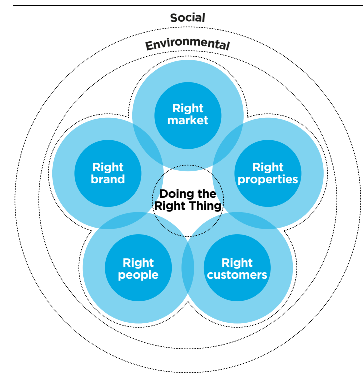
Our communities
Relationship:
It is important to both Workspace and our customers that we engage with and positively impact the communities in which we're based.

Page 27.

Our brand
Resource:
A strong and confident brand helps us market directly to customers and drives enquiries for our space.

Page 27.





Doing the right thing
Our Doing the Right Thing strategy ensures that we operate responsibly in our dealings with all stakeholders and reinforces our commitment to the sustainable growth of this business.

The strategy has been in place for over a year now and has delivered some excellent results. From providing volunteering and fundraising support to our selected charities to championing environmental initiatives that ensure our buildings and supply chains have a positive rather than negative impact on the environment.

Over the following pages, we look at our key resources and relationships in more detail, highlighting particular achievements in the year and targets for the following year.

Super connected: Delivering The Workspace Advantage requires all parts of our business to work together.

We depend on developing long-lasting relationships and harnessing our key resources to ensure we can continue to grow our business and deliver The Workspace Advantage.

To achieve this sustainable growth we:
- Acquire, develop and future proof properties in the most exciting locations across London.
- Build strong partnerships with our suppliers.
- Empower our people to deliver the best offer to our customers.
- Leverage our unique brand positioning within the industry.
- Continuously reinforce and strengthen our customer relationships.
- Positively impact the communities in which we operate, supporting the next generation to enter the workplace.

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Awards, accreditations and partnerships

Global Real Estate Sustainability Benchmark ('GRESB')

We gained a Green Star for the fourth year in a row. This year we improved our score from 76 to 81, exceeding both the GRESB Average score of 63 and the Peer Average score of 73. Our GRESB public disclosure level was Grade A (group average Grade B). GRESB allows us and our investors to measure our sustainability performance within the real estate sector.

European Public Real Estate Association ('EPRA')

We were awarded another Gold for reporting in line with the 2017 European Sustainability Best Practice Recommendations (EPRA SBPRs) for the fourth year in a row. These awards are intended to raise the standards and consistency of sustainability reporting for listed real estate companies across Europe.

Carbon Disclosure Project ('CDP')

We achieved a B in our Carbon Disclosure Project score, exceeding the sector score average of C. Scores were based on disclosure, awareness, management and leadership with regards to carbon management and 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. The FTSE4Good Index Series measures companies' Environmental, Social and Governance (ESG) practices. This year, we achieved 3.2 out of 5 (Absolute Rating) and 82% (Relative Percentile Score).

Investors in People

We continued to hold our Investors in People accreditation for the 19th year in a row, having achieved the highest possible level, a Gold Award in September 2016 (re-accreditation is every three years). In order to achieve Gold, we had to provide 126 additional evidence requirements. The Standard defines what it takes to lead, support and manage people well for sustainable results.

Green Electricity

The majority of our electricity supplies are on a green tariff. SSE Green is 100% renewable energy generated by a variable mix of hydro-electric, offshore and onshore wind. This year we have calculated our market-based emissions in addition to location-based emissions for our Scope 2 reporting.

Better Buildings Partnership (BBP)

We are a member of the BBP, a collaboration of the UK's leading commercial property owners working together to improve the sustainability of commercial buildings.

Islington Sustainable Energy Partnership

Workspace has a representative on the steering committee.

New cycle storage at China Works.

Our properties

At Workspace, we value long-term ownership of our properties. We believe this helps us to generate more value for shareholders, but it also means that we are building sustainable properties that will last long into the future. We take pride in the work we do to reposition, refurbish or redevelop our buildings to ensure they meet customer needs and are suitably future proofed.

Over the year, we have continued our efforts to reduce the environmental impact of our properties and their related supply chains. On-site, our asset managers and centre teams work hard to create healthy environments for our customers.

We have begun to install solar panels across our estate. Five properties have been fitted with solar panels so far, generating 87,738 kilowatt hour per annum, and we have plans to install them at a further six properties. Overall in 2017/18, we increased our renewable energy generation from solar by 78% year-on-year.

Case study:
Cycling facilities
Thanks to an increased focus amongst our customers on the health and wellbeing of their employees, as well as a desire to promote sustainable methods of transport, we have invested in the cycling facilities across our portfolio. During the year, we have installed 311 bicycle storage spaces, 30 showers and 212 lockers into our business centres. We have also rolled out a mobile bicycle service and repairs surgery that visits our centres regularly.

Targets for the coming year
- Continue to roll out installation of solar panels at suitable sites.
- Reduce our absolute Scope 1 and Scope 2 Greenhouse Gas Emissions across our portfolio by 16% by 2020.
- Ensure any new electricity contracts are on a green tariff.

Case study:
Cocoa Studios at The Biscuit Factory
This is a brand-new building on the wider Biscuit Factory estate. The building has been rated BREEAM Excellent Design Stage, which takes into account the 76 cycle storage spaces, exceeding requirements, natural ventilation in all office units, high-thermal-efficiency glazing, water metering and leak detection in place and 38 sq. m. of solar PV panels. The site has also achieved a Considerate Constructors Score (CCS) of 40/50 and an A grade EPC rating.

Our suppliers and partners

We could not operate our business without calling on the services of key suppliers and partners. We take great care in selecting the organisations we work with, and it is in our interest to build strong relationships and ensure our goals and commitment to sustainability are aligned.

Case study:
Apprenticeships
Over the last two years, we have started holding workshops with our charity partner XLP, to educate our suppliers on the value of apprenticeships and to facilitate introductions with some of the young people XLP supports.

This year, we caught up with Sam Taylor, one of those young people. Following our introduction to XLP, Sam was employed as an apprentice by Cogent Electrical Services Ltd, one of our suppliers. Sam has been employed for 18 months now and has worked across many of our developments, including The Frames in Shoreditch. Read his thoughts on the opportunity on page 20.

Targets for the coming year
- Roll out XLP apprenticeship workshops for customers, as well as suppliers.
- Achieve a CCS score of at least 38/50 for all developments and major refurbishments in 2018/19.
- Divert at least 95% of non-hazardous demolition waste and construction waste by weight from landfill for all developments and major refurbishments in 2018/19.
- Procure at least 95% of timber from certified sustainable sources (FSC Equivalent) in 2018/19.

Our people

Harnessing the right culture is important in any organisation to enhance performance and unite the business around common behaviours that will help it to achieve its goals.

At Workspace, we have a fantastic culture and pride ourselves in employing people with a diverse mix of skills, experience and backgrounds.

Case study:
Articulating our values
This year, we have kicked off a project to articulate the values and behaviours that make Workspace people unique and that form the successful culture that is delivering The Workspace Advantage.

This project has highlighted the unique qualities Workspace people bring to work and exhibit every day. Our people demonstrate deep knowledge in their subjects, have an inquisitive nature and thirst for innovation and show genuine care for our customers, our communities and each other.

Long service awards
We believe it is this culture that encourages long-term service and are proud that our people can build long careers at Workspace. During the year, 27 people achieved long service awards, of which 17 were for 10 years or more.

Number of workshops held to help articulate our values

8

The number of people involved in the articulation of our values

100

To be successful you need a mix of great properties and customers. But to be successful over the long term you also need the right people, culture and values.

Jamie Hopkins
Chief Executive Officer

48 Workspace people completed an 8.5 mile row down the Thames, raising £23,500 for AHOY.

Learning and development
A thirst for knowledge and learning is one of our values and, as a result, we run a regular programme to provide training and development opportunities to all our employees. This ensures they remain motivated and committed and are constantly enhancing their skills and experience.

Our rigorous training programme, led by both internal and external providers, covers a wide range of topics, including:
- People management.
- Customer services.
- Networking and events.
- Social media.
- Conflict resolution.
- Data protection.
- Energy and sustainability.

Over the last year, we have also launched a series of training days, held twice annually, for our on-site staff. These are run by a mix of internal managers and help to build relationships between site and head office colleagues, while ensuring that all employees are aware of updated systems and processes, as well as non-operational initiatives, such as those from our Doing the Right Thing committee.

During the year, we provided 148 hours of training for centre staff on a wide range of subjects.

We 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 supported six 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 during the year included:
- Certificate in Marketing.
- Accountancy (ACCA – Association of Chartered Certified Accountants, CIMA – Chartered Institute of Management Accountants and AAT – Association of Accounting Technicians).
- Real Estate (MSc).

Supporting our team to do the right thing
Our desire and ability to give back to our communities came through strongly in the employee workshops we held to help articulate our values. The Doing the Right Thing committee works hard to provide opportunities for employees to volunteer or fundraise for our chosen causes.

During the year, members of our team gave 61 work days to volunteer for charities, plus an additional 60 personal days, and along with customers, raised £40,000 for various charities.

Case study:
Engaging our Facilities team to reduce gas consumption
Having started to roll out smart metering at our properties, we had access to data that allowed us to engage with our in-house Facilities Management team to reduce gas consumption and greenhouse gas emissions. We held several educational workshops throughout the year and quarterly meetings with senior team members to track progress. Following these efforts, gas consumption decreased by 3% in the year.

Targets for the coming year
- Continue to engage our Facilities Managers on improving energy performance of buildings they manage.
- Continue to support employees through training and professional development programmes.

Our customers

The relationships we build and maintain with our customers are among the most critical for the business, and constantly enhancing these relationships is central to our strategy. The Workspace Advantage is all about providing a best-in-class service to our customers and giving them support that goes beyond the space they let from us.

We continue to roll out our programme of business insight events, which bring customers together from across the whole portfolio and provide valuable insight and learning alongside networking opportunities. This year, event themes included 'the rise of the bots', digital finance and the impact of neuroscience on brand psychology.

We have seen a great response from our customers to initiatives that have a positive impact on our communities and the environment, and therefore continue to engage with customers on these. Social media is one of the tools we use to communicate with customers, and the social posts that use the #doingtherightthing hashtag are some of our best-performing posts, with engagement on average 11% higher than other posts.

Case study:
Recycling initiatives
We have continued to roll out initiatives to improve recycling rates across the portfolio. We held 12 recycling roadshows during the year, with the centres visited demonstrating, on average, a 10% improvement in recycling rates. We have put in place new, clear consistent signage throughout our centres and launched our 'recyclopedia', a customer information pack to provide recommendations and education on recycling. As part of this work, we have also committed to tackling food waste, with food waste streams introduced at 80% of our cafés and a fast food waste event held in conjunction with the North London Waste Authority at The Chocolate Factory in Wood Green, with 66 customers in attendance.

Our efforts during the year have paid off, and we achieved an average recycling rate across our buildings of 66% above our target of 65%.

Targets for the coming year
- Work with our customers to increase the average recycling rate across all buildings where Workspace are responsible for waste management to 70% by 31 March 2019, whilst maintaining 100% diversion from landfill.
- Launch customer benefits platform online for customers to cross-promote services and products.
- Continue to expand the Workspace events programme.

Workspace Business Insight event at Kennington Park.

Our brand

Our brand is one of the most important tools at our disposal to excite and engage with customers, and consequently to drive enquiries for our space.

Our customers want to put their own brand and identity on the space they let from us, so our brand is not hugely visible inside our buildings. However, our in-house Marketing team works hard to ensure that the brand is highly visible to businesses as they start their search for office space.

The Workspace Advantage brand campaign that we ran last year was effective in further raising awareness of our brand and offer.

Case study:
Brand Tracker
As part of the campaign we launched in 2017, we commissioned a brand tracker survey to better understand how far our brand reaches consumers outside of our customer base and the level of awareness of Workspace versus key competitors in the market.

The survey was conducted both before and after the campaign went live to analyse its effectiveness. We were pleased to see that awareness of Workspace increased strongly following the campaigns, with particular cut through on our customer offer. We also saw immediate action taken as a result of the campaigns, with web traffic increasing significantly and first-time visits to the site up 38% year-on-year.

Targets for the coming year
- Ongoing communication of The Workspace Advantage positioning using social, digital and traditional media.
- Continue the annual survey to track brand awareness.

Our communities

Our extensive footprint across London means that we operate in many different communities throughout the city, and we take our role as a landlord and employer in those communities seriously.

Through our programme of refurbishments and redevelopments, we aim to bring high-quality business space to the local communities, along with the valuable custom and footfall that comes with that.

One of the priorities of our Doing the Right Thing strategy is to leverage the business skills and knowledge we have internally at Workspace, as well as the network of companies in our space, to support disadvantaged young people in London. The support we provide takes a number of forms, from running careers events and assembly talks at a school local to our head office, to offering CV workshops, interview practice and apprenticeship opportunities to young people from inner city estates through our partnership with the charity XLP.

Days Workspace staff spent volunteering or fundraising for charitable causes
121

Amount raised by Workspace staff for the 2018 AHOY charity rowing race
£23,500

This year, as an extension of our hugely successful InspiresMe work experience programme, we decided to wrap up all of the activity we do with young people under the InspiresMe umbrella and aim to roll it out further across our network. We will work with our centre managers to build relationships with schools local to all our buildings and invite customers to take part in InspiresMe activities, such as the careers workshops.

Case study:
AHOY
Following the success of the three Workspace teams who took part in the Meridian Pull Challenge in 2016, last year we decided to expand the challenge. In March 2018, eight Workspace boats, with six people in each, rowed 8.5 miles down the Thames to Greenwich. The teams had set themselves an ambitious fundraising target of £16,000 for AHOY, the charity that uses watersports to work with disadvantaged and at-risk young people. Fundraising initiatives included a raffle, bring-and-buy sale and themed events throughout the year. The teams exceeded their fundraising target, raising a total of £23,500 for AHOY.

Targets for the coming year
- Roll out InspiresMe events with local schools for customers across Workspace business centres.
- Continue to work with charity partners, XLP and MyBnk, to run workshops for disadvantaged young people in London.

Chief Executive's strategic review

What makes us different?

We are income focused:

Adjusted trading profit after interest

£60.7m +20%

Like-for-like rental growth

+8.6%

This year has seen, if possible, an even greater spotlight on our part of the real estate market. We have seen a number of new entrants and a never-ending stream of media interest in the growth of co-working. However, despite the inevitable confusion around the different 'flexible' office space products on offer, I am delighted that Workspace continues to cut through the noise.

Demand for our space, driven by our in-house marketing efforts, has remained strong. That strength of demand and activity, with an average of 1,016 enquiries and 93 lettings per month, has delivered excellent income growth, and that is what Workspace is really all about – relentlessly driving income growth across our portfolio over the long term.

As a property company, Workspace values ownership of its assets. We nurture our properties, seeking and capturing opportunities to reposition, refurbish and redevelop them over time in order to meet changing customer requirements and deliver income growth.

Total rent roll was up 26.1% in the year to £112.9m, and I am particularly pleased that we delivered rental growth at our like-for-like properties of 8.6%. The rental income growth has continued to translate into a very positive trading profit performance, which increased by 20% to £60.7m in the year.

We are customer focused:

Customer enquiries per month in 2017/18

1,016

Buildings that are Wired Certified Gold or Platinum

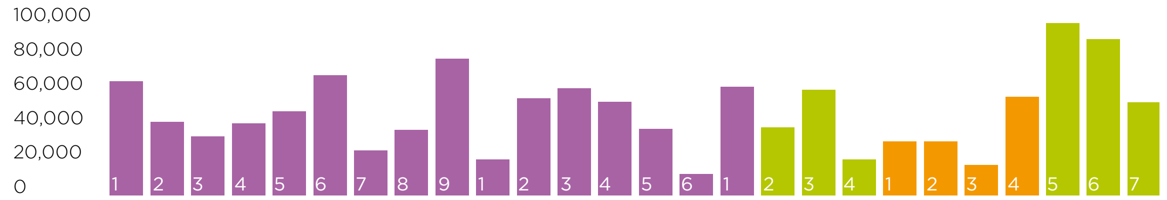
15

Our industry, rightly so, has become increasingly focused on providing a service to customers beyond their four walls. Since its foundation, Workspace has marketed directly to customers, building strong relationships and, as a result, developing a unique understanding of their needs. This focus on the customer, coupled with ownership of our real estate, allows us to adapt our buildings and continually evolve our offer.

This year, for example, we made a commitment to roll out WiredScore certifications across our portfolio. Our achievement of 15 Wired Certified Gold or Platinum ratings so far demonstrates the significant work we are undertaking to ensure our customers have access to the best, most secure and reliable technology infrastructure in their space.

We are future focused:

Project pipeline 2018–2021



2018
1. China Works
2. The Biscuit Factory – Cocoa Studios
3. The Fuel Tank
4. Goswell Road
5. The Frames
6. Edinburgh House
7. Vox Studios (Phase 2)
8. Gray's Inn Road
9. The Light Box

2019
1. Easton Street
2. Brickfields
3. Pall Mall Deposit
4. Mare Street Studios
5. Bow Enterprise Park (Phase 3)
6. The Light Bulb (Phase 2)

2020
1. Chocolate Factory (Part)
2. The Shaftesbury Centre
3. Leroy House
4. Greville Street

2021+
1. Marshgate
2. Rainbow Industrial Estate
3. Chocolate Factory (part)/ Parma House
4. Poplar Business Park (Phase 2/3)
5. Havelock Terrace
6. Fitzroy Street
7. Alexandra House

Projects to be completed in 2018/19

9

- Projects underway
- Projects with planning
- Pipeline design

Whether debating the latest technology innovations, looking at potential property acquisitions or reviewing our portfolio for the next refurbishment or redevelopment opportunity, Workspace is always focused on the future. With that in mind, we regularly consider the depth and experience of the Executive Committee and, as a result, in October 2017, John Robson was promoted to the role of Asset Management Director.

I am delighted that we have delivered such a strong performance over the last five years, and believe we have the right strategy in place to continue to grow the business and deliver further value for shareholders.

We have an extensive pipeline of refurbishment and redevelopment projects, and during the coming year we will complete nine projects, bringing 456,000 sq. ft. of new and upgraded space to the market. In the last year, we have also acquired three large properties, adding significant rental income to our portfolio. Some of these properties come with longer-term leases in place but provide attractive repositioning opportunities in the future alongside our existing project pipeline.

With continued strong demand for our product, a growing potential customer base and a robust balance sheet, Workspace is well positioned for the future.

Jamie Hopkins
Chief Executive Officer

The right strategy drives future performance.

Super connected: Delivering The Workspace Advantage requires all parts of our business to work together.

Our five strategic priorities frame and help direct the implementation of The Workspace Advantage.

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

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

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

- Understanding and responding to market trends – page 8
- A business model designed to create long-term value – page 16
- A focus on Doing the Right Thing helps us to manage our resources and relationships – page 22
- Using risk to help make the right strategic decisions – page 46
- Business review – page 62
- Our governance – page 72

Each year, the Board reviews the strategy to ensure it remains relevant for our business and our market, while continuing to deliver the best returns for shareholders.

We believe that by placing The Workspace Advantage at the heart of the strategy, the whole business has a central focus to work towards.

We continue to have five strategic pillars that drive value for the business.

Strategic priorities that drive Portfolio value

Right market
With its position as a global hub for business and culture, London remains the right market for our business. The opportunity in London is extremely attractive, with strong demand from all types of businesses for our offer. We continue to see opportunities to acquire new assets that meet customer demand for our space and will deliver attractive returns to shareholders, and our deep market insight ensures we are able to move quickly when these opportunities arise.

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

Strategic priorities that drive Platform value

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

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

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

Fuel Tank, Deptford (opening Summer 2018).

Strategic priorities that drive Portfolio value

Strategic priority: Right market

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

What we said we would do in 2017/18
Seek opportunities to grow our footprint in London and add value by acquiring new freehold properties.

The market trends that influenced our progress
Relevant London trends
- London is still seen as a global hub for business.
- London continues to attract significant investment capital.

Relevant customer trends
- Businesses want built-in flexibility and a well-designed work environment that encourages collaboration.

What we achieved in 2017/18
- Three major acquisitions in exciting locations, adding 458,700 sq. ft. to the portfolio.
- Customer enquiries remained strong at an average 1,016 per month.

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

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

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

Strategic priority: Right properties

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

What we said we would do in 2017/18
Continue to deliver on our strong project pipeline to improve the estate and further grow our footprint.

The market trends that influenced our progress
Relevant London trends
- The spotlight on flexible space continues to grow, along with demand from across the business spectrum.

Relevant customer trends
- Businesses want built-in flexibility and a well-designed work environment that encourages collaboration.
- Employers are increasingly focused on providing healthy workplaces.

What we achieved in 2017/18
- Recently launched properties are letting up well, e.g. The Record Hall reached 78.9% occupancy in 10 months.
- Continued work on project pipeline, with nine completing, in 2018/19.

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

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

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

Strategic priorities that drive Platform value

Strategic priority: Right customers

Description
A key part of The Workspace Advantage is the communities of businesses that we create within our centres, with regular insight and networking events to encourage further collaboration.

What we said we would do in 2017/18
Open our offer to all businesses, no matter their sector or size. Roll out the brand campaign to raise our profile among prospects.

The market trends that influenced our progress
Relevant London trends
- Small businesses are driving the economy.
- The spotlight on flexible space continues to grow, along with demand from across the business spectrum.

Relevant customer trends
- Businesses want built-in flexibility and a well-designed work environment that encourages collaboration.

What we achieved in 2017/18
- 131 customer events held during the year.
- 351 customers expanded within Workspace during the year.

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

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

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

Strategic priority: Right people

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

What we said we would do in 2017/18
Ensure understanding of and engagement with The Workspace Advantage across different departments and teams.

The market trends that influenced our progress
Relevant customer trends
- Employers are increasingly focused on providing healthy workplaces.
- There is a drive for companies to articulate a wider purpose beyond making a profit.

What we achieved in 2017/18
- Worked with people across the business to articulate our company values, which will help us to deliver The Workspace Advantage.

What we aim to do in 2018/19
Launch the new Workspace values, ensure engagement with all employees and reward successes.

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

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

Strategic priority: Right brand

Description
In a competitive marketplace, our brand is increasingly important. Supported by The Workspace Advantage positioning, it has never been stronger.

What we said we would do in 2017/18
Roll out our brand campaign to ensure The Workspace Advantage is well recognised and understood by customers and prospects. Put in place a brand tracker survey to analyse awareness.

The market trends that influenced our progress
Relevant London trends
- The spotlight on flexible space continues to grow, along with demand from across the business spectrum.

Relevant customer trends
- Businesses want built-in flexibility and a well-designed work environment that encourages collaboration.
- Technology is all-important, both in the provision of solutions for customers and in creating a more engaging customer experience.

What we achieved in 2017/18
- 1.1m website hits during the year.
- 38% increase in first-time visits year-on-year thanks to The Workspace Advantage brand campaign.

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

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

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

Measuring strategic success

Financial KPIs

1. Net rental income £m

2018	95.6
2017	79.2
2016	74.1

+21%

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

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

Movement in 2017/18
The increase in the year was driven by significant growth in rental income at our like-for-like properties and an increase in rental income from completed projects thanks to the letting up of new and upgraded space. This year, acquisitions were also a key driver of net rental income, as we acquired three properties with existing income in place.

Time period measured
Monthly

2. Adjusted trading profit after interest £m

2018	60.7
2017	50.7
2016	43.9

+20%

Definition
Adjusted trading profit after interest is net rental income, joint venture trading income and finance income less administrative expenses and finance costs.

Further details in note 8 to the financial statements.

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

Adjusted trading profit after interest demonstrates the underlying performance of the trading business and strength of our business model. Both the CEO and CFO are incentivised on adjusted trading profit after interest.

Movement in 2017/18
Adjusted trading profit after interest for the year was £60.7m, up 20% on the previous year. Net rental income is the key driver of trading profit thanks to our relatively fixed cost base.

Time period measured
Monthly

Financial KPIs
continued

3. EPRA NAV per share £

2018	10.37
2017	9.53
2016	9.23

+8.8%

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

Further details in note 9 to the financial statements.

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

Movement in 2017/18
Our EPRA NAV at 31 March 2018 was £10.37, up 8.8% from the prior year.

Time period measured
Six monthly

4. Dividend per share pence

2018	27.39
2017	21.07
2016	15.05

+30%

Definition
The dividend payment per share in issue.

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

Movement in 2017/18
A positive trading profit performance and confidence in our outlook, as well as adhering to distribution requirements as a REIT, have driven the Board to recommend a 30% increase to the total dividend for 2017/18.

Time period measured
Six monthly

5. Like-for-like rent roll growth %

2018	8.6
2017	13.7
2016	15.4

+8.6%

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

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

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

Movement in 2017/18
Like-for-like rent roll has continued to grow, increasing by 8.6% year-on-year. This demonstrates the strong performance of our core assets and the continued strong demand for our product.

Time period measured
Weekly

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

2018	7.6
2017	12.9
2016	16.4

+7.6%

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

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

Movement in 2017/18
Like-for-like rent per sq. ft. has increased by 7.6% in the year, with average rent up from £33.00 per sq. ft. to £35.50 per sq. ft.

Time period measured
Weekly

7. Property valuation £m

2018	2,280
2017	1,844
2016	1,779

+5%*
*Underlying

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

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

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

Movement in 2017/18
We have achieved an underlying gain for the year of 5%. The uplift in valuation of our like-for-like portfolio was driven largely by pricing growth, with equivalent yield moving in by 0.1%. The increase in valuation was also driven by our acquisition of three major properties in the year, offset by disposals.

See Property Valuation section of the Business Review on page 67 for more detail.

Time period measured
Six monthly

The Record Hall has seen a significant uplift in valuation in the year.

Financial KPIs
continued

8. Total Property Return %

2018	11.3
2017	8.2
2016	26.3

11.3%

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

See Glossary of Terms on page 187.

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

Movement in 2017/18
Capital and income returns have led us to outperform compared to the IFD benchmark.

Time period measured
Six monthly

9. Total Shareholder Return %

2018	29.4
2017	0.8
2016	(7)

29.4%

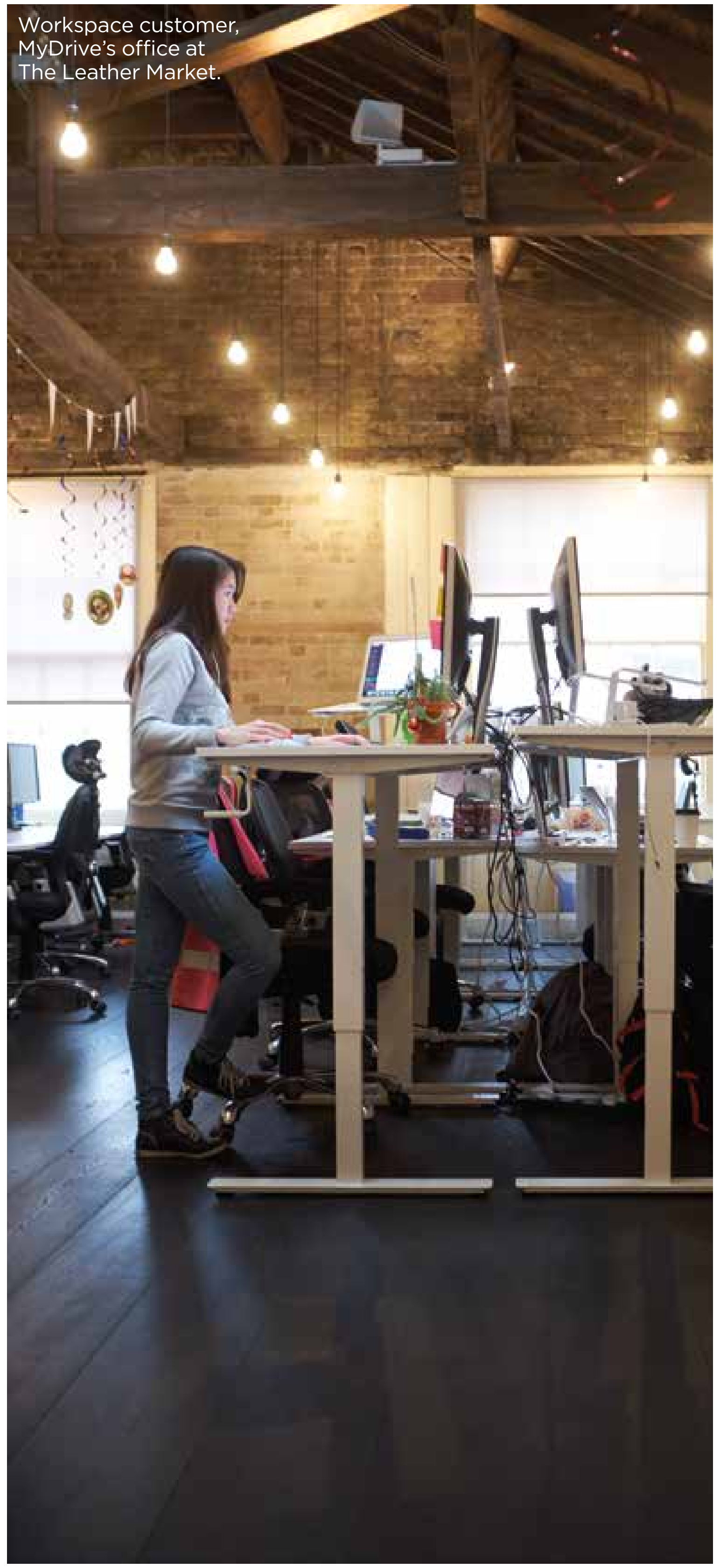
Definition
Total Shareholder Return is the return obtained by a shareholder, calculated by combining both share price movements and dividend receipts.

See Glossary of Terms on page 187.

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

Movement in 2017/18
The strong return is due to the progressive dividend policy combined with positive growth in share price over the year.

Time period measured
Annually


Workspace customer, MyDrive's office at The Leather Market.

Non-financial KPIs

1. Customer advocacy %

2018	90
2017	88

90%

Definition
Our customer advocacy score is based on responses to customer surveys, which are conducted twice per year by an independent third party organisation.

Why this is important to Workspace
Our customers are at the heart of our business and we regularly seek to obtain feedback to understand their overall satisfaction with our offering. We use the findings from the survey to prompt changes to what we offer our customers and to train our staff. The customer advocacy score also forms part of the bonus objectives for senior management.

Movement in 2017/18
We had a fantastic response rate to our customer survey this year and the overall customer advocacy score increased in the year from 88% to 90%.

Time period measured
Six monthly

2. Customer enquiries monthly average

2018	1,016
2017	1,060

1,016

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

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

Movement in 2017/18
Customer enquiries remained steady year-on-year thanks to continued demand for our space.

Time period measured
Daily

3. Website visits million per year

2018	1.14
2017	0.85

1.14m

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

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

Movement in 2017/18
Website visits increased during the year, thanks to The Workspace Advantage campaign driving traffic to the site from digital advertising and social media activity. Of particular note, first-time visits to the site increased by 38% year-on-year.

Time period measured
Daily

4. Offer letters monthly average

2018	317
2017	323

317

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

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

Movement in 2017/18
The average number of offer letters per month remained broadly flat during the year reflecting the continued demand for our space following customer viewings.

Time period measured
Daily

Non-financial KPIs
continued

5. New lettings
monthly average

2018	93
2017	99

93

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

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

Movement in 2017/18
Good levels of lettings have continued throughout 2017/18 thanks to strong demand for our space.

Time period measured
Weekly

6. Renewals
monthly average

2018	43
2017	53

43

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

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

Movement in 2017/18
Despite being slightly down year-on-year, we continued to deliver good levels of lease renewals during the year.

Time period measured
Weekly

7. Employee volunteering days

2018	121
2017	79

121

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

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

Movement in 2017/18
The significant increase in the year is largely because we added personal days donated by employees to volunteering activities. This figure includes 61 working days and 60 personal days. Going forward, we will include both personal and working days.

Time period measured
Annually

8. Customer events

2018	131
2017	180

131

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

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

Movement in 2017/18
This number will move around year to year as we do not have a specific target. It is important that we continue to run a significant number of events across our centres during the year.

Time period measured
Monthly

Workspace Business Insight dinner held at The Leather Market on the subject of 'The rise of the bots'.

4

THINKING LIKE A CUSTOMER

How Bryony, Development Executive, helps us deliver The Workspace Advantage

Each refurbishment or redevelopment project is a blank canvas and starts with a discussion about the latest customer trends.

We have to think of everything before we start, from where to put the comms room to how much breakout space to create and the number of bicycle racks to install. We work closely with our architects to find the right solutions and create the best environments for our customers.

Bryony Gerega
Development Executive at Workspace, pictured with architects from Squire & Partners at The Frames, Shoreditch.

See how our teams help mitigate Customer and Development risks go to pages 51 and 52.

Using risk to help make the right strategic decisions

Super connected:
Delivering The Workspace Advantage requires all parts of our business to work together.

In isolation risk mitigation helps us manage specific subjects and areas of the business. However, when brought into our day-to-day activities successful risk management has helped us maximise our advantage in 2018.

Market understanding
Monitoring the fundamentals of the London market helped us spot opportunities as well as assess what our customers want.

Property acquisition
In 2018 risk mitigation helped us assess the right opportunities – where we knew we could deliver our unique customer offer.

Development
We successfully guarded against negative reputational impact on nine ongoing refurbishments where we were investing to deliver The Workspace Advantage.

- Understanding and responding to market trends – page 8
- A business model designed to create long-term value – page 16
- A focus on Doing the Right Thing helps us to manage our resources and relationships – page 22
- Chief Executive's strategic review – page 28
- Business review – page 62
- Our governance – page 72

Aligning risks and strategy

In order to deliver our strategy and The Workspace Advantage throughout the business we must ensure that we maintain a balance between safeguarding against potential risks and taking advantage of all potential opportunities.

Our strategic priorities

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

Right properties
We deliver capital and income growth by upgrading and acquiring the right properties in dynamic locations.

Right customers
Our customers are at the heart of everything we do and we are committed to providing them with a best-in-class service.

Right people
We need the right people and expertise to deliver our strategy.

Right brand
We work hard to ensure our brand is reflective of our product, our customers and our culture.

Risk categories

Risk category	Principal risk	Right market	Right properties	Right customers	Right people	Right brand	
Risk category: 1. Financing	**Principal risk:** Reduced availability of financing options resulting in inability to meet business plans or satisfy liabilities.	✓	✓				More information on page 50
Risk category: 2. Valuation	**Principal risk:** Value of our properties declining as a result of external market or internal management factors.	✓	✓				More information on page 50
Risk category: 3. Customer demand	**Principal risk:** Demand for our accommodation declining as a result of social, economic or competitive factors.	✓	✓	✓	✓	✓	More information on page 51
Risk category: 4. Development	**Principal risk:** Cost inflation and timing delays.	✓	✓	✓	✓		More information on page 52
Risk category: 5. Investment	**Principal risk:** Underperformance due to inappropriate strategy on acquisitions and disposals.	✓	✓	✓		✓	More information on page 53
Risk category: 6. Brand and reputation	**Principal risk:** Failure to meet customer and external stakeholder expectations.			✓	✓	✓	More information on page 53
Risk category: 7. Regulatory	**Principal risk:** The introduction of new requirements that inhibit activity. Failure to meet regulatory requirements leading to fines or tax penalties.				✓	✓	More information on page 54
Risk category: 8. Business interruption	**Principal risk:** Major events mean that Workspace is unable to carry out its business for a sustained period.		✓		✓	✓	More information on page 54
Risk category: 9. Resourcing	**Principal risk:** Failure to progress with strategy due to inability to recruit and retain correct staff.			✓	✓	✓	More information on page 55
Risk category: 10. London	**Principal risk:** Changes in the political, infrastructure and environmental dynamics of London lead to reduced demand from our customers.	✓		✓			More information on page 56
Risk category: 11. Cyber security	**Principal risk:** Loss of data or income due to cyber security attack on our business and on that of our customers.		✓		✓	✓	More information on page 56

Whilst our strategy remains broadly unchanged, 2017/18 has been an exciting year with us undertaking significant acquisition activity and accelerating our capital expenditure on a number of large refurbishment and asset management schemes. We have also continued to reshape the portfolio with the sale of some industrial centres. Taking advantage of opportunities but ensuring we are considering the risks related to these opportunities is key, and we aim to do this as part of our business activity rather than as a standalone exercise.

2017/18 has also seen continued change and uncertainty within the political and economic environment and there remains some uncertainty over the outcome of the EU Referendum. We haven't seen or assessed any direct impact of this environment on our business, but are continuing to ensure we are closely reviewing Key Performance Indicators and our forecast to detect any issues. We continue to ensure low levels of gearing and active cash and financing forecasting.

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

We are fortunate to have created a positive culture within Workspace which encourages open communication and engagement. This enables staff from all areas of the business to feel free to raise risks or opportunities, no matter how small, to their managers and teams. Having this culture helps ensure that information is communicated across the business well.

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

The Executive Committee meets weekly to discuss key performance measures and any change in these, meaning they are ideally placed to notice any concerning changes or early warnings.

Further information on our KPIs can be found on pages 35 to 40.

Risk appetite
Risk appetite reflects the overall level of risk acceptable with regards to our principal business risks. The Board is responsible for deciding the amount of risk it is willing to take.

High risk, after considering the controls we have in place to mitigate risks, is not generally tolerated. We work towards a medium to low risk profile, ensuring that we have mitigating actions in place to bring each risk down to within the agreed risk appetite. Currently all our principal strategic risks are subject to the same moderate risk appetite.

Activities in 2017/18

1. We have undertaken extensive review of Data Protection to ensure all staff are fully aware of GDPR legislation and requirements. We have also created a specific Data Protection Risk register to fully understand our risk exposure and document the controls we have in place to mitigate these risks.

2. We have undertaken a variety of internal audits of our properties covering financial, operational, health and safety and facilities management issues. This review process also helps strengthen communication with our staff out on-site.

Areas of focus for 2018/19
We have a rolling plan of risk management objectives and over the coming year plan the following activities:

1. Continuing to ensure we are safeguarded with regard to cyber security and that we are keeping aware of risks and issues in this area changing as technology changes. We are progressing with a detailed review and updating of our IT risks as this is a rapidly evolving area.

2. Implementing risk management software to help effectively capture findings from our internal property site reviews, third party audits and detailed information to show our key controls are operating.

Risk Management Structure
We have an established Risk Management Structure in place to help us capture, document and manage risks facing our business. We monitor this structure to ensure it is appropriate for our company size, culture and business model.

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

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

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

The Risk Committee comprises the Chief Executive Officer, the Operations Director and Company Secretary, alongside the Head of Finance, the Head of IT Operations and other 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. We also invite centre managers to attend Risk Committee meetings on a rolling basis.

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

Overall, we review risks from two angles:

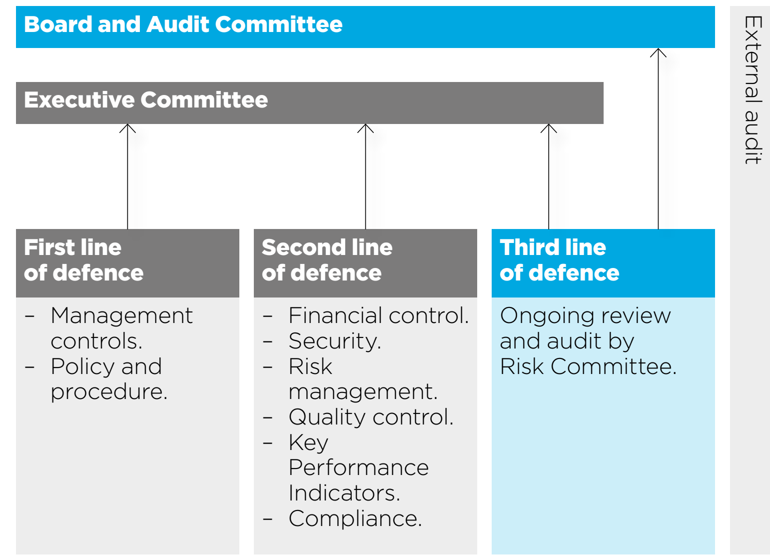
1. Principal Business (Strategic) Risks
- These are risks which impact achievement of our strategy and objectives.
- They are identified, assessed and managed by the Executive Committee.
- Strategic risks are ultimately owned by the Board.
- The Board and the Audit Committee receive regular updates on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

Our Strategic Risks are shown in the heat map and in detail on pages 50 to 56.

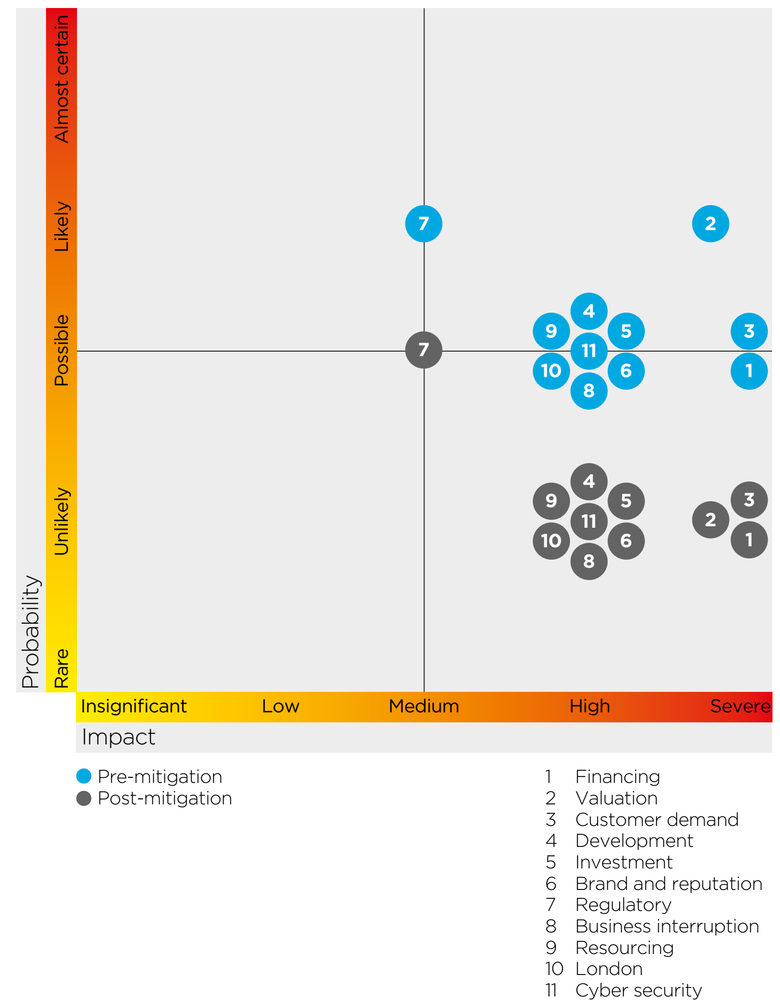
2. Operational risks
- These are lower level risks covering day-to-day processes and procedures and regulation requirements.
- These cover all areas of the business, such as Finance, Operations, Investment and Development.
- These risks are assessed, managed and owned by the Executive Committee.
- Day-to-day 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.

Further details on the Risk Committee can be found in our Governance section on page 111.

Our Risk Management Structure



Current assessment of Principal Business Risks



Risk category:
1. Financing

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

Dashboard

Impact
Severe

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right markets.
- Right properties.

Key metrics

£300m

£200m new Private Placement Notes and £100m of increased bank facility

23%

Loan to value remains low after new acquisitions

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

Mitigation
We regularly review funding requirements for business plans and 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. There is further detail in the Viability Statement on page 57.

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 interest rates and swap arrangements on our loan facilities so that our interest payment profile is stable.

Risk management in action
Having made plans to acquire several large buildings during the year and continue with our extensive number of refurbishment schemes, it was imperative we continue to have good financing arrangements in place. We always aim to have a variety of funding sources and maturity dates. In the summer of 2017, we raised £200m of new Private Placement Notes for eight and 10-year periods, helping us get the funding to action our acquisition and refurbishment plans, alongside extending our debt maturity. We also increased our bank facility by £100m.

Risk category:
2. Valuation

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

Dashboard

Impact
Severe

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right markets.
- Right properties.

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

Key metrics

+5%

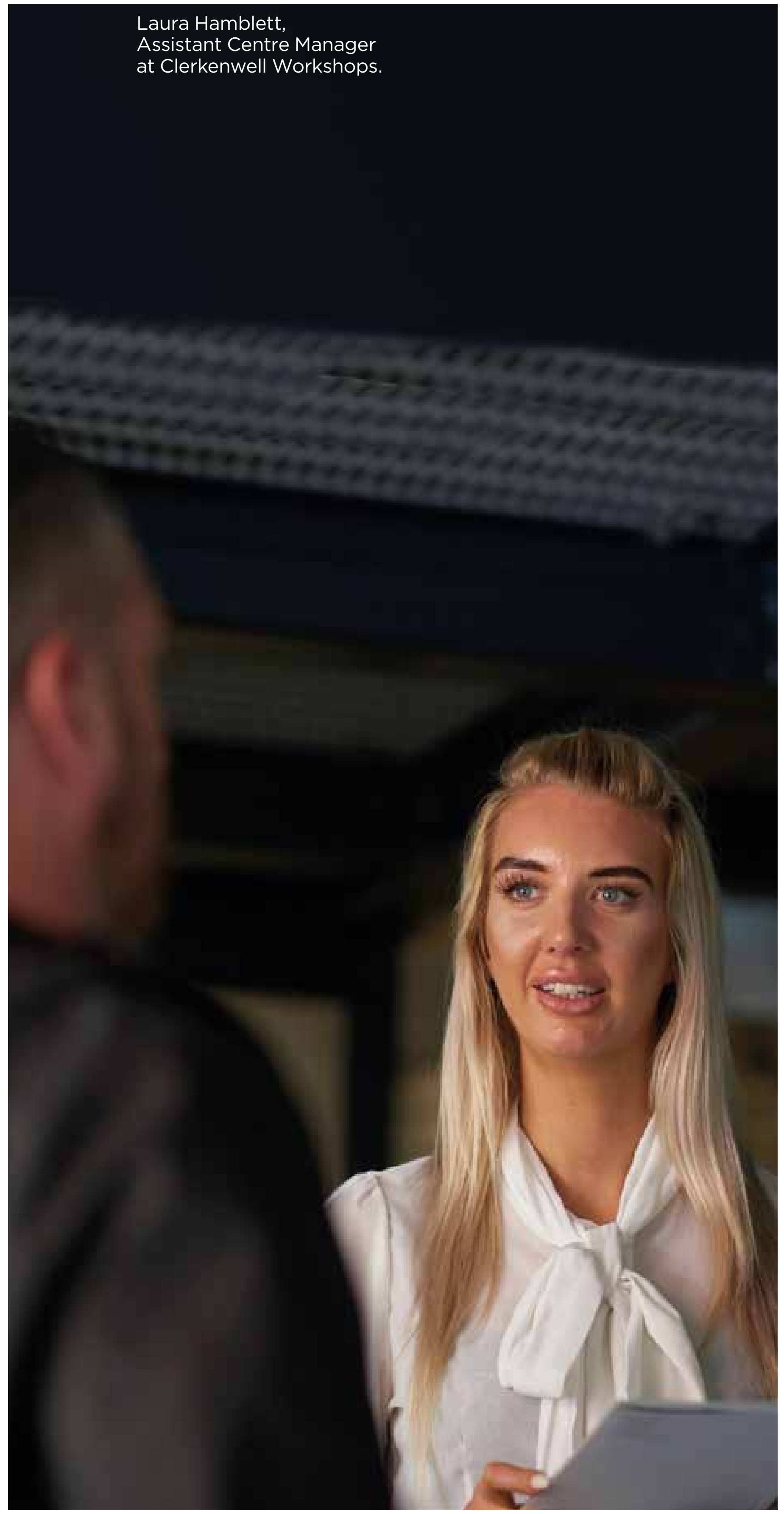
Increase in underlying property valuation

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

Mitigation
Market-related valuation risk is largely dependent on external factors which we cannot influence. However, we continue to do the following to 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.

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

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



Laura Hamblett,
Assistant Centre Manager
at Clerkenwell Workshops.

Risk category:
3. Customer demand

Principal risk:
Demand for our accommodation declining as a result of social, economic or competitive factors.

Dashboard

Impact
Severe

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

Key metrics

91.6%

Like-for-like occupancy

12,189

Enquiries in the year

90%

Customer advocacy score

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

Mitigation
Every week the Executive Committee meet with Senior Management to monitor occupancy levels, pricing, demand levels and reasons for customers vacating. This 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.

We also stress test our business plans to assess the sensitivity we could tolerate if demand from our customers reduced. This can be found in the Viability Statement on page 57.

Risk management in action
We launched a second phase of our successful Workspace Advantage campaign to raise our brand awareness.

We continue to liaise with our customers at each step of their journey with Workspace. We seek out their feedback and comments on their experience with Workspace, and utilise results to make changes and improvements.

We also continue to increase our social media presence, and have seen increasing popularity of our networking business events.

Risk category:
4. Development

Principal risk:
Cost inflation and timing delays.

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

Key metrics

6

Mixed-use redevelopment projects underway or contracted for sale

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

Mitigation
For every potential development scheme, we work hard to gain a thorough understanding of the planning environment and 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.

Work ongoing at redevelopment site, Fuel Tank in Deptford.

Risk category:
5. Investment

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

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

Key metrics

£368m

Acquisitions in financial year

£125m

Proceeds from disposals

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

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

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

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

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

Risk management in action
In the year we acquired The Salisbury, a landmark building in Finsbury Circus. This acquisition was reviewed and analysed in detail prior to exchange so that any potential risks were taken into account. Detailed investment appraisals and due diligence work was undertaken. Following acquisition, monthly reviews on performance against expectations have been provided to the Board.

Risk category:
6. Brand and reputation

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

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

Key metrics

8.6%

Like-for-like rent roll growth

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

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.

Risk management in action
We launched a second phase of our successful Workspace Advantage campaign to raise our brand awareness.

The use of social media channels, such as Twitter, to engage with our customers continues to be very successful and helped to create business communities within our centres.

Risk category: 7. Regulatory

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

Dashboard

Impact
Medium

Probability (post-mitigation)
Possible

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right people.
- Right brand.

Key metrics

195

Staff trained on GDPR in year

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

Mitigation
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.

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

The Company Secretary issues a detailed briefing to the Board regularly.

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

Risk management in action
Regulatory risk has been a key focus for Workspace in 2017/18 with impending changes to GDPR requirements and also us falling into the HMRC Senior Accounting Officer regime (SAO) with gross assets being over £2bn.

We have reviewed our taxation strategy document which outlines our overall approach to tax and the controls we have in place to ensure compliance. This is being published on our website. We have also undertaken some detailed reviews of key taxation areas and developed a rolling programme of reviews.

Risk category: 8. Business interruption

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

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

Link to KPIs
10. Customer advocacy.

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

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

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

Risk management in action
We have developed a crisis management plan to document how we would deal with a major incident or downtime with our systems. This is to enhance our business continuity plans and ensure that key senior staff are aware of roles and responsibilities in the event of any business interruption.

GDPR
Extensive review of our data has been undertaken throughout the year in advance of GDPR requirements with us reviewing our document retention policies, documenting all our key data in information asset registers and a detailed training programme for all staff. This has been a useful review programme and helped to identify some efficiencies and changes to how we store, retain and manage data.

Risk category: 9. Resourcing

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

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

Key metrics

22

Internal promotions in year

Risk impact
- 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.

Risk management in action
Our staff are what makes our business work and drive the success of the Company, alongside making our business centres a fun and vibrant place to work for both staff and customers. We wanted to build on the culture we have and ensure we are communicating this well, so a series of staff workshops were held to discuss, debate and celebrate the culture we have and consider how we can further improve and enhance this.

We also continue to develop our staff with the aim to making them feel committed and engaged to work towards delivering our overall objectives. We have had a number of internal promotions in the year reflecting the commitment and quality of our staff.

Risk category: 10. London

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

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

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

Mitigation
Having been based within London for over 30 years, we have a deep knowledge of our markets and locations.

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.

Risk management in action
With the ongoing uncertainty in the political and economic environment on the back of the EU Referendum, it is important that we remain vigilant to any potential issues or impacts that we foresee. We have yet to see any specific impact on our business, but we continue to monitor our key performance indicators each month so that we could quickly react to any trends identified. We also ensure we have adequate financing arrangements in place from a variety of sources and a spread of maturity dates, and undertake a five-year plan with some scenario testing.

Risk category: 11. Cyber security

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

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

Link to KPIs
10. Customer advocacy.

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

Mitigation
Monitoring information on security threats and targets.

Monitoring guidance and best practice issued by Government and advisers.

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

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

Work has been undertaken by the Head of I.T. Operations to map out risks and controls in much greater depth. Staff have also been required to complete a detailed cyber security training module with ongoing training and workshops planned.

Going Concern and Viability Statement

Going Concern
The Group's activities, strategy and performance are explained in the Strategic Report on pages 3 to 71.

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

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

Viability Statement
In accordance with provision C.2.2 of the 2014 revision of the Code, the Board has assessed the prospects of the Group taking account of the current position and principal risks of the business.

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 latest strategy day was held in September 2018 and reviewed the detailed business plan for the five years to 2022. The plan was updated in April 2018 to extend it to 2023 and to include the Centro acquisitions. This plan was reviewed at the Audit Committee meeting on 30 May 2018.

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

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 2022, can be extended on acceptable terms.

The Group's strategy and business model are described on pages 16 and 28.

The Board has considered the key risks and mitigating factors that could impact the Group, details of which can be found on pages 46 to 56. 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 shown in the table on the right.

The Group benefits from having thousands of customers spread across 66 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. For this reason, the highest risk to the Group is an event or series of events that would impact on the London economy and property market.

Of the scenarios tested, the most significant impact would be to the level of available facilities resulting from an inability to refinance existing facilities.

To mitigate this risk, the Group continually reviews funding requirements and maintains a close relationship with existing and potential funding partners to ensure the continuing availability of debt finance. Also, the maturity of debt facilities is spread over a number of years to avoid a concentration of risk in one period and gearing is relatively low with LTV of 23% as at year end.

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

The Board conducted this review for the five-year period to 31 March 2023, 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 5.5 years.

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

Risk sensitivity analyses

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

5

I LOVE SPINNING PLATES

How Roshi Klair helps us deliver The Workspace Advantage

I am always on the move.

With 23 properties to manage, I spend my days visiting sites all over London, chatting to centre managers about new customers moving in or to our Facilities Technicians about any issues on site.

There's a lot on my plate but it's worth it when I see happy customers using our space.

Roshi Klair
Asset Manager at Workspace, pictured in the newly refurbished cafe, Grandpa Joe's, at The Chocolate Factory in Wood Green.

To read a comprehensive review of everything we have done in 2018 go to pages 62 to 71.

Business review
How we performed in 2017/18

At a glance

Total Rent Roll

£112.9m

Estimated cost of refurbishment projects underway

£152m

Acquisitions in the year

£368m

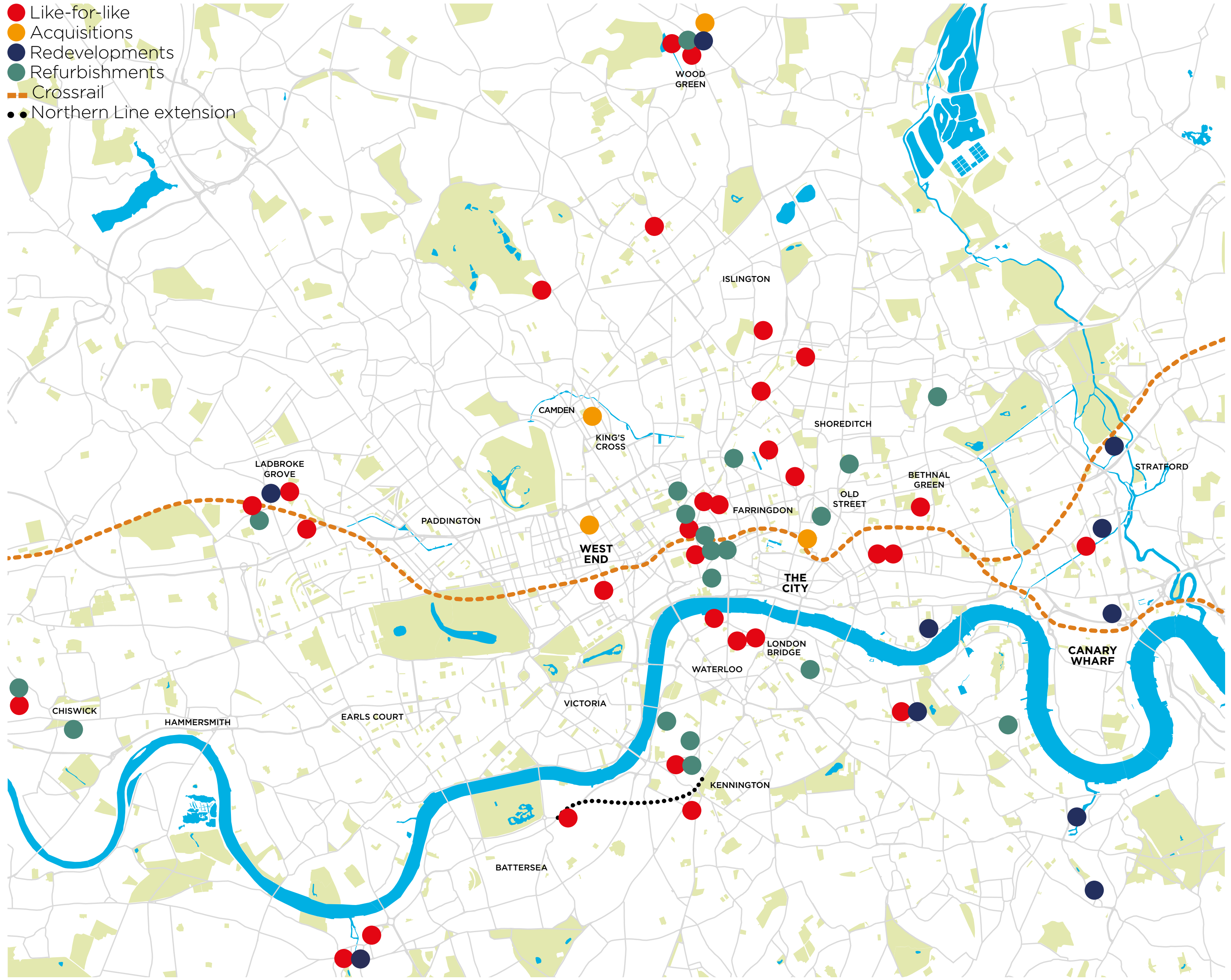
Properties featured in the business review

Property
Centro Buildings
Location
Camden, NW1
What we did
Acquired in two parts in February and April 2018 for a total of £186m.

Property
The Chocolate Factory
Location
Wood Green, N22
What we did
We have received planning permission for a mixed-use redevelopment of The Chocolate Factory and Parma House to provide 230 new homes and 26,000 sq. ft. of new commercial space to add to our existing space there.

Property
The Record Hall
Location
Farringdon, EC1
What we did
Having completed a major refurbishment in May 2017, The Record Hall reached 78.9% occupancy by the end of March 2018.

Our portfolio



Properties

66

Acquisitions in 2017/18

3

Refurbishments underway

12

Redevelopments underway

6

For the complete property listing, see pages 185 to 186.

For more Acquisition details, see page 68.

For more Refurbishment details, see page 68.

For more Redevelopment details, see page 69.

Enquiries and lettings

We have seen a good level of demand for space at our business centres across London with enquiries averaging 1,016 per month (2017: 1,060), and lettings averaging 93 per month (2017: 99).

See Table 1, right.

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

Rent roll

Total rent roll, representing the annual net rental income at a given date, was up 26.1% (£23.4m) to £112.9m at 31 March 2018:

Rent Roll	£m
At 31 March 2017	89.5
Like-for-like portfolio	5.2
Completed projects	3.6
Refurbishment and Redevelopment Projects	(1.7)
Acquisitions	21.0
Disposals	(3.9)
Other	(0.8)
At 31 March 2018	**112.9**

The total estimated rental value (ERV) of the portfolio, comprising the ERV of the like-for-like portfolio, properties acquired and those currently undergoing refurbishment or redevelopment (but only including properties at the design stage at their current rent roll and occupancy) is £167.6m. Assuming a 90% occupancy level at all properties, except those at the design stage, this equates to a rent roll of £151.3m, £38.4m higher than the current rent roll.

Like-for-like Portfolio

The like-for-like portfolio represents 58% of the total rent roll as at 31 March 2018. 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 year for two properties transferred in from completed projects, three disposals and one property transferred to the acquisition category. 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 8.6% (£5.2m) in the year to £65.9m. Rent roll growth of 4.3% in the second half of the year compares to 4.1% in the first half. The growth over the year has come from a 7.6% increase in rent per sq. ft. to £35.50 and a 0.8% increase in occupancy to 91.6%.

See Table 2, right.

If all the like-for-like properties were at 90% occupancy at the CBRE estimated rental values at 31 March 2018, the rent roll would be £72.5m, £6.6m higher than the actual cash rent roll at 31 March 2018.

Completed Projects

Rent roll increased by £3.6m at the six completed projects to £14.7m. This category includes a new business centre, The Record Hall, in Holborn which opened in May 2017 where occupancy reached 78.9% by the end of March 2018.

Table 1
Enquiries and lettings

Average number per month	**31 Mar 2018**	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
	Quarter ended				
Enquiries	**1,111**	858	1,039	1,055	1,183
Lettings	**92**	86	97	95	101

Table 2
Like-for-like rent roll

Like-for-like properties	**31 Mar 2018**	30 Sep 2017	31 Mar 2017	30 Sep 2016
	Six months ended			
Rent roll growth	**4.3%**	4.1%	6.2%	7.1%
Occupancy movement	**(0.7)%**	1.5%	(0.3%)	0.2%
Rent per sq. ft. growth	**4.8%**	2.7%	6.7%	5.7%

Table 3
Acquisitions

	Acquired	Lettable area (sq. ft.)	Rent Roll at 31 March 2018	Occupancy at 31 March 2018
The Salisbury	Jun 2017	235,000	£11.2m*	90.3%
Fitzroy Street	Apr 2017	93,000	£4.9m	100%
Alexandra House	Oct 2015	55,000	£0.7m	100%
Centro Buildings**	Feb 2018	131,000	£4.9m	85.2%
Total			**£21.7m**	

* There is ground rent of 22% of rents received payable to the City of London Corporation.
** Excludes Centro 1 & 2 acquired in April 2018

Enquiries per month

1,016

New lettings per month

93

If the six buildings were all at 90% occupancy at the CBRE estimated rental values at 31 March 2018, the rent roll would be £17.0m, £2.3m higher than the 31 March 2018 rent roll.

Projects Underway – Refurbishments

We are currently underway on 12 refurbishment projects that will deliver 638,000 sq. ft. of new and upgraded space. As at 31 March 2018, rent roll was £6.6m, down £1.6m in the year. We expect to complete seven of these refurbishments in the coming financial year delivering 376,000 sq. ft. of new and refurbished space.

The short-term reduction in rent roll at these refurbishments will be replaced in due course by a significant uplift in rent as they complete and the new and upgraded space is let. Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2018, the rent roll at these twelve buildings once they are completed would be £26.4m, an uplift of £19.8m.

Projects Underway – Redevelopments

There are currently six 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 135,000 sq. ft. of net lettable space. Two of these business centres will be returned to us in the coming financial year providing 80,000 sq. ft. of new space.

Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2018, the rent roll at the four new business centres we will receive back would be £3.4m.

Projects at Design Stage

These are properties where we are planning a refurbishment or redevelopment that has not yet commenced. In a number of cases this is because we are awaiting planning consent. The rent roll at these properties at 31 March 2018 was £4.1m, down £0.1m in the year.

Acquisitions

This category comprises recent acquisitions and properties where we need to obtain vacant possession before we can progress with our repositioning plans:

- The Salisbury, Finsbury Circus is a multi-let building where there is a rolling refurbishment programme to upgrade the common areas and customer units as they fall vacant, as we reposition The Salisbury as a Workspace business centre.
- Fitzroy Street, Fitzrovia and Alexandra House, Wood Green are currently let to single occupiers until 2020 and 2021 respectively. We plan in due course to refurbish and reposition these buildings as multi-let business centres.
- The Centro buildings in Camden (including the two buildings we acquired in April 2018) have the potential to be reconfigured as a Workspace business centre. With a number of the existing customers on longer leases this will take time, although there is 33,000 sq. ft. of recently refurbished space that is immediately available to let.

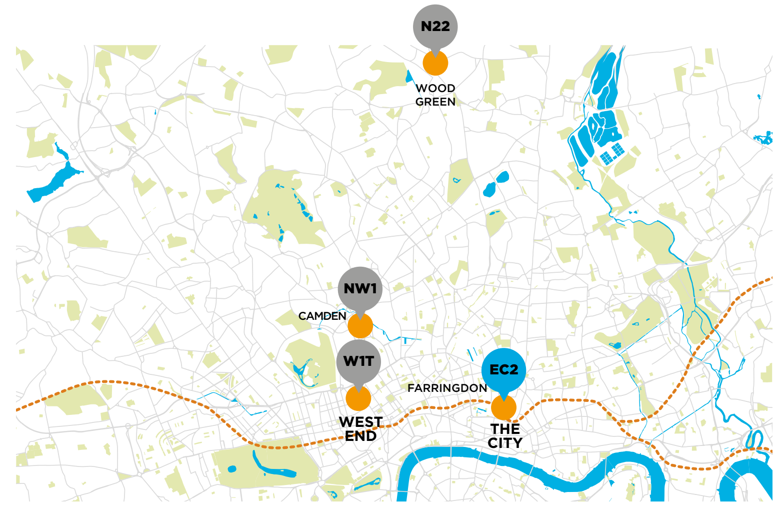
See Table 3, left.

If the four properties in this category were at 90% occupancy at the CBRE estimated rental values at 31 March 2018, the rent roll would be £27.9m, an uplift of £6.2m in total, with £4.2m of the uplift at The Salisbury.

The cash rent roll at acquisition of Centro 1 & 2 was £1.8m, which will increase to £3.8m by the end of December 2018 at the end of rent free periods for three existing customers in October and December 2018.

Disposals

In line with our strategy, we completed the sale of two non-core industrial estates and one small commercial building in the year (at an overall 38% premium to their 31 March 2017 book value) with the loss of £3.9m of rent roll.



Acquisitions
- The Centro buildings, Camden, NW1.
- 13-17 Fitzroy Street, Fitzrovia, W1T.
- The Salisbury, Finsbury Circus, EC2.
- Alexandra House, Wood Green, N22.

The Salisbury, Finsbury Circus, EC2
The Salisbury was acquired in June 2017 for £160m. Multi-let to over 100 customers, the property provides 235,000 sq. ft. of net lettable space and will be repositioned over time as a Workspace business centre.

Profit performance

Adjusted trading profit after interest for the year is up 20% (£10.0m) on the prior year to £60.7m.

See Table 4, right.

Net rental income increased by 21% (£16.4m) in the period to £95.6m.

See Table 5, right.

Total administration costs are up 7% in the year to £16.1m, with underlying costs (excluding share based costs) up 8% (£1.0m) to £13.8m. Staff costs are up 7% (£0.6m) to £8.9m with an increase of five in average head office headcount to 103 and staff salary increases averaging 3%, with other costs up £0.4m to £4.9m.

Net finance costs increased by 37% (£5.1m) in the year. The average net debt balance over the year was £166m higher than in the prior year, whilst the average interest rate has reduced from 5.2% to 4.3%. This interest rate includes the commitment fee on the undrawn revolver facility. The marginal cost of the undrawn revolver facility is 1.5% over LIBOR.

Profit before tax for the year increased by 92% to £170.4m.

See Table 6, right.

The change in fair value of investment properties of £82.5m reflects the underlying increase in the CBRE valuation in the period of £102m reduced by acquisition related costs of £14m and the change in fair value of overage which is reclassified in the accounts as deferred consideration.

The profit on sale of investment properties of £26.6m includes £23m from the sale of the Zennor Road and Uplands industrial estates.

Adjusted underlying earnings per share is up 20.3% to 36.8p, in line with the increase in adjusted trading profit after interest.

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. The significant growth in trading profit in recent years has given rise to a higher distribution requirement and we have therefore reduced the minimum dividend cover from 1.3 to 1.2 times adjusted underlying earnings per share.

A final dividend of 18.55p (2017: 14.27p) will be paid on 3 August 2018 to shareholders on the register at 6 July 2018. The 30% increase in both the interim and final dividend for the year reflects the strong financial performance and the Board's confidence in the outlook for the Company. The dividend will be paid as a Property Income Distribution.

Table 4
Adjusted trading profit after interest

£m	31 Mar 2018	31 Mar 2017
Net rental income	**95.6**	79.2
Joint venture income	**–**	0.3
Administrative expenses – underlying	**(13.8)**	(12.8)
Administrative expenses – share related	**(2.3)**	(2.3)
Net finance costs	**(18.8)**	(13.7)
Adjusted trading profit after interest	**60.7**	50.7

Table 5
Net rental income

£m	31 Mar 2018	31 Mar 2017
Like-for-like properties	**61.3**	55.6
Completed projects	**11.8**	9.2
Projects underway	**6.0**	7.3
Projects at design stage	**3.2**	3.3
Acquisitions	**12.3**	0.6
Disposals	**1.0**	3.2
Total net rental income	**95.6**	79.2

Table 6
Profit before tax

£m	31 Mar 2018	31 Mar 2017
Adjusted trading profit after interest	**60.7**	50.7
Change in fair value of investment properties	**82.5**	39.5
Profit on sale of investment properties	**26.6**	(0.6)
Exceptional finance costs	**–**	(1.4)
Joint venture performance fee	**–**	0.4
Other items	**0.6**	0.2
Profit before tax	**170.4**	88.8
Diluted earnings per share	**104.0p**	53.5p
Adjusted underlying earnings per share	**36.8p**	30.6p

Adjusted underlying earnings per share is up

20.3%

Property valuation

At 31 March 2018, the wholly owned portfolio was independently valued by CBRE at £2,280m, an underlying increase of 5.0% (£102m) in the year.

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

There was a lower revaluation uplift in the second half of the year of 1.1% (£23m), compared to an uplift of 3.9% (£79m) in the first half. This uplift excludes acquisition costs of £14m (primarily stamp duty).
A summary of the full year valuation and uplift by property type is set out below:

£m	Valuation	Uplift
Like-for-like Properties	1,112	73
Completed Projects	290	25
Refurbishments	308	9
Redevelopments	187	(4)
Acquisitions	383	(1)
Total	**2,280**	**102**

Like-for-like Properties

There was a 7.0% (£73m) increase in the valuation of like-for-like properties to £1,112m, comprising:

- An increase in ERV per sq. ft. of 5.9% equating to an uplift in value of some £61m; and
- A 0.1% reduction in equivalent yield equating to an increase in value of some £12m.

See Table 8, right.

Completed projects

The uplift of 9.4% (£25m) in value of the six completed projects to £290m reflects the strong demand and pricing levels that have been achieved at these properties since launch. The most significant uplifts in the year being £9m at The Record Hall and £10m at The Leather Market.

The overall valuation metrics for completed projects are set out in Table 9, right.

Current refurbishments

We have seen an uplift of 3.0% (£9m) in the value of current refurbishments to £308m as these schemes near completion. There was a £3m uplift at each of Southbank House (to be renamed China Works) and Edinburgh House in Vauxhall which are both due to open in the Summer of 2018 and a £5m uplift at The Light Box in Chiswick where we expect the refurbishment to complete in the Autumn of 2018.

Current redevelopments

There is a reduction of 2.1% (£4m) in the value of current redevelopment projects to £187m. This comprises:

- A reduction of £8m in the value of Rainbow Industrial Estate, Raynes Park where we obtained a mixed-use planning consent in September 2015 but have been informed by Network Rail that the property may be safeguarded in relation to Crossrail 2.
- Assumptions on the required level of affordable housing have increased which has reduced the value of schemes that do not yet have planning consent by £8m.
- An increase of £12m in the value at schemes that already have planning consent, including a £4m uplift in the value of the consented residential scheme at Marshgate near the Olympic Park, and an uplift of £4m for overage at the Arches.

Table 7
Property valuation

	£m
Valuation at 31 March 2017	1,844
Revaluation uplift	102
Capital expenditure	77
Acquisitions	382
Acquisition costs	(14)
Disposals	(87)
Capital receipts	(24)
Valuation at 31 March 2018	**2,280**

Table 8
Like-for-like properties valuation metrics

	31 March 2018	31 March 2017	Change
ERV per sq. ft.	**£39.80**	£37.59	+5.9%
Rent per sq. ft.	**£35.50**	£33.00	+7.6%
Equivalent Yield	**6.5%**	6.6%	(0.1%)
Net Initial Yield	**5.4%**	5.5%	(0.1%)
Capital Value per sq. ft.	**£549**	£506	+8.5%

Table 9
Completed projects valuation metrics

	31 Mar 2018
ERV per sq. ft.	**£47.80**
Rent per sq. ft.	**£45.07**
Equivalent Yield	**5.8%**
Net Initial Yield	**4.6%**
Capital Value per sq. ft.	**£734**

Portfolio valuation

£2.3bn

Acquisitions

Three properties were acquired in the financial year:

- In April 2017, we acquired 13-17 Fitzroy Street, Fitzrovia for £99m. 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 plans to relocate from this building and the lease provides for its 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 £160m. 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. and a net initial yield of 5.0%.
- In February 2018, we acquired five of the Centro buildings in Camden for £109m. These buildings provide 131,000 sq. ft. of net lettable space and were acquired at a capital value of £831 per sq. ft. and a net initial yield of 4.2%.

In April 2018, we acquired the remaining two Centro buildings (Centro 1 & 2) for £77m. They provide 85,000 sq. ft. of net lettable space and were acquired at a capital value of £901 per sq. ft. and a net initial yield of 4.9%.

Acquisitions

3

Disposals

We completed the sale of three properties in the year for £84m (this excludes redevelopment sales), with a profit of £23m on the book cost at 31 March 2017.

- 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 March 2018, we sold Quicksilver, Wood Green, a small commercial building for £3.5m in line with its valuation.

Disposals

3

Refurbishment activity

It has been a very active year with good progress made across a range of refurbishment projects and an accelerated level of capital expenditure. We completed the refurbishments at The Leather Market, London Bridge and Barley Mow Centre, Chiswick in August 2017 and launched The Record Hall, a new business centre in Holborn, in May 2017.

A summary of the status of the refurbishment pipeline at 31 March 2018 is set out below:

Of the 12 refurbishment projects underway, we are currently on-site at eleven with completion expected at seven during the coming financial year.

In April 2018, we received planning permission for a major refurbishment at Shaftesbury Centre, Ladbroke Grove. The existing 13,000 sq. ft. building will be replaced by a new business centre providing 41,000 sq. ft. of lettable space at an estimated cost of £15m.

Refurbishment programme summary

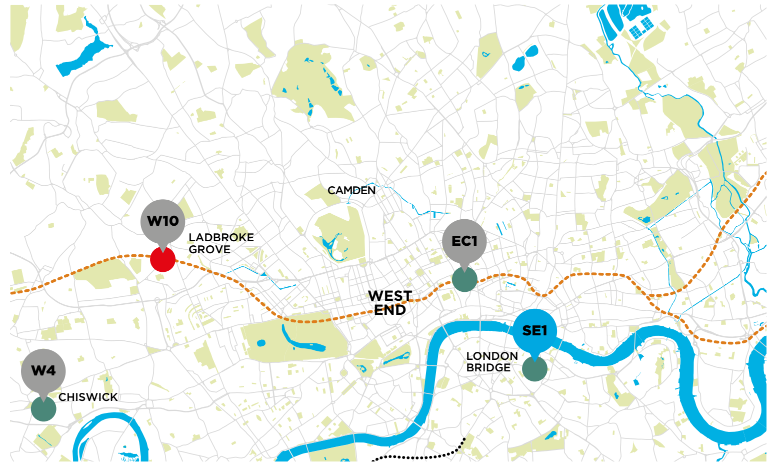
Projects	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	12	£65m	£87m	639,000
Design stage (without planning)	4	–	£59m	225,000

Refurbishments underway

12

Refurbishments completed

3



Refurbishment activity

- Barley Mow Centre, Chiswick, W4.
- The Leather Market, London Bridge, SE1.
- The Record Hall, Holborn, EC1.
- Shaftesbury Centre, Ladbroke Grove, W10.

The Leather Market, London Bridge, SE1

We completed the refurbishment of The Leather Market in August 2017, having entirely repositioned the entrance, creating a striking new atrium and café, as well as upgrading customer units across the site. The business centre has seen a significant uplift in valuation thanks to the strong demand and pricing levels that have been achieved since completion of the project.

Redevelopments underway

6

Redevelopment activity

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

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

- In June 2017, we sold the third and final phase of the residential scheme 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.
- In June 2017, we received a £7.9m overage payment 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 Light Bulb, Wandsworth, of 77 residential units for £7.8m in cash, together with the delivery in due course of 15,000 sq. ft. of new commercial space.
- In October 2017, we completed the sale of Arches Business Centre for £13m. We obtained a planning consent on this site for 110 residential units. In February 2018, we agreed to remove our overage provision in return for cash payment of £4.3m payable during 2018/19.
- In November 2017, we completed 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.
- In March 2018, we were granted planning permission for a significant mixed-use redevelopment on 2.3 acres of our Chocolate Factory and Parma House properties in Wood Green. This will provide 230 new homes and 26,000 sq. ft. of new commercial space, of which 20,000 sq. ft. is within the residential development and 6,000 sq. ft. is a roof top extension of our Chocolate Factory building which we are retaining and currently refurbishing.

A summary of the status of the redevelopment pipeline at 31 March 2018 is set out below.

The sale of the residential schemes at the six redevelopment schemes underway is expected to deliver £113m in cash (of which £102m has already been received) and four new commercial buildings. Two of these commercial buildings are in the final stages of construction and will open this year.

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

Redevelopment programme summary

	No. of properties	Residential units	Cash received	Cash/ overage to come	New commercial space (sq. ft.)
Underway	6	1,435	£102m	£11m	135,000
Design stage (with planning)	4	866	–	–	144,000
Design stage (without planning)	2	463	–	–	–

Cash flow

The Group generates strong operating cash flow in line with trading profit, with good levels of cash collection. Bad debts are low in the year at £0.2m (March 2017: £0.3m). A summary of the movements in cash flow are set out in Table 10, right.

Financing

In June 2017, we exercised the options to extend the maturity of our revolver bank facility by a 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 £14m of cash and £531m of drawn debt at 31 March 2018 with £665m of committed facilities as detailed in Table 11, right.

All facilities are provided on an unsecured basis with an average maturity of 5.5 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 31 March 2018, 61% of our facilities are at fixed rates, representing 76% of our borrowings on a drawn basis.

At 31 March 2018, loan to value was 23% (31 March 2017: 13%) and interest cover (based on net rental income) was 5.1 times (31 March 2017: 5.8), providing good headroom on all facility covenants. The loan to value increases to 25% on a pro forma basis following the acquisition of Centro 1 & 2 in April 2018 with the available headroom on our facilities reducing from £148m to £71m.

Net assets

Net assets increased in the year by £134m to £1,713m. EPRA net asset value per share at 31 March 2018 was up 8.8% to £10.37 in the year (31 March 2017: £9.53), with an increase of 2.3% (£0.23) in the second half of the year following an increase of 6.4% (£0.61) in the first half. The calculation of EPRA net asset value per share is set out in note 9 of the accounts.

See Table 12, right.

Table 10
Movements in cash flow

£m	**31 Mar 2018**	31 Mar 2017
Net cash from operations after interest	**74**	53
Dividends paid	**(37)**	(27)
Capital expenditure	**(74)**	(58)
Purchase of investment properties	**(370)**	(11)
Property disposals	**128**	8
Capital receipts	**9**	23
Distributions and proceeds from joint ventures	**–**	46
Other	**(5)**	–
Net movement	**(275)**	34
Opening Debt (net of cash)	**(242)**	(276)
Closing Debt (net of cash)	**(517)**	(242)

A reconciliation of net debt can be found in note 16(b) of the financial statements.

Table 11
Committed facilities

	Drawn amount	Facility	Maturity
Private placement notes	£357.5m	£357.5m	2020-2027
Retail bond	£57.5m	£57.5m	2019
Bank facilities	£116.0m	£250m	2022
Total	**£531m**	**£665m**	

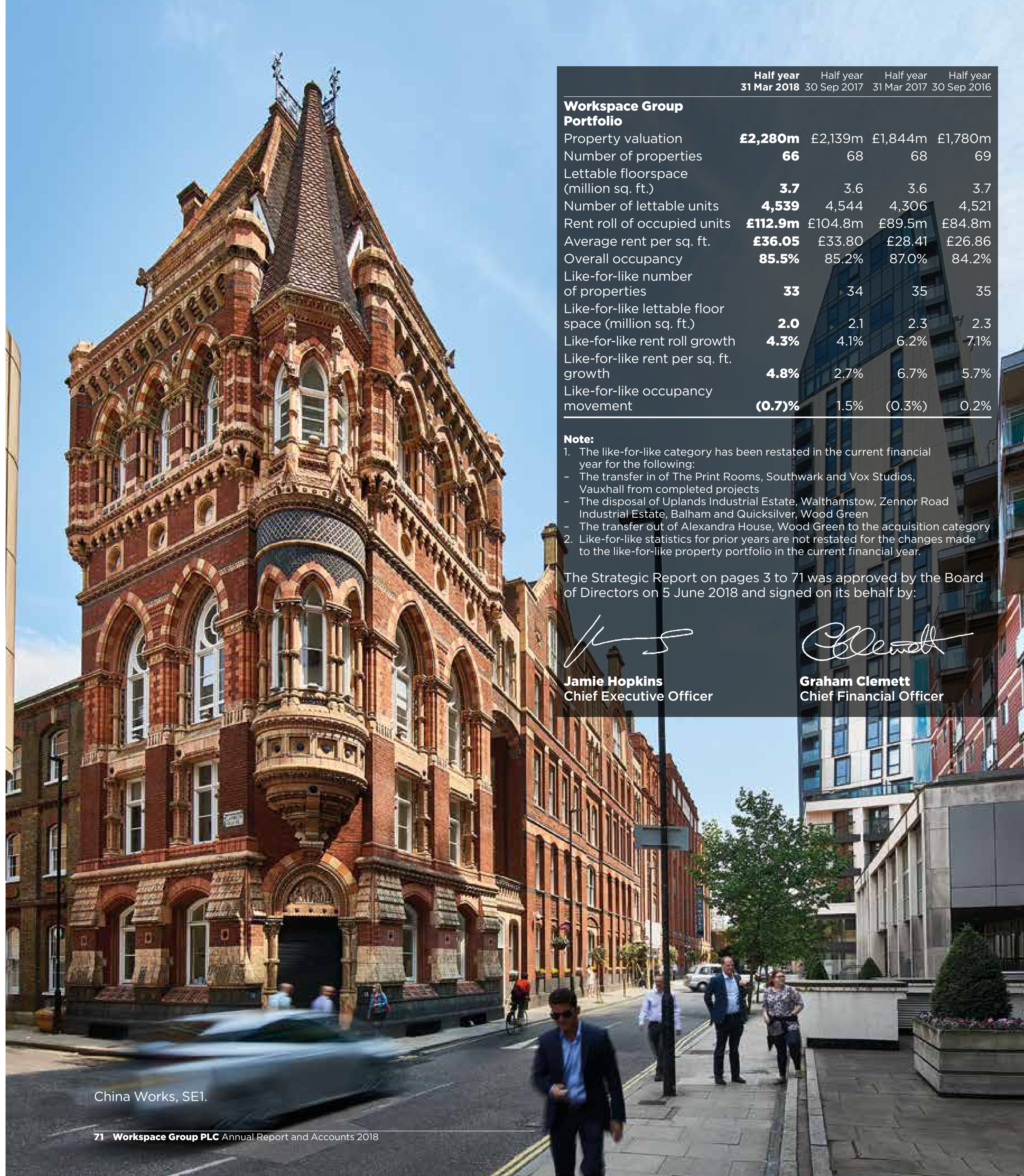
Table 12
EPRA NAV per share

	£
At 31 March 2017	9.53
Property valuation surplus	0.59
Property acquisition costs	(0.09)
Adjusted trading profit after interest	0.37
Dividends paid in year	(0.23)
Profit on sale of investment properties	0.16
Other	0.04
At 31 March 2018	**10.37**

Private placement completed in the year
£200m

EPRA NAV per share
£10.37

Key property statistics



	Half year 31 Mar 2018	Half year 30 Sep 2017	Half year 31 Mar 2017	Half year 30 Sep 2016
Workspace Group Portfolio				
Property valuation	**£2,280m**	£2,139m	£1,844m	£1,780m
Number of properties	**66**	68	68	69
Lettable floorspace (million sq. ft.)	**3.7**	3.6	3.6	3.7
Number of lettable units	**4,539**	4,544	4,306	4,521
Rent roll of occupied units	**£112.9m**	£104.8m	£89.5m	£84.8m
Average rent per sq. ft.	**£36.05**	£33.80	£28.41	£26.86
Overall occupancy	**85.5%**	85.2%	87.0%	84.2%
Like-for-like number of properties	**33**	34	35	35
Like-for-like lettable floor space (million sq. ft.)	**2.0**	2.1	2.3	2.3
Like-for-like rent roll growth	**4.3%**	4.1%	6.2%	7.1%
Like-for-like rent per sq. ft. growth	**4.8%**	2.7%	6.7%	5.7%
Like-for-like occupancy movement	**(0.7)%**	1.5%	(0.3%)	0.2%

Note:
1. The like-for-like category has been restated in the current 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, Zennor Road Industrial Estate, Balham and Quicksilver, Wood Green
- 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.

The Strategic Report on pages 3 to 71 was approved by the Board of Directors on 5 June 2018 and signed on its behalf by:

Jamie Hopkins
Chief Executive Officer

Graham Clemett
Chief Financial Officer

China Works, SE1.

Compliance with the UK Corporate Governance Code

The Company has, throughout the year ended 31 March 2018, fully complied with the provisions of the UK Corporate Governance Code. We also recognise that there are ongoing discussions about the structure of the Code, which we are monitoring.

Where to find the information

Leadership
The Board is responsible for setting the Group's strategy. It carefully monitors the progress of the strategy to ensure that it remains relevant in our marketplace.

Effectiveness
The Nomination Committee continues to make sure the Board has the necessary skills and experience to provide challenge to the business to deliver its strategic objectives.

Accountability
The Audit Committee plays an important role by providing the necessary safeguards to manage risks and achieve high standards of transparency and accountability to shareholders.

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

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

Chairman's governance statement

Dear Shareholder
On behalf of the Board, I am pleased to introduce the Corporate governance report for the year ended 31 March 2018.

Good governance is important to us
It has been another successful year for the Company. As Chairman, I am responsible for ensuring that the Board operates effectively and that it continues to uphold a high standard of corporate governance.

The Board of Workspace is committed to conducting business responsibly and ensuring that our governance structures at Board and Committee level remain appropriate for our business while supporting the delivery of our overall strategy. Across the business, we adopt a disciplined approach to the management of our people, our operations, our processes and structures. This discipline ensures we maintain strong governance in terms of leadership, Board effectiveness, accountability, remuneration matters and our relationship with shareholders.

Details of our governance framework can be found on page 76.

Our strategic priorities
The Company's business model and strategy are outlined on pages 16 and 28.

The Board takes seriously our responsibility for ensuring that the Group delivers on its strategic objectives. We regularly debate the effectiveness of the strategy and oversee the Executive Committee to ensure that it is being implemented successfully. The Board continues to believe that the current strategy is the right one for the business at this time.

Our culture
We have done some work this year to articulate the behaviours and values that drive our performance and delivery of The Workspace Advantage. This work has demonstrated the dynamic culture at Workspace, which is felt by everyone within the Company. Our people have deep knowledge of their subjects, inquisitive natures and a thirst for innovation and exhibit genuine care for our customers, our communities and each other. This culture which is also exhibited by the Board creates an environment for good governance.

'The Board is focused on delivering The Workspace Advantage to all stakeholders. This means adhering to high governance standards, maintaining regular engagement with investors and stakeholders and a relentless focus on internal controls and risk management.'

Daniel Kitchen
Non-Executive Chairman

Board performance evaluation
This year the Board benefited from the insights gained from an external evaluation of its performance. We appointed Advanced Boardroom Excellence Limited to facilitate the external Board effectiveness review in March 2018, with a remit to consider the way in which we carry out our role as Directors of Workspace and conduct ourselves in the boardroom, as well as the Board's structure and processes.

The review covered the Board, its Committees, individual Directors and the Company Secretary. The review included interviews with each of the Directors, members of the Executive Committee and the Company Secretary. The findings were reported back to me and the output was reviewed at the April 2018 Board Meeting.

I am pleased to confirm that no significant issues were raised, and the review confirmed that the Board and its Committees continue to operate in an efficient and effective manner.

Further details of the recommendations can be found on page 99 of the Corporate Governance Report.

Non-Executive Directors
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. Each year, we particularly consider Stephen Hubbard's independence as he is Chairman of CBRE UK and a member of their Management Board. Following a rigorous assessment, the Board is completely satisfied that Stephen remains independent in judgement and character. Further information can be found on page 98.

Meeting our shareholders
It is important that, as a Board, we listen to our shareholders and are aware of their views on strategy and governance. The Company has continued to operate a comprehensive investor relations programme during the year, with our Executive Directors regularly meeting with investors and analysts and feeding back to the Board. I am available to meet with investors on request and encourage an open dialogue on all matters, including any points they may wish to discuss with respect to Board governance.

General Data Protection Regulation ('GDPR')
The implementation of GDPR in May 2018 has provided an added impetus to continue to evolve the controls and processes we have in place on data protection. As the business grows and adopts new practices and technologies, this will continue to be front of mind for the Board and the wider business.

I am pleased with the progress we have made this year across the governance agenda and trust that you will find this governance report helpful and informative.

We also extend our thanks to all of our shareholders for your continued support as we look forward to delivering continued success in the years ahead.

Daniel Kitchen
Non-Executive Chairman
5 June 2018

Leadership

Strong direction from the Board enables the management team to focus on delivering the Group's strategic objectives.

Daniel Kitchen
Non-Executive Chairman

Our Board

Led by our Chairman, Daniel Kitchen, the Board provides the leadership of the Company and is collectively responsible and accountable to shareholders for the Company's long-term success, leadership, strategy, values, standards, control and management. It sets strategy and oversees its implementation. Our Directors are highly skilled professionals, who bring a range of skills, perspectives and corporate experience. Collectively, they have many years of experience gained in a wide range of businesses and sectors, as illustrated on pages 80 to 90. The skills of Board members include property, finance, retail, marketing, telecoms, media, law and general corporate experience. Two Executive Directors also serve as Non-Executive Directors on external boards.

The Board meets regularly and there is an annual cycle of topics considered at meetings. The Executive Directors provide regular updates to the Board on many aspects of the business, ranging from trading performance, progress being made on our refurbishment and redevelopment projects, the rationale for acquisitions and disposals and how these are aligned to strategy. They also inform the Board on the discussions held with analysts and investors. The Company Secretary and external advisers periodically update the Board on regulatory changes. In particular, the Board considered the implications of the General Data Protection Regulation and the Data Protection Act 2018 which came into force in May 2018 and regulations in general, including the revised Corporate Governance Code.

Our governance framework

Leadership

The Board
Number of meetings in 2017/18:
9
More information on pages 75 to 80.

Executive Committee
Number of meetings in 2017/18:
21
More information on pages 92 and 93.

Investment Committee
Number of meetings in 2017/18:
20
More information on page 112.

Effectiveness

Nomination Committee
Number of meetings in 2017/18:
2
More information on pages 102 to 102.

Accountability

Audit Committee
Number of meetings in 2017/18:
3
More information on pages 103 to 110.

Remuneration

Remuneration Committee
Number of meetings in 2017/18:
8
More information on pages 113 to 134.

Risk Committee
Number of meetings in 2017/18:
5
More information on page 111.

Our governance framework, which is illustrated in the chart on page 76, supports the development of good governance practices across the Group. The Executive Committee has the responsibility for ensuring that the policies and practices set at Board level are effectively communicated and implemented across the business. Our intranet is also used as a platform for employees to access our policies, and they are kept up-to-date on the latest Company news.

Annual Board tours provide opportunities for the Board to enhance their understanding of the business first-hand, visiting selected properties. In September 2017, the Board undertook site visits to the two new properties recently acquired. These visits to both The Salisbury and 13-17 Fitzroy Street helped the Board to assess the effectiveness of the current strategy. It demonstrated the future potential within the portfolio and ensured that Directors remain up-to-date with ongoing developments in the business.

Employees below Board level are invited to present to the Board on operational topics. During the year, our Energy & Sustainability Manager updated the Board on our 'Doing the Right Thing' strategy, while our Head of Marketing presented results from The Workspace Advantage advertising campaign.

The Board draws on expertise throughout the business and from external advisers to ensure that its judgements are based on sound and timely information.

The Board operates through a robust risk management and internal control system, details of which can be found on page 110. Detailed in this section are the main Committees that are used by the Board to embed strict corporate governance practices.

The terms and conditions of appointment of Non-Executive Directors, including the expected time commitment, are available for inspection at the Company's registered office.

If any Director has concerns about the running of the Company or proposed action which cannot be resolved, these concerns are recorded in the Board Minutes. No such concerns arose during the year under review.

Annual review of strategy
Whilst the Board considers strategy throughout the year, it also holds an annual deep dive strategy day, together with the Executive Committee. In September 2017, the meeting covered the potential impact of external changes in our market, amongst other things. Additionally, the Head of Marketing provided an update on the marketing campaign conducted during the year.

Our annual strategy review is essential in reinforcing our commitment to keep strategy at the forefront of discussions, and to ensure that our strategy remains relevant in our changing marketplace.

Meetings
The Board discharges its responsibilities through an annual programme of Board and Committee meetings which are scheduled throughout the year, with main meetings timed around the Company's financial calendar. Additional meetings are convened to consider an annual cycle of topics, including the annual strategy day, key management and financial updates, review of risk as well as the approval of acquisitions and refurbishment programmes. In the year ended 31 March 2018, the Board met formally on nine occasions, including a strategy day in September 2017. Supplementary meetings or conference calls are held between formal Board meetings as required.

The Board engaged with the Company's advisers during the year and there was a presentation from the Company's brokers in July 2017. The Group's Valuer, CBRE, presented to the Audit Committee meeting in May 2018 and circulated a report to the meeting in November 2017. The CBRE presentation covered the valuation of the property portfolio and the wider market in which the Company operates.

The Directors are expected to attend all meetings of the Board, the Committees on which they serve and the Annual General Meeting ('AGM'), and to devote sufficient time to the Company's affairs, to enable them to fulfil their duties as Directors.

Individual Directors' attendance at each of the Board and Committee meetings held during the year ended 31 March 2018 are set out in the table to the right.

Scheduled meetings and member attendance

	Board	Audit	Remuneration	Nomination
Daniel Kitchen	9/9	–	8/8	2/2
Jamie Hopkins	9/9	–	–	–
Graham Clemett	9/9	–	–	–
Chris Girling	9/9	3/3	8/8	2/2
Damon Russell	9/9	3/3	8/8	2/2
Maria Moloney[1]	9/9	3/3	8/8	1/2
Stephen Hubbard	9/9	3/3	8/8	2/2

1. Maria Moloney did not attend one meeting of the Nomination Committee as the business of the meeting was in relation to her reappointment as a Director of the Company.

Should the Directors be unable to attend meetings, they would be provided with papers to allow them to make their views known to the Chairman ahead of that meeting.

Periodically, the Chairman meets the Non-Executive Directors without the Executive Directors present and maintains regular contact with Jamie Hopkins, the Chief Executive Officer, and other members of the management team.

Matters reserved for the Board
To help retain control of key decisions, the Board has a formal schedule of reserved matters that require its approval. Matters reserved include:
- Company strategy.
- Dividend policy.
- 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 is reviewed at least once a year and can be accessed on the Company website at www.workspace.co.uk.

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

Further details of the work of these Committees can be found on pages 100 to 134.

Each Committee has Terms of Reference which were reviewed by each of the Committees and the Board during the year. The Terms of Reference for the Nomination, Audit and Remuneration Committees are available for inspection on the Company's website at www.workspace.co.uk.

Each of the Committees is comprised of independent Non-Executive Directors of the Company who are appointed by the Board. Board members receive minutes of meetings and comprehensive papers in advance of Committee meetings, and a Committee can request presentations or reports on areas of interest.

The activity of each Committee is described on pages 100 to 134.

The Company Secretary is secretary to each Committee.

Roles, responsibilities and composition
The roles and responsibilities of the Non-Executive Chairman and Chief Executive Officer are separate, with a clear division of responsibilities between them. The Chairman is responsible for the leadership of the Board, and the Chief Executive Officer manages and leads the business.

The Board considers there to be an appropriate balance between Executive and Non-Executive Directors required to lead the business and safeguard the interest of shareholders. The Board comprises the Chairman, four Non-Executive Directors, all of whom are independent, and two Executive Directors. This meets the requirement of the Code for at least half the Board, excluding the Chairman, to be independent Non-Executive Directors.

The Directors have a wide range of business skills. Their biographical details can be found on pages 84 to 90, which show the breadth of their skills and experience and membership of the Committees. All of our Directors have significant experience and knowledge of the sector in which we operate.

Division of responsibility

Chairman	As Chairman, Daniel Kitchen, is primarily responsible for the operation, leadership and overall effectiveness of the Board. The Chairman sets the Board's agenda and ensures that the Board as a whole plays a full and constructive part in the development of the Group's strategy. The Chairman facilitates the effective contribution of the Non-Executive Directors and ensures all Directors receive accurate, timely and clear information. Other responsibilities include: – With the Nomination Committee, ensuring that the Board remains appropriately balanced to deliver the Group's strategic objectives and to meet the requirements of good corporate governance. – Ensuring that there is effective communication with the Group's shareholders. The Chairman is not involved in an executive capacity in any of the Group's activities.
Chief Executive Officer	Jamie Hopkins is the Chief Executive Officer. Jamie is responsible for leading and managing the business, and is accountable to the Board for the financial and operational performance of the Group, the achievement of the strategic objectives set by the Board and delivery of The Workspace Advantage to all stakeholders.
Senior Independent Director	The Board appointed Chris Girling to the position of Senior Independent Director on 16 July 2014. In performing this role, Chris provides an alternative communication channel for shareholders, if required, and is available to meet with investors on request. He can also deputise for the Chairman in his absence and counsel all Board colleagues. Chris 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. Chris then conveys the outcome of these discussions to the Chairman.
Non-Executive Directors	The Non-Executive Directors have a broad mix of business skills, knowledge and experience acquired across different business sectors. This allows them to provide independent and external perspectives to Board discussions.

Board engagement with the business
In order to ensure good quality decision making and oversight, all Directors stay up-to-date with events and developments in the business, as well as external factors such as the changing governance landscape, regulation and Shareholder views.

To read more about the Board's tours of our new acquisitions, please see page 77.

Board activities in 2017/18

Strategy
The Board regularly debates the relevance and effectiveness of the strategy to ensure it is the right one for the business in current and future market conditions.

Activities in 2017/18
- Worked with the Executive Directors to review the current strategy and ensure its continued relevance.
- Held a Board Strategy Day in September 2017.
- The annual Board tour took place in September 2017. Directors visited two recent acquisitions, 13-17 Fitzroy Street and The Salisbury.
- Completion of £200m Private Placement in August 2017.

Trading performance
The Board regularly monitors performance to assess whether the business model is effective in driving enquiries and ensuring we continue to meet customer needs and adapt to overall trends and conditions in the London property market.

Activities in 2017/18
- Reviewed progress against the five-year business plan and updating the plan as required.
- Reviewed monthly financial performance against budget and other finance matters, including budgets and business plans.
- Considered in detail, the annual and interim results, and dividends.
- Discussed treasury and cash management matters.
- Discussed Group tax matters.
- Received updates on market and broker reports.
- Meetings were held throughout the year between the Auditors and the Audit Committee.

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

Activities in 2017/18
- Considered and approved the independent valuation of the Group's property portfolio performed by CBRE.
- Approval of redevelopment activity and major refurbishments.
- Received updates from the Development Director on the status of planning consents.
- Disposal of Uplands Business Park for £50m in May 2017.
- Disposal of Stratford Office Village for £14m in September 2017.
- Disposal of Zennor Road Industrial Estate for £30m in August 2017.
- Acquisition of The Salisbury for £158.7m in June 2017.
- Acquisition of Centro Buildings for £109m in January 2018.

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

Activities in 2017/18
- Regularly reviewed the principal risks of the business.
- Received reports on Health and Safety and activities undertaken in terms of staff training and ongoing audits.
- Received reports on governance issues, including legal and regulatory updates.
- Reviewed the Group's preparedness for the implementation of GDPR, including regular updates on activities facilitating compliance.
- Received updates from the Risk Committee.
- Reviewed the Company's Viability Statement.

Shareholder engagement
The Board is committed to an open dialogue with all shareholders and actively seeks their views on relevant governance matters.

Activities in 2017/18
- Reviewed reports from the Company's brokers and advisers, outlining shareholder views and providing feedback on Company presentations or events.
- Reviewed the 2017 AGM Shareholder Circular and proxy voting figures.

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

Activities in 2017/18
- Conducted an external Board evaluation for the year to 31 March 2018.
- Conducted a review of succession planning for the Board and Senior Managers.
- Considered and approved the reappointment of Maria Moloney as a Non-Executive Director and Chair of the Remuneration Committee.

Leadership structure

The Board is collectively responsible for the Company's long-term success and the delivery of its strategic and operational objectives.

The Board sets the strategic direction, governance and values of the Group and has ultimate responsibility for its management and performance.

The Board draws on the expertise within the business and from external advisers to ensure that its judgements are based on sound and timely information.

The Board operates through a sound risk management and internal control system; more on which can be found on page 110. Detailed in the risk section are the main Committees that are used by the Board to embed strict corporate governance practices.

The Board

Executive Directors

Jamie Hopkins
Chief Executive Officer
Role: With extensive experience in the property sector, Jamie is responsible for the delivery of strategy, business development, investor relations, corporate and social responsibility.

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 and Chairman of the Nomination Committee, Daniel 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. Chris chairs the Audit Committee and is a member of the Remuneration and Nomination Committees.

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. Maria chairs the Remuneration Committee and is a member of the Audit and Nomination Committees.

Damon Russell
Non-Executive Director
Role: Damon brings extensive TMT experience to the Board, and is a member of the Remuneration, Nomination and Audit Committees.

Stephen Hubbard
Non-Executive Director
Role: Stephen has a wealth of experience in the property sector. Stephen is a member of the Audit, Remuneration and Nomination Committees.

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: Executive management of the Company and the daily operations of the Group.

Graham Clemett
Chief Financial Officer
Role: Overseeing the Group's financial activity, treasury, tax, Company secretarial, governance and compliance, and managing the Group's IT strategy.

Angus Boag
Development Director
Role: Responsible for the planning and development of properties, and sustainability.

Chris Pieroni
Operations Director
Role: Responsible for corporate and business development, including marketing and communications.

John Robson
Asset Management Director
Role: Responsible for the asset management of the portfolio, including lettings, lease renewals, refurbishments and facilities management.

Investment Committee
Role: To ensure that any significant expenditure across the business is made in support of the Company's strategy.

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

Disclosure Committee
Role: To assist the Company to make timely and accurate disclosures of information required to meet the legal and regulatory obligations arising from the Market Abuse Regulations.

Senior Management
Role: To assist the Chief Executive Officer in managing the day-to-day activities of the Group.

External

Independent Auditors
Role: To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to give an opinion to the shareholders in an auditor's report.

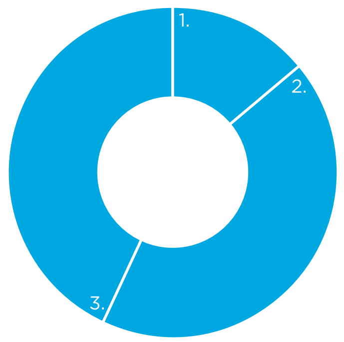
Independent Advisers
Role: To provide expert guidance to the Board and Senior Management on specific areas which support the efficient operation of the Group.

To help deliver The Workspace Advantage, the Board regularly absorbs insight from around the business and from external experts.

The Board

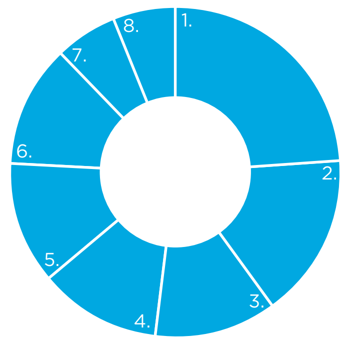
Our Board comprises highly skilled individuals who bring valuable and varied experience to the Boardroom. The business benefits from their strong external networks, as well as insight drawn from regular engagement with colleagues internally.

Board tenure



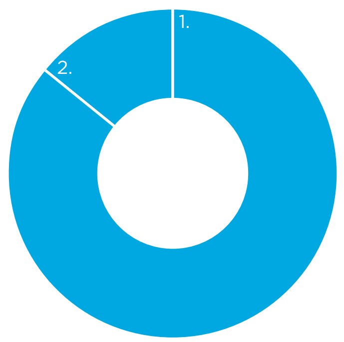
1. 0–3 years 14%
2. 3–5 years 43%
3. 5+ years 43%

Board experience



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. Utilities 6%

Board diversity



1. Male 86%
2. Female 14%

9

The Board met nine times during the year ended 31 March 2018

The Board

		Apr 2017	May 2017	May 2017	Jul 2017	Sep 2017	Nov 2017	Jan 2018	Feb 2018	Mar 2018
Jamie Hopkins Chief Executive Officer	Executive Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
Daniel Kitchen Non-Executive Chairman	Non-Executive Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓
Maria Moloney Non-Executive Director	Non-Executive Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
Graham Clemett Chief Financial Officer	Executive Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chris Girling Senior Independent Non-Executive Director	Senior Independent Non-Executive Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
Stephen Hubbard Non-Executive Director	Non-Executive Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
Damon Russell Non-Executive Director	Non-Executive Director	✓	✓	✓	✓	✓	✓	✓	✓	✓

- Executive Directors
- Non-Executive Chairman
- Non-Executive Directors
- Senior Independent Non-Executive Director
- ✓ Meeting attended

We asked our Board members what The Workspace Advantage means to them.

Here's what they said...

The Board

Executive Directors

The Workspace Advantage is the backbone to our strategy and provides a central focus for everyone within the business to work towards.

Jamie Hopkins
Chief Executive Officer

Appointment to the Board
Jamie joined the Board in June 2010 as a Non-Executive Director and was appointed Chief Executive Officer on 1 April 2012.

Committee memberships
Chairman of the Executive Committee, Investment Committee, Risk Committee and Disclosure Committee.

Current external appointments
Jamie was appointed as Non-Executive Director to the Board of St. Modwen Properties PLC with effect from 1 March 2018.

Previous appointments
Jamie 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 deal execution experience.
- Well-developed leadership, motivational and management skills.
- Entrepreneurial with strong commercial skills.
- Significant property experience.
- Strong experience of investor relations.

The Workspace Advantage is about the added value we provide to customers beyond the space they rent – it's about the flexibility, the technology and the communities we create.

Graham Clemett
Chief Financial Officer

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

Committee memberships
Member of the Executive Committee, Investment Committee and Disclosure Committee.

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

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

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

Non-Executive Directors

The Workspace Advantage uniquely positions us in our marketplace and is delivering results across the business.

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

Appointment to the Board
Daniel was appointed to the Board in June 2011 and subsequently assumed the role of Chairman at the AGM in July 2011. On the recommendation of the Nomination Committee, the Board agreed to extend his appointment for a further three years from June 2017.

Independent
Yes.

Committee memberships
- Chairman of the Nomination Committee.
- Member of the Remuneration Committee.

Current external appointments
Daniel is currently Chairman of Hibernia REIT plc and 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
Daniel was previously Deputy Chief Executive at Heron International plc and prior to that was Finance Director at Green Property Plc for eight years. He retired as Non-Executive 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, previously a CFO for eight years for a property development and investment company.
- Experience of acquisitions and disposals.

The Workspace Advantage is about providing a great working environment to support growing customers.

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

Appointment to the Board
Chris 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 Committee and Nomination Committee.

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

Previous appointments
Chris was Group Finance Director of Carillion PLC from 1999 to 2007 and Vosper Thornycroft PLC from 1991 to 1999.

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

Non-Executive Directors
continued

Our unique in-house marketing and operational platform, which enables direct engagement with our customers, is a key differentiator of The Workspace Advantage.

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

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

Independent
Yes.

Committee memberships
- Chairman of the Remuneration Committee.
- Member of the Audit Committee and Nomination Committee.

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

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

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

Appointment to the Board
Damon 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 Committee, Audit Committee and Nomination Committee.

Current external appointments
Damon holds advisory roles for a number of smaller companies in the digital media, sport and finance sectors. He is currently Chairman of New Telecom Express Group, an interactive media service provider he co-founded in 1989. Telecom Express was sold to AMV BBDO, part of the Omnicom Group, in 1998. In 2004, Damon led a successful management buyout. He has almost 30 years' experience in this fast-paced and ever-evolving, dynamic industry.

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

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

The Workspace Advantage sums up our ethos: terrific locations to work in, up-to-the-minute technology, a great sense of community and joined-up thinking – all of which allows businesses to concentrate on what they're here to do... thrive!

Damon Russell
Non-Executive Director

Non-Executive Directors
continued

The Workspace Advantage is providing exactly what London's growing and vibrant economy needs: office space on flexible terms in convenient locations with great amenities.

Stephen Hubbard
Non-Executive Director

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

Independent
Yes.

Committee memberships
Member of the Remuneration Committee, Audit Committee and Nomination Committee.

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

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

Company Secretary

Workspace has a fantastic culture with collaboration at the heart of it. This means all our people are focused on delivering the Advantage to our customers and shareholders.

Carmelina Carfora
Company Secretary

Date appointed
Carmelina was appointed 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: corporate governance, monitoring and compliance with legislation, administration, vesting and granting of awards under the Company's share schemes.

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

Executive Committee

Role of the Executive Committee

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

21

The Committee met 21 times during the year ended 31 March 2018

Activities in 2017/18

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

Composition 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 and Risk Committees; and development of the brand.

Full biography on page 84.

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

Full biography on page 85.

3. Chris Pieroni
Operations Director
Specific responsibilities
Corporate and business development; marketing; and new business initiatives.

Background and relevant experience
Chris joined the Group as Operations Director in October 2007. Prior to joining Workspace, he worked at KPMG specialising in real estate and infrastructure finance. He began his professional career teaching economics at Cambridge University. Chris was a Non-Executive Director of the Group from 2000 until his retirement from the Board in August 2006. Chris was Chairman of the Business Centre Association from 2014–2016.

4. Angus Boag
Development Director
Specific responsibilities
Planning consents; redevelopment and refurbishment projects; joint ventures; valuations; sustainability and environmental strategy; and project management.

Background and relevant experience
Angus joined the Group in June 2007 as Development Director. He has expertise in property and construction management, and is responsible for adding value to the Group's assets through planning consents, development and joint ventures. Angus also manages all construction across the portfolio and has responsibility for the sustainability programme.

5. John Robson
Asset Management Director
Specific responsibilities
Asset management of the portfolio, including lettings, lease renewals, refurbishments and facilities management.

Background and relevant experience
John joined Workspace in May 2008 as an Asset Manager. John was promoted to Head of Asset Management in February 2013 and Asset Management Director in October 2017. Prior to joining Workspace, John qualified as a chartered surveyor and worked for Legal & General Investment Management, London Merchant Securities and ING Real Estate.

The Executive Team pictured at The Pill Box

1. Jamie Hopkins
Chief Executive Officer

2. Graham Clemett
Chief Financial Officer

3. Chris Pieroni
Operations Director

4. Angus Boag
Development Director

5. John Robson
Asset Management Director

The Pill Box
A 50,000 sq. ft. business centre in Bethnal Green that sits in our like-for-like portfolio and continues to perform well. A former pharmaceutical factory, Workspace carried out a full refurbishment of the property in 2013, creating a fantastic space for creative businesses, with an award-winning café, co-working space, roof terrace looking over the city and a gym in the basement.

Relations with Shareholders

Engaging with Shareholders is a priority for our business to ensure good understanding of our investment case.

Jamie Hopkins
Chief Executive Officer

Workspace recognises the importance of active engagement with Shareholders in order to create a productive and regular dialogue that is not solely limited to financial calendar events.

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

Throughout the year, meetings are arranged, both proactively and on request, for the Chief Executive Officer, Chief Financial Officer and Head of Corporate Communications with institutional Shareholders and sell-side analysts to discuss the Company's business model, strategy and marketplace, as well as update on performance. These visits often include site visits which provide Shareholders with valuable insight into the business. The Chairman is also available to meet with major Shareholders, independently of the Executive Directors, as required.

The Group's investor website, www.workspace.co.uk/investors, holds all presentations made to analysts and investors for interim and full year results, as well as webcasts, and is also used as a means of providing additional sources of information for Shareholders. The website is kept up-to-date with RNS announcements, share price performance and other news, as well as details of the Group's sustainability strategy and achievements.

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

During the year, the Chief Executive Officer, Chief Financial Officer and Head of Corporate Communications held over 135 meetings with UK and overseas institutional investors, comprising both current and potential Shareholders. Meetings involved either group or individual presentations and, in some cases, tours of the portfolio. The tours provide a good opportunity to see the Group's properties, understand our strategy, and to meet customers, members of our management team and centre staff.

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

Annual General Meeting
The Directors use the occasion of the AGM to engage with Shareholders, and it is an opportunity for Shareholders to ask questions of the Chairman, members of the Board Committees and other Directors, both during the meeting and to meet informally afterwards.

Workspace investor relations programme includes the following activities:

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

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

Frequency
Three formal meetings per year, plus regular ongoing dialogue.

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

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

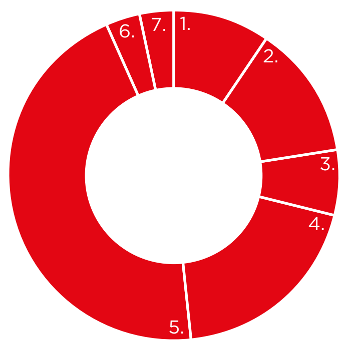
Frequency
Two formal roadshows per year, plus at least two further roadshows arranged as necessary.

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

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

Frequency
Twice per year.

Overall balance of activities 2017/18



1. Analyst engagement **3**
2. Investor roadshows **4**
3. Webcasts **2**
4. Bank and industry conferences **6**
5. Investor tours **14**
6. The Annual General Meeting **1**
7. Capital Markets Day **1**

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

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

Frequency
Six conferences attended this year.

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

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

Frequency
14 tours conducted this year.

6. The Annual General Meeting
The Annual General Meeting ('AGM') will be held at the Company's business centre at 160 Fleet Street, London EC4A 2DQ and is attended by the full Board of Directors. Details of the resolutions to be proposed at the AGM on 13 July 2018 can be found in the Notice of AGM, which is available at www.workspace.co.uk, and will be dispatched to Shareholders who have requested a hard copy of the documentation from the Company. All Shareholders are invited to vote on the Resolutions, and the results are made available after the meeting and published on our investor website.

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

Frequency
Once a year.

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

Why it is important
As well as showcasing the Group's properties, the Capital Markets Day allows Workspace to educate analysts and investors on different aspects of the business and demonstrate how it is driving value and growth from its real estate and customer proposition. We have scheduled the next Capital Markets Day for October 2018, when we expect to conduct a tour of several properties and provide insights into our customer base.

Frequency
Once a year.

Our ongoing investor relations calendar of events

	Calendar of events	Regular programme: Investor meetings	Regular programme: Investor tours
2018			
July	– AGM – Q1 Business Update	✓	✓
August		✓	✓
September	– US and UK investor conferences	✓	✓
October	– Capital Markets Day	✓	✓
November	– Half Year Results – Investor roadshow	✓	✓
December		✓	✓
January	– Investor conference – Q3 Business Update	✓	✓
February		✓	✓
March	– Year end – US and UK investor conferences	✓	✓
April		✓	✓
May		✓	✓
June	– Full Year Results – Investor roadshow	✓	✓

Effectiveness

Diversity of skills, knowledge and experience is essential in ensuring that we have a strong and highly effective Board.

Daniel Kitchen
Chairman of the Nomination Committee

Independence of Non-Executive Directors

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

The Board considers that our Non-Executive Directors remain independent from executive management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. All Non-Executive Directors act in a robust and independent manner and bring constructive challenge to Board discussions and independent decision-making to their Board and Committee duties.

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

Re-election of Directors

In accordance with the UK Corporate Governance Code, all Directors will stand for re-election at the Annual General Meeting ('AGM') on 13 July 2018. Following the Board evaluation review during the year, 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, as members of the Board and the Board Committees. Consequently, the Board is of the opinion that the Directors continue to give effective counsel and commitment to the Company and, accordingly, should be re-appointed by the Company's Shareholders at the upcoming AGM. The explanatory notes in the Notice of Meeting for the AGM state the reasons why the Board believes that the Directors proposed for re-election at the AGM should be re-appointed.

Mr Hopkins and Mr Clemett have service contracts and details can be found on page 133. None of the Non-Executive Directors have service contracts and are given letters of appointment.

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

Maria Moloney's second term of appointment as Non-Executive Director expired on 22 May 2018. Following a review of her performance, the Nomination Committee recommended that her appointment should be extended for a further three-year term. This recommendation was agreed by the Board in March 2018.

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.

Induction, training and development

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

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. The Company's principal external advisers provide updates to the Board, at least annually, on the latest developments in their respective fields.

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

During the year, we organised presentations for the Board and its Committees on the following areas:
- Changes being proposed to the UK Corporate Governance Code.
- Executive remuneration trends and best practice.
- Cyber security.
- Requirements of the General Data Protection Regulation.
- Updates on our sustainability initiatives.

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.

Commitment

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. The Board is satisfied that each of the Non-Executive Directors is able to devote sufficient time to the Company's business. Letters of appointment for the Non-Executive Directors are available for inspection at the AGM.

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

All Directors allocate sufficient time to discharge their responsibilities effectively. Directors notify the Chairman of any alterations to their external commitments, as they arise, with an indication of the time commitment involved. There were no changes during the year.

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 86 to 90.

External appointments

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

On 1 June 2016, Graham Clemett was appointed as a Non-Executive Director of The Restaurant Group Plc.

Executive Directors are permitted to take a Non-Executive position in another company or organisation in order to broaden their skills and experience. The appointment to such positions is subject to the approval of the Board which considers, in particular, the time commitment required.

Information and support to the Board

The Board and its Committees are provided with comprehensive papers in a timely manner to ensure that members are fully briefed on matters to be discussed at their meetings.

The Directors have access to the advice and services of the Company Secretary, Carmelina Carfora. Her biography can be found on page 91. Through the Chairman, Carmelina is responsible for advising the Board on matters of corporate governance and ensuring compliance with Board procedures.

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

The Board utilises an electronic Board paper system which provides immediate and secure access to Board papers and materials. Prior to each Board meeting, the Directors receive through this system the agenda and supporting papers 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

The Board recognises that annual performance evaluations enable it to improve its effectiveness and that of its Committees and Directors. In accordance with our policy to undertake the Board evaluation process externally every three years, our Board evaluation for the year under review was undertaken by Advanced Boardroom Excellence Limited, an independent third party, which carries out no other work for the Company. The evaluation covered the Board, Board Directors and its Committees. Individual meetings were held with each Director, members of the Executive Committee and the Company Secretary. The report was discussed at the April Board Meeting.

Outcomes

Overall, the evaluation considered that the Chairman and Chief Executive have an excellent working relationship which delivers clear leadership. In particular, we were pleased that the report highlighted the following strengths:
- The Board and its Committees continued to work well and that the Directors contribute effectively and demonstrate commitment to their roles;
- The Board's culture is one of openness and constructive debate; the style and tone was seen as respectful, with a collegiate and supportive environment;
- Debates held by the Board are seen as inclusive and dynamic; and
- The agenda is well structured, thus enabling Board members to prepare for meetings and ensure that decisions are made in good time.

The evaluation also reinforced the Board's commitment to the following:
- Strategy should continue to feature on the Board's agenda;
- Continue with the focus on succession planning for both Executive and Non-Executive Directors and for senior roles across the business;
- As the revised UK Corporate Governance Code unfolds, consider how the Board will engage with its stakeholders more generally, and how it might further develop the structure of its engagement with the business.

Chairman's evaluation

The Senior Independent Director normally chairs an annual meeting of Executive and Non-Executive Directors, without the Chairman present, to appraise the Chairman's performance and to address any other matters which the Directors might wish to raise. The outcome of these discussions is conveyed by the Senior Independent Director to the Chairman. During the year under review, the Chairman's performance was appraised as part of the external Board evaluation. It concluded that the Chairman is highly respected and he was complimented for his leadership, experience and for his inclusive style during Board meetings.

Having considered the results of the review, the Board is satisfied that the Chairman continues to be effective and shows a high level of commitment in discharging his responsibilities.

Daniel Kitchen
Chairman of the Nomination Committee

Helping to deliver The Workspace Advantage:

The right balance of skills, knowledge and experience on the Board and Executive Committee help us to deliver The Workspace Advantage to all our stakeholders.

2

The Committee meets as required and did so on two occasions during the year ended 31 March 2018.

Remit of the Nomination Committee

- Reviewing the structure, size and composition, including the skills, knowledge, independence, experience and diversity of the Board, and making recommendations with regard to any changes.
- Reviewing the results of the Board performance evaluation process that relate to the composition of the Board.
- Considering succession planning for Directors and other senior Executives, to ensure progressive refreshing of the Board.
- Evaluating the balance of skills, knowledge and independence on the Board and, in light of this evaluation, preparing a description of the role and capabilities required for a particular appointment and its expected time commitment.

Nomination Committee activities in 2017/18

- Considered Board succession plans.
- Reviewed the composition of the Board and its Committees.
- Agreed the extension to the letter of appointment for Maria Moloney.
- Reviewed the Committee's Terms of Reference.
- Considered and recommended the re-election of each Director at the AGM.
- Received updates from the Chief Executive Officer on succession planning for the Executive Committee and Senior Management team.

Role of the Committee

The Nomination Committee considers the structure, size and composition of the Board. It regularly reviews the balance, skills and experience of the Board, advising on succession planning and making appropriate recommendations to ensure that the Board is appropriately balanced to support the Group's strategy. It is responsible for reviewing the Group's senior leadership needs and leads on the process for Board appointments.

Composition of the Committee

- Daniel Kitchen – Chairman.
- Stephen Hubbard.
- Maria Moloney.
- Chris Girling.
- Damon Russell.

For full biographies, see pages 86 to 90.

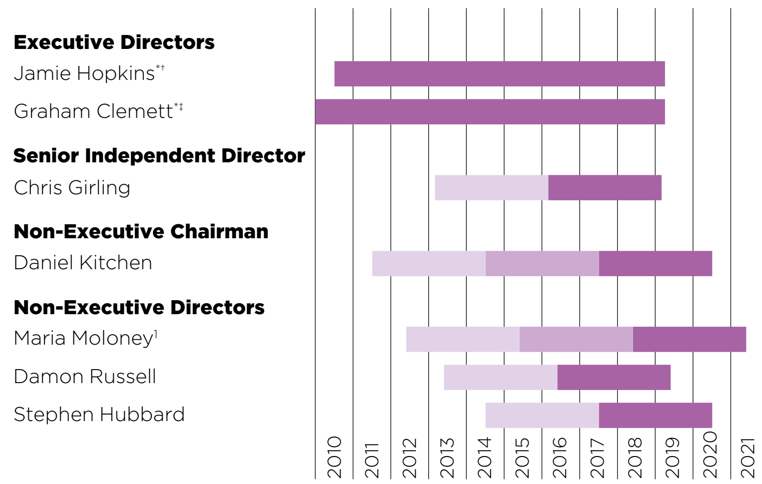
Attendance

	Mar 2018	May 2017
Daniel Kitchen	✓	✓
Stephen Hubbard	✓	✓
Maria Moloney[1]	✗	✓
Chris Girling	✓	✓
Damon Russell	✓	✓

✓ Meeting attended

1. Maria Moloney did not attend the meeting in March 2018, as the business of the meeting was in relation to her reappointment as a Director of the Company.

Directors' tenure as at 31 March 2018



Initial term · Second term · Duration of current term

* 12-month rolling contract.
† Appointed Non-Executive Director in June 2010 and Chief Executive Officer in April 2012.
‡ Appointed Chief Financial Officer in July 2007.
1. Maria Moloney's second term expired in May 2018. On the recommendation of the Nomination Committee, the Board agreed to extend her term to May 2021.

For dates of letters of appointment and unexpired terms for Non-Executive Directors, see page 133.

For details of Executive Directors' service contracts, see page 133.

Dear Shareholder

On behalf of the Committee, welcome to the Report of the Nomination Committee for the year ended 31 March 2018. Whilst there have been no changes to the Board during the financial year, the Nomination Committee has continued to support the Board in ensuring its composition has the right balance of skills, experience, independence and knowledge to support the business and to fulfil the Board's responsibility to Shareholders.

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

Succession planning

The key objective of the Committee is to regularly review the skills and experience of the Board and to ensure that it is of the right size, structure and composition. The Committee plays a vital role in ensuring that Workspace is headed by a Board which is collectively responsible for the long-term success of the Company. We continue to focus on the need to ensure that there are no gaps in the skills or experience as members of the Board reach the end of their relevant terms. In doing so, last year we stated that as a general principle, new Non-Executive Directors would join the Board two years prior to existing members reaching the end of their relevant term. This will ensure that the evolution of the Board's membership is planned and properly managed. This approach will continue to be the focus of the Committee as it considers the mix and diversity of skills and experience that will be required of prospective Board members in the context of the Group's medium- and long-term strategy.

The length of tenure of our Non-Executive Directors is contained on page 133.

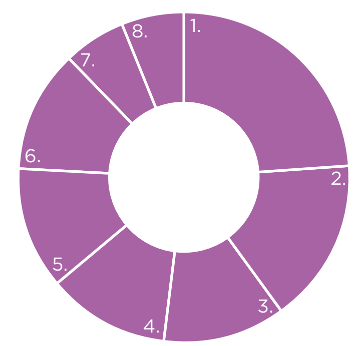
During the year, changes were made to the membership of the Executive Committee. We regularly consider the depth and experience on the Executive Committee and, as a result, in October 2017, we approved the internal promotion of John Robson to the role of Asset Management Director. John has worked for the Company since May 2008 and his biography can be found on page 92.

Looking forward

Looking forward to 2018, the Committee will continue with its review of succession plans in the context of the Group's strategy and to ensure an orderly and progressive evolution of the Board's membership.

Daniel Kitchen
Chairman of the Nomination Committee
5 June 2018

Board experience



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. Utilities 6%

Members of the Committee
All members of the Committee are independent Non-Executive Directors, with each bringing a wealth of commercial experience, across a range of industries. The Committee is responsible for keeping its composition under review and for making recommendations to the Board as to its membership.

The Chairman of the Board chairs all meetings of the Committee unless a matter relates to the Chairman, in which case the Senior Independent Director (SID) is invited to take the Chair.

How the Committee operates
The Committee met formally on two occasions, primarily to progress succession planning and to discuss the annual re-election of Directors and the reappointment of Maria Moloney, approval of which was granted by the Board in March 2018.

The meetings are usually held immediately prior to, or following a Board Meeting, though the Committee also meets on other occasions on an ad hoc basis, as required.

Only members of the Committee have the right to attend meetings. However, an invitation to attend meetings is, on occasion, extended to the Chief Executive Officer, in order that the Committee can understand his views, particularly on key talent within the business.

Appointments to the Board
The Nomination Committee is chaired by the Chairman of the Company and comprises all of the Non-Executive Directors. As the need arises, 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.

Independence and re-election to the Board
As at 31 March 2018, the Board comprises the Chairman, two Executive Directors and four Non-Executive Directors. The biographies of all members of the Board outlining the experience they bring to their roles are set out on page 80 and pages 84 to 90.

The composition of the Board is reviewed annually by the Nomination Committee.

The Committee conducted a review of the independence of Maria Moloney in the year as she reached the end of her current three-year term in May 2018. Maria was not present during the Committee's discussion. Having conducted its review, the Committee was satisfied that it was appropriate to recommend to the Board that Maria's appointment should be extended for a further three years.

Further details on the independence of Directors and their re-election can be found on page 98 and on page 3 of the 2018 AGM Notice of Meeting.

In accordance with the Code, all the Directors will retire and offer themselves for re-election by shareholders at the 2018 Annual General Meeting.

Further biographical information on each of our Directors can be found on pages 84 to 90.

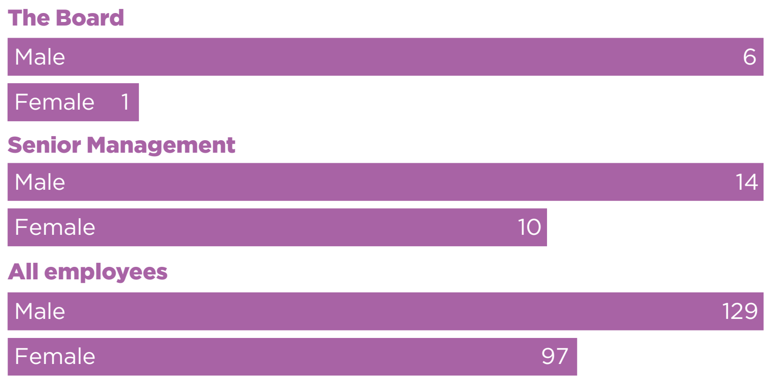
Skills and knowledge of the Board
A key responsibility of the Committee is to ensure that the Board maintains a balance of skills, knowledge and experience appropriate to the operation of the business and required to deliver the strategy. The Committee is satisfied that the Board continues to have an appropriate mix of skills and experience to operate effectively. In addition, the Directors collectively have many years of experience, all gained from a broad range of businesses. They bring a range of expertise and knowledge of different business sectors to Board deliberations, which encourage constructive and challenging debate around the Boardroom table.

The Board experience by sector is illustrated on page 101.

Diversity
The Board recognises the importance of diversity, both in its membership and in the Group's employees. The Board understands the rationale for, and has followed the discourse on, quotas to achieve diversity. Its policy on diversity is that selection should be based on the best person for the role, and to ensure that its composition is diverse and has an appropriate balance of skills, experience and requisite knowledge to successfully deliver the Group's strategy. The benefits of diversity, including gender and ethnic diversity, will continue to be an active consideration whenever changes to the Board's composition are contemplated.

Further details on diversity can be found on pages 124 and 135. The gender diversity of the Board and Company is set out below.

Board 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 from 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 discuss the details with the 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.

Corporate Governance
During the year, the Committee reviewed the 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.

Accountability

Transparency and effective risk management remain a focus.

Chris Girling
Chairman of the Audit Committee

The Directors consider that the Annual Report and Accounts taken as a whole is fair, balanced and understandable, and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

The Group's strategy and business model can be found on pages 16 and 28. A statement of the Directors' responsibilities regarding the financial statements is set out on page 139.

Internal control and risk management
The Board 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 the principal risks and uncertainties section on page 46.

An assessment of the principal risks facing the Company is set out on pages 46 to 56 and key performance indicators are on pages 35 and 40.

Going Concern and Viability Statement
Going Concern disclosures are included alongside the Viability Statement on page 57.

Takeover directive
Share capital structures are included in the Directors' Report on page 136.

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 External Auditors, with no Company management present.

Further details on the work of the Audit Committee can be found in the Audit Committee Report on pages 104 to 110. Details of the composition of the Audit Committee are set out on page 105.

Audit Committee Report

Chris Girling
Chairman of the Audit Committee

Helping to deliver The Workspace Advantage:

Delivering The Workspace Advantage requires the Audit Committee to play a key role in ensuring the integrity of financial reporting and the maintenance of a sound internal control system.

3

The Audit Committee met three times during the year ended 31 March 2018

Remit of the Audit Committee

- Monitor the integrity of financial statements.
- Provide an opinion to the Board that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.
- Review and report to the Board on significant financial reporting issues and judgements.
- Review the adequacy of the Company's financial controls.
- Review and monitoring of risk management and internal controls.
- Ensure that at least once every 10 years the audit services contract is put out to tender.
- Make recommendations to the Board on the reappointment of the Company's External Auditors and their remuneration.

Role of the Committee

Our role is to monitor the integrity of the financial statements of the Group, review and report to the Board on significant reporting issues and judgements, and review and assess the adequacy and effectiveness of the Company's internal financial controls and other internal control systems.

Composition of the Committee

All members of the Committee, detailed below are independent Non-Executive Directors with a good diversity of experience, including property and finance. The Chair, Chris Girling, is a qualified accountant and has an appropriate level of recent and relevant financial experience to discharge his duties as Chair of the Committee.

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

For full biographies see pages 87 to 90.

Attendance

	May 2017	Nov 2017	Feb 2018
Chris Girling	✓	✓	✓
Maria Moloney	✓	✓	✓
Damon Russell	✓	✓	✓
Stephen Hubbard	✓	✓	✓

✓ Meeting attended

The Company Secretary acts as the secretary to the Committee and attends all meetings.

Dear Shareholder

As Chairman of the Audit Committee, I am pleased to present the Committee's report for the financial year ended 31 March 2018.

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

External Auditor – Transition to KPMG LLP

Following the decision to undertake an audit tender in January 2017, a recommendation to appoint KPMG LLP as the Group's new External Auditor for the 2017/18 financial year was approved by the Board in January 2017, and was subsequently approved by Shareholders at the 2017 AGM.

In order to achieve as smooth a transition as possible, a plan was drawn up early on with the aim of familiarising the new lead audit partner, Richard Kelly, and his team with the Workspace business. KPMG had meetings with and shadowed the work of PwC LLP (PwC), the outgoing External Auditor, during the year-end process for 2017.

Introductory meetings were also held with senior management and members of the finance team to enhance KPMG's understanding of the Group and key business processes.

I am pleased to report that the transition to KPMG from PwC went well and they have gained a good understanding of the business over the last year. We look forward to working with KPMG over the coming years.

We thank PwC for their services and for supporting a smooth transition.

In future years, the Company intends to put the external audit out to tender at least every 10 years.

Review of 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 and internal control and risk management processes.

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 valuation of the investment portfolio as a significant issue, for which further details are provided on page 108.

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

A description of the main activities and information on the other significant issues that the Committee considered during the year can be found on page 107.

Risk Management
The principal business risks facing the Company, which have been subject to robust assessment by the Board, are set out on pages 46 to 56, and the ongoing review and monitoring of the Group's risk management and internal control systems are described on page 110.

The Audit Committee and the Board have continued to assess the long-term viability of the Company, as required by the UK Corporate Governance Code. Further information can be found on page 108 and our Viability Statement is located on page 57.

Audit Committee evaluation
As a Committee, we are continually looking at opportunities to improve our effectiveness. The performance of the Committee was reviewed during the year as part of the external review of the Board and its Committees. The topics covered in the review focused on the skills and experience of the Audit Committee members, the number of meetings held and the quality of interaction between Committee members and members of the management team.

I am pleased that all aspects of the review were positive and that the Committee continues to operate effectively.

Governance
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.

In the year ahead, we plan to continue to ensure that 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
5 June 2018

Members of the Committee
All members of the Committee are independent Non-Executive Directors, who collectively have the skills and experience required to discharge their duties.

The Board is satisfied that Chris Girling, who was appointed Committee Chairman in July 2014, has the necessary level of relevant financial and accounting experience required by the provisions of the UK Corporate Governance Code to perform the role of Chairman, having previously held Chief Financial Officer positions in public companies. Chris is also a Chartered Accountant and he continues to chair the Audit Committee for another public limited company.

Meetings of the Committee
Meetings of the Audit Committee coincide with key dates in the financial reporting and audit cycle. During the year, the Committee met on three occasions, in May and November 2017 and in February 2018. In addition, the Committee met in May 2018 to discuss the Annual Report, the property valuations and the findings of the external auditor. Meetings of the Committee generally take place just prior to the Board meeting.

Meetings are attended by the External Auditor and members of the Group's senior management team. Those people and advisers listed below attend meetings, at the request of the Committee Chair.

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

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

The Committee has a rolling agenda 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.

Meetings with the External Auditor
At least once a year, usually preceding a Committee meeting, the Committee meets separately with the external audit engagement partner to give the Auditors an opportunity to discuss matters without the executive management team being present in order to receive feedback from them on matters such as the quality of interaction with management.

The Committee Chairman also holds separate one-to-one meetings with the Chief Financial Officer and the External Auditor (KPMG were appointed as the External Auditor during 2017/18), typically ahead of Committee meetings, in order 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 and to ensure that sufficient time is devoted to matters at the subsequent meetings.

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

2018 Annual Report and Accounts – Fair, Balanced and Understandable
The Directors are responsible for preparing the Annual Report. The Committee reported that based on its review of the relevant evidence, it was satisfied that the Annual Report:
- taken as a whole, is 'fair, balanced and understandable; and
- provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Board's statement on the Annual Report and Accounts is set out in the Statement of Directors' responsibilities on page 139.

Main activities of the Audit Committee in relation to the year ended 31 March 2018
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 110.

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

Financial and narrative reporting	– Reviewed the Full and Half Year Results and associated announcements. – 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. – Received corporate reporting updates and considered the approach to the 2018 Annual Report and Accounts. – Considered the appropriateness of the Group's accounting policies and practices.
External audit	– Reviewed and considered the KPMG Reports to the Audit Committee following the Half Year review and Full Year audit. – Discussed the Board's Representation Letter. – Reviewed the performance of the External Auditor and the effectiveness of the external audit process. – 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.
Independence and objectivity of the External Auditor	– Considered the adequacy of the Group's procedures with regard to the objectivity and independence of the External Auditor, KPMG.
Portfolio valuation	– 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.
Taxation and REIT compliance	– Discussed the Group's compliance with REIT legislation and general tax matters.
Corporate Governance	– Received updates from the External Auditor on compliance and changes in Corporate Governance matters. – Considered the appropriateness of the Group's Viability Statement and Going Concern assumption. The Viability Statement and Going Concern is set out on page 57. – Considered the results of the external evaluation of the Audit Committee. – Reviewed the Terms of Reference for the Committee. – Received training and technical updates from the Company Secretary and the External Auditor. – Received an update from PwC on Cyber Security.
Reviewed the principal risks	– Reviewed the principal business risks, risk management and internal controls. The principal risks and risk management system are set out on pages 46 to 56. – Reviewed fraud risk.

Significant issues considered by the Committee

The Audit Committee considers all financial information published in the annual and half-year financial statements and considers accounting policies adopted by the Group, presentation and disclosure of the financial information and, in particular, the key judgements made by management in preparing the financial statements.

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

Matter considered	Action taken by the Committee
Valuation of the investment property portfolio	The valuation of the investment property portfolio is inherently subjective, requiring significant judgement. The outcome is significant for the Group in terms of its investment decisions, results and remuneration. The valuation is conducted externally by independent valuers. The valuers presented the year-end valuation to the Audit Committee. The Audit Committee reviewed the methodology and outcomes of the valuation, challenging the key assumptions and judgements. The objectivity and independence of the valuers is monitored by the Audit Committee. KPMG also met with the valuers and presented their views on the valuation to the Committee, as well as an explanation for how the valuation is audited. Based on the above, the Committee was satisfied that the methodology, assumptions and judgements used by the valuers were appropriate, and that the valuations were suitable for inclusion in the financial statements.

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

Viability Statement process
The Viability Statement can be found on page 57.

Going Concern statement
The Going Concern statement can be found on page 57.

Developing a robust Viability Statement
In continued development of the Group's Viability Statement, existing processes were strengthened to ensure risks were identified, understood and reassessed over the period. The following factors were considered:
- The Group's current financial and operational position and the current economic outlook.
- The Group's cash flows, financing headroom and financial ratios.
- Reassessment of key risks and their potential impact on the business model.

The process we undertook

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

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

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

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 KPMG for the past financial year. The Committee has considered in detail the nature and level of non-audit services provided by KPMG 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 considered 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. Consequently, it was agreed that all non-audit work and fees would be reported to the Audit Committee.

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

A self-review threat
This is where, in providing a service, the KPMG audit team could potentially evaluate the results of a previous KPMG service.

A self-interest threat
Where a financial or other interest (of an individual or KPMG) 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, the scope of work and fees must be approved in advance by the Chief Financial Officer, the Committee Secretary and the Chairman of the Audit Committee. For larger assignments, in excess of £100,000 this would involve a competitive tender process, unless there are compelling commercial or timescale reasons to use the External Auditor or another specific accountancy firm.
- It will not accept significant contingent fee arrangements with the External Auditor.

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

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

A familiarity threat
This is where, because of a too long or too close a relationship, the External Auditor's independence is affected.

- The Audit Committee will prohibit the hiring of former employees of the External Auditor associated with the Group's audit into management roles with significant influence within the Group within two years following their association with the audit, unless the Chairman of the Audit Committee gives prior consent. Annually, the Audit Committee will be advised of any new hires caught by this policy. There have been no instances of this occurring.
- The Audit Committee will monitor on an ongoing basis the relationship with the External Auditors, to ensure its continuing independence, objectivity and effectiveness by reviewing its tenure, quality and fees.

Management threat
This occurs when the audit firm performs non-audit services and management make judgements based on that work.

- The Group will not use KPMG for any services which would be considered management responsibility.

Internal audit
Due to its size and structure, the Group does not have an internal audit function, a matter which is kept under review by the Audit Committee. However, management mandates a programme of financial, operational and health and safety internal audits at its properties. These are carried out by qualified senior Head Office personnel on a rotational basis. All findings are reported to the Risk Committee with any significant findings reported to the Audit Committee.

Audit fees
Details of audit and non-audit fees paid to KPMG can be found in note 2 on page 154.

The only non-audit service performed by KPMG in the year was the review of the Group's half year results.

Annual Auditor assessment
Annually, the Committee assess the qualifications, expertise, resources, and independence of the Group's External Auditors, as well as the effectiveness of the audit process. It does this through discussion with the Chief Financial Officer and confirmations from the External Auditor.

As the financial year ended 31 March 2018 is KPMG's first as External Auditor, an assessment on external audit effectiveness will be completed later in 2018, when sufficient time has passed with KPMG in post. The Committee will consider aspects such as KPMG's experience and expertise, the extent to which the audit plan had been met and the content of its audit reports.

As part of its deliberations, the Committee reviews a report on the audit firm's own internal quality control procedures together with the policies and processes for maintaining independence and monitoring compliance with relevant requirements.

KPMG LLP has confirmed to the Committee that:
- The audit of the consolidated financial statements is undertaken in accordance with the UK Firm's internal policies and procedures to ensure the objectivity of its audit report.
- It has internal procedures in place to identify any aspects of non-audit work which could compromise its role as auditors and to ensure the objectivity of its audit report.
- It believes that, in their professional judgement, the safeguards they have in place sufficiently guard against the threats to independence.

Consequently, KPMG consider that it has maintained its auditor independence throughout the year.

Furthermore, on the request of the Audit Committee, the views of key members of the finance team were sought on the handover process from PwC, the outgoing External Auditor. It was confirmed that KPMG had carried out a smooth handover process.

The Committee are satisfied that the Auditors are independent.

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 through 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 46 to 56.

Whistleblowing
The Group has a 'whistleblowing procedure' through which employees may report, in confidence and anonymously if preferred, concerns about suspected impropriety or wrongdoing in any matters affecting the business. No matters were reported during the year.

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
5 June 2018

Risk Committee

Helping to deliver The Workspace Advantage:

By constantly assessing and managing the risks to our operations and strategy, the Risk Committee ensures that the business can continue to deliver The Workspace Advantage.

Jamie Hopkins
Chairman of the Risk Committee

Activities in 2017/18
- 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.
- Discussed cyber security risks and agreed to include it as a distinct item in the risk register.
- Discussed changes in the regulatory environment and likely impact on the Company.
- Discussed the implications of the GDPR and the ongoing compliance programme.

5

The Risk Committee met five times during the year ended 31 March 2018

Role of the Risk Committee
The Risk Committee's responsibilities include, but are not limited to, the following:
- To drive and co-ordinate Workspace policy and procedure and training in relation to risk management.
- To promote and communicate risk management awareness, both financial and non-financial throughout the organisation.
- To challenge Executive Directors' review and appraisal of risk.
- To co-ordinate and manage a planned annual programme of review and testing of risks and controls aligned to requirements.
- To oversee and advise the Board on the current risk exposures of the Company and future risk strategy.
- To consider the Viability Statement and the related sensitivity analysis and report to the Audit Committee.
- To engage internal or external resources 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 consider any developments in the external environment or regulation, which may impact on risk considerations.

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.
- Tom Rahman, Head of IT Operations.

The Risk Committee is chaired by Jamie Hopkins.

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

The following also attended meetings of the Committee during the year, again by invitation, in order to discuss their risk registers and to contribute to the discussions relating to their respective areas of expertise:
- Chief Financial Officer.
- Development Director.
- Other senior staff.

The Workspace Advantage

Helping to deliver The Workspace Advantage:

Owning and investing in the right assets is key to delivering The Workspace Advantage for our customers and enhancing the value of our portfolio for shareholders.

Jamie Hopkins
Chairman of the Investment Committee

Role of the Investment Committee

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

Composition of the Committee

- Jamie Hopkins, Chief Executive Officer.
- Graham Clemett, Chief Financial Officer.
- Chris Pieroni, Operations Director.
- Angus Boag, Development Director.
- John Robson, Asset Management Director.
- Richard Swayne, Head of Investment.
- Clare Marland, Head of Corporate Communications.
- Mike Webber, Head of Financial Planning and Analysis.
- Simon Webb, Head of Professional Services.
- Carmelina Carfora, Company Secretary (Secretary to the Investment Committee)

The Investment Committee is chaired by Jamie Hopkins.

Brickfields, Hoxton E2 8HD
Opening 2019
Located in trendy Hoxton, just up the road from Shoreditch. Wrapped around a central atrium to allow natural light to flood the space. Complete with an on-site café, stylish meeting rooms and breakout spaces.

Activities in 2017/18

- Signed off significant refurbishment and redevelopment activity, including monitoring progress of ongoing projects, such as Brickfields in Hoxton and China Works on the South Bank.
- Approved the acquisitions of the Centro estate in Camden in January and April 2018 for a total of £185m, and The Salisbury, located in Finsbury Circus, for £158.7m.
- Agreed the disposals of Stratford Office Village in September 2017 for £14m and Zennor Road Industrial Estate, in Balham, in August 2017 for £30m.
- Received updates from the development team on planning consents awarded for a major refurbishment scheme at The Shaftesbury Centre, in Ladbroke Grove and for a mixed use development scheme at The Chocolate Factory and Parma House, Wood Green, Haringey N22.

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The Investment Committee met 20 times during the year ended 31 March 2018

Remuneration

The Remuneration Policy rewards performance in keeping with the successful delivery of our strategy.

Maria Moloney
Chairman of the Remuneration Committee

The principal responsibility of the Remuneration Committee is to determine and agree the overall remuneration principles and the framework for remuneration of the Executive Directors and senior management team.

Where is the information?

Who is on the Committee, how many times did we meet and what did we do?

We met as a Committee eight times during the year. We believe it is important that the Committee keeps up-to-date on an ongoing basis during the year to ensure discussions are timely where business decisions may affect remuneration. Below we set out the key activities the Committee undertook during the year.

	Maria Moloney (Chairman)	**Daniel Kitchen**	**Chris Girling**	**Stephen Hubbard**	**Damon Russell**	Key agenda items
April 2017	✓	✓	✓	✓	✓	– Remuneration Policy review – status update. – Annual bonus 2016/17 – preliminary outcomes. – Update on progress of the Directors' Remuneration Report for 2017. – 2017 AGM Season update. – Salary increases for Executive Directors.
May 2017	✓✓	✓✓	✓✓	✓✓	✓✓	– Annual bonus outcome for 2016/17. – Approval of the new Long Term Incentive Plan ('LTIP') and the Deferred Bonus Rules. – LTIP awards for 2017. – CEO remuneration review. – Further draft of Directors' Remuneration Report for 2017. – Annual bonus 2017/18 targets. – Review of the performance conditions in connection with the 2014 LTIP vesting. – All staff remuneration overview.
July 2017	✓	✓	✓	✓	✓	– The 2017 Share Incentive Plan and LTIP awards. – Initial discussion on Executive Director objectives for 2017/18.
Sept 2017	✓	✓	✓	✓	✓	– Corporate Governance reforms update. – Review of adviser to the Remuneration Committee.
Nov 2017	✓	✓	✓	✓	✓	– Executive Directors' remuneration review. – Review of remuneration and the service agreement for new Executive Committee member. – Discussion on dividends payable on LTIP and deferred bonus shares. – Review of fees for the Company Chairman.
Jan 2018	✓	✓	✓	✓	✓	– 2018 Directors' Remuneration Report update. – Operation of Policy for 2018/19. – UK corporate governance update. – Terms of reference for the Remuneration Committee.
Mar 2018	✓	✓	✓	✓	✓	– First draft of Directors' Remuneration Report for 2018. – Incentive operating guidelines for Executive Directors. – Discussion on the external evaluation of the Committee.

For full biographies of the Committee members, see pages 86 to 90.

Who supports the Committee?

During the year, we sought internal support from the CEO and CFO, whose attendance at Committee meetings was by invitation from the Chairman, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the Senior Management team. The Company Secretary attended each meeting as Secretary to the Committee. No Director was present for any discussions that related directly to their own remuneration. Details on our advisers are shown on page 133.

Maria Moloney
Chairman of the Remuneration Committee

The Workspace Advantage

Helping to deliver The Workspace Advantage:

Once the Board has determined and agreed the Company's strategic ambitions, the Remuneration Committee seeks to set a Remuneration Policy which is aligned with the delivery of those ambitions. Our role is to ensure that the remuneration arrangements for Executive Directors and other members of the senior management team appropriately reward performance, as well as offering encouragement to successfully deliver our strategy and create Shareholder value in a responsible manner.

New Policy taken to vote at the 2017 AGM with approval of

99.7%

Letter from the Chairman of the Remuneration Committee

Dear Shareholders,

Strategic ambition and link to remuneration

Our Remuneration Policy continues to be closely aligned to our strategy and to the delivery of The Workspace Advantage to customers and Shareholders alike. We aim to be transparent in the reporting of Executive remuneration. Our objective is to encourage a performance culture which delivers strong and consistent Shareholder returns and to reward this performance fairly and competitively.

In devising the Policy, the Remuneration Committee (REMCO) seeks to ensure that it:

- Is tightly aligned to strategy – to achieving stretching targets which demonstrate delivery of Workspace's strategy.
- Is based on pay for performance – linked to Company performance through variable pay instruments.
- Is competitive – benchmarked both internally with reference to Workspace senior management, to foster a culture of shared drive and commitment to the success of the Company, and externally against companies of comparable size and complexity.
- Has long-term alignment to Shareholder value by encouraging shareholdings in the Company by the Executive Directors and other members of the Executive Committee.
- Is corporate governance compliant – taking full consideration of evolving Shareholder and public attitudes towards Executive pay and associated best practice.
- Is risk-assessed – to ensure that Shareholder interests are guarded and that excessive or inappropriate risk is avoided.

As I noted in my letter last year, to ensure alignment with Workspace's intent to be a sustainable investment, the REMCO worked hard to produce our new Remuneration Policy, which was presented to you as Shareholders at the 2017 AGM. Your vote of 99.7% in favour of the new Policy reassures us of your assessment that the Policy is fit for the purpose of driving the long-term success of the Company.

We have summarised the key elements of this Policy on pages 120 to 121 for ease of reference.

How we performed in 2017/18

Since the AGM in 2017, much of the work of the REMCO has centred on overseeing the implementation of the new Policy and monitoring its performance.

We are happy that the Company is reporting another year of record net rental income, continued capital growth and strong trading profit. This gives us confidence that our employees are motivated to deliver The Workspace Advantage to customers and perform above expectations for Shareholders.

Demand has remained strong for our unique offer of market-leading office environments and for the supporting connectivity, events and community which are core to The Workspace Advantage.

Key performance metrics
Net cash flow from operating activities was £74m, which illustrates the cash-generating capability of Workspace's portfolio, following a strategy focused on operational excellence and cost efficiency.

The business has made great progress on executing our extensive refurbishment and redevelopment project pipeline, with a continued focus on delivering projects within budget and on schedule.

Personal performance and Committee assessment of performance
As noted above, our philosophy is to reward value creation and give appropriate recognition to our team's focus on delivering The Workspace Advantage. Executive Directors' compensation is delivered through variable pay elements whereby outcomes are conditional on the achievement of stretching targets. To ensure this, we pay a fixed salary and link variable remuneration to the delivery of annual objectives and long-term business performance. A large part of the remuneration package is delivered in shares, and members of the Executive Committee are required to build up significant shareholdings.

In line with our continued commitment to transparency and best practice disclosure, full details of objectives and the REMCO's assessment of Directors' individual performance are outlined on page 128.

The REMCO believes that these measures appropriately recognise and reward success against the business strategy as outlined on page 16.

Decisions made
Against the performance outlined above, the REMCO made the following decisions regarding the remuneration of the Executive Directors.

Pay increase in line with inflation and the rest of the Company
The REMCO has decided to increase the Executive Directors' salaries by 3%. This increase is felt to be appropriate in the light of the Directors' contribution to the Group's strong financial position over 2017/18. It remains consistent with the average salary increase across the Company and in line with the median increases awarded to the general UK employee population.

Annual bonus
An annual bonus opportunity of 120% of salary and a Long Term Incentive Plan ('LTIP') opportunity of 200% of salary operate for the CEO and the CFO.

The performance measures for the annual bonus are adjusted trading profit after interest (60%), Total Property Return (24%), customer satisfaction (12%) and personal performance (24%). Personal performance measures are described in detail on page 128.

In assessing pay for performance against our challenging targets, the REMCO approved the annual bonus outcome of 100% of maximum (or 120% of salary) and no discretion was required to be applied.

2017 LTIP
Performance conditions for LTIP awards made under the new Policy are based on relative Total Shareholder Return (50%) and Total Property Return against an IPD index (50%). The balance of the two measures selected is aligned to our strategy of driving income growth and enhancing Shareholder value.

As noted above, Workspace's investment case is built on the delivery of long-term sustainable performance and creation of long-term Shareholder value. For this reason, we have long holding periods, significant shareholding requirements and the majority of our incentives are weighted towards the LTIP, see page 121. Furthermore, a performance underpin ensures that the comparative performance is consistent with business performance and the Shareholder experience.

2015 LTIP
The 2015 LTIP award vested at 62.7%.

Pay in the wider context
The REMCO believes in aligning the direction of Executive remuneration with that of the wider workforce, ensuring a shared culture and a consistent focus on achieving Workspace's purpose, delivering our strategy and adhering to our Company values. We look to appropriately reward all employees who demonstrate deep knowledge of their subject, an inquisitive nature and thirst for innovation and genuine care for our customers, our communities and each other. These newly articulated values will be built into our recruitment and appraisal processes over the coming year, as part of a wider engagement and communications plan.

The REMCO is primarily responsible for determining the appropriate pay for the Executive Directors and the senior management team, and ensuring that their remuneration is closely linked to performance.

We are also acutely aware of our duty to pay close attention to the pay conditions and levels across the Company as a whole, to ensure that movements in our remuneration packages are both internally consistent and externally competitive. We continue to believe in our current approach, where the Remuneration Policy of our Executive Directors is aligned with that of other employees. This ensures that the CEO's pay is not only externally benchmarked but is also internally proportionate to that of the CFO, senior management and employees across the Company.

To assist in this, the REMCO receives updates from the Executives on their discussions and consultations with employees on remuneration. The REMCO also monitors information on bonus payments and share awards made to the wider senior management team.

During the year, the Government announced that the Directors' Reporting Regulations will be amended to require disclosure of the ratio of CEO pay to the pay of their UK workforce, alongside a narrative explaining changes to the ratio over time and how the ratio relates to pay and conditions across the wider workforce. In line with our commitment to transparent reporting, we have decided to disclose this information prior to the requirements coming into force, and this can be seen on page 125.

Please also see the graph on page 117 which demonstrates how our CEO pay matches our TSR performance. Further details can also be found on page 125.

Gender pay
The UK gender pay gap reporting requirement, designed to provide transparency in relation to the difference between men's and women's earnings within a company, came into effect on 6 April 2017 for companies employing more than 250 people. While Workspace is not of the size required to disclose our gender pay gap, we believe in providing equal pay for work of equal value, not just because it is a legal requirement but because it is the right thing to do.

The Board and leadership team recognises that inclusion and diversity in all its forms are vital in ensuring diversity of thought, experience and skills within a company. The REMCO will monitor the collation of information on Workspace's pay structures and closely follow the wider review of gender pay issues over the next year.

Remuneration Committee evaluation
The performance of the REMCO was reviewed during the year as part of the external review of the Board and its Committees. I am pleased to say that the REMCO continues to operate effectively.

In conclusion
This has been another very strong year, with notable successes for the Company. The REMCO is satisfied that we have the right Policy in place to support the implementation of our strategy, to allow us to continue to act fully in line with corporate governance best practice and to allow us to bring sustainable gains to our Shareholders.

In a rapidly evolving remuneration landscape, we attach great importance to a continuous dialogue with institutional investors and their representative bodies.

In keeping with the extensive consultation which we undertook as we developed our new Policy, we will continue to consult with Shareholders should there be any potential material changes to implementation of the Policy in the future, to ensure that our Remuneration Policy remains aligned with the long-term strategy.

Your input and voting outcomes in recent years suggest that you are in agreement with our Policy and approach. Our aim is to achieve an appropriate balance between fixed and variable remuneration, based on long-term performance criteria which are tied to the strategy and the risk appetite of the Company.

I would like to take the opportunity to thank Shareholders for their support over recent years and we look forward to continued dialogue going forward. In the meantime, if you would like to discuss any aspect of our Remuneration Policy, please feel free to contact me through our Company Secretary, Carmelina Carfora, at carmelina.carfora@workspace.co.uk.

Maria Moloney
Chairman of the Remuneration Committee
5 June 2018

Summary of our reward philosophy and how we apply it in practice

Our key objective is to help promote the long-term success of the Company by supporting an effective pay-for-performance culture which allows us to retain, motivate and attract highly skilled Executives to execute the Company's strategy.

All of the performance measures in the annual and long-term incentive plans align to the Company's strategic priorities, as shown on page 118. We believe our annual bonus provides a good balance in rewarding financial performance for the year and also focusing Executives on the non-financial factors which help drive long-term success, such as customer satisfaction and other operational and strategic objectives. The LTIP measures of Relative Total Shareholder Return (TSR) and Total Property Return (TPR) are well aligned to our strategy of driving income growth and enhancing Shareholder value and incentivise out-performance of our peers.

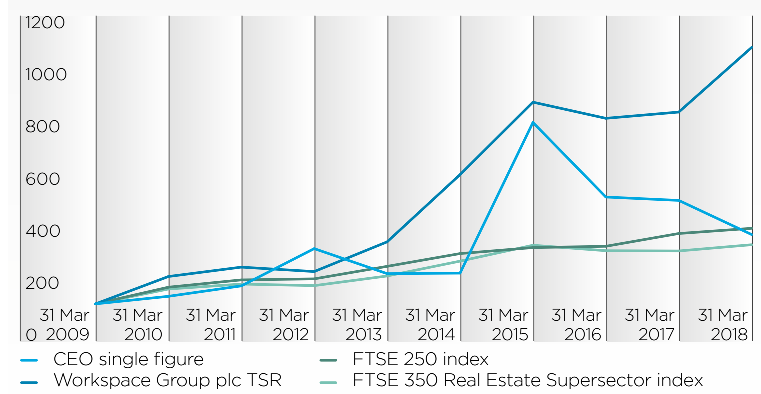
This is the first year of our new Policy which:

- Simplified our long-term incentives by removing the matching plan so that now only a single Long Term Incentive Plan (LTIP) operates.
- Increased the bonus deferral in shares from 25% to 33%.
- Retained the maximum bonus opportunity of 120% and maximum LTIP opportunity of 200% of salary.
- Increased the holding period on the LTIP from one to two years.
- Increased the time period during which malus and clawback provisions can be applied for both the annual bonus and the LTIP.
- Increased shareholding guidelines from 150% to 200% of salary.
- Removed the exceptional pension maximum and introduced a maximum pension provision of 16.5% p.a.

How does our CEO pay match up to our TSR performance?
The chart below demonstrates the strong long-term alignment of our CEO pay and the returns to our Shareholders. We have achieved this through the CEO receiving a high proportion of his remuneration in shares and through our performance compensation which is based on measures which directly support the implementation of our strategy.

This chart compares the TSR performance of the Group against the FTSE 250 and the FTSE 350 Real Estate indices since 2009. These have been chosen as appropriate comparisons as Workspace is a constituent of the FTSE 250 and measures performance under the LTIP against constituents of the FTSE 350 Real Estate index.

Single figure against our long-term performance

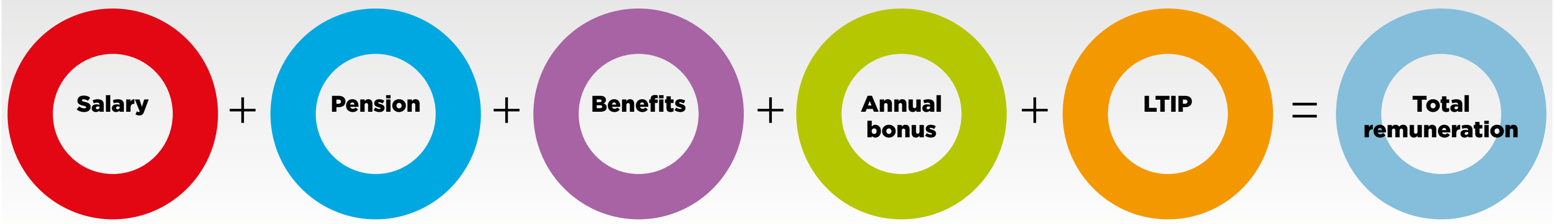


Remuneration Report at a glance

Workspace Executive pay
The components of remuneration

The Remuneration Report is colour coded as follows:

Fixed elements	Variable elements	Shareholding
Salary	Annual bonus	Shareholding guidelines
Pension	Long Term Incentive Plan (LTIP)	
Benefits		



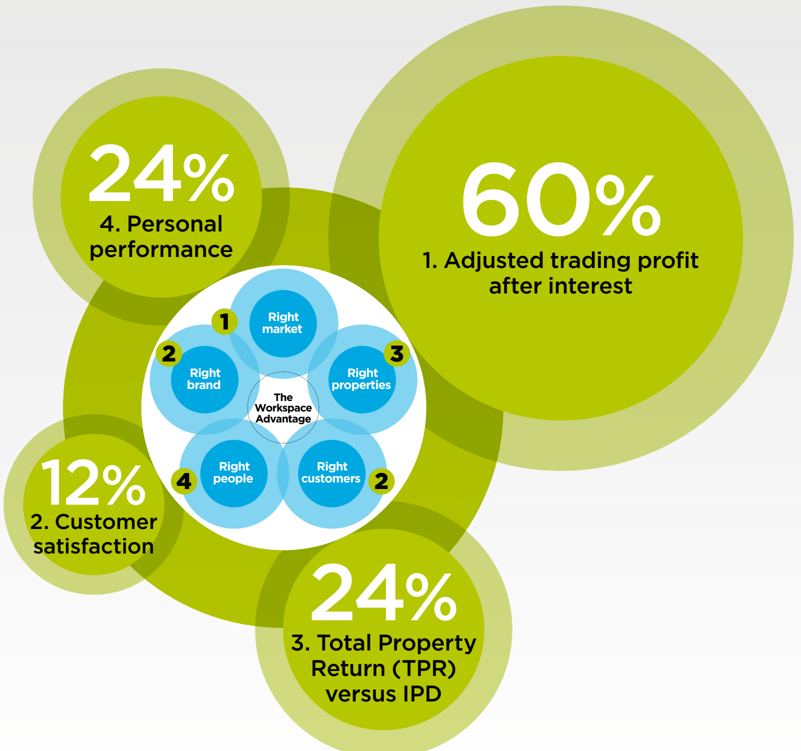
How do our incentive performance measures align to our strategy?
In executing our strategy, based on The Workspace Advantage, we aim to create value and positive outcomes for our Shareholders and all other stakeholders. We continually consider the performance measures we use for our incentives to ensure they support the delivery of our strategy.

The diagram below demonstrates how our incentive measures align to our strategy which has The Workspace Advantage at its heart.

Variable components

Annual bonus

Link to strategy
The measures provide a good balance of rewarding operational excellence, customer relationships and building deep market knowledge, which are the foundations of Workspace's future growth.



For the annual bonus, weightings are shown as a percentage of salary.

Variable components

LTIP (2017 onwards)

Link to strategy
The balance of the two measures is well aligned to our strategy of driving income growth and enhancing Shareholder value over the longer term.

For the LTIP, weightings are shown as a percentage of the Awards.

Business context
2017/18 out-turns against KPIs

£60.7m	+4.2%	89.3%	£10.37	18.55p	8.4% p.a.
Adjusted trading profit after interest (2016/17: £50.7m)	Total Property Return outperformance of IPD benchmark (2016/17: 2.4%)	Customer satisfaction (2016/17: 88%)	Net Asset Value per share (2016/17: £9.53)	Dividend per share (2016/17: 14.27p)	Absolute TSR over three financial years to 31 March 2018 which is the performance period of 2015 LTIP

Remuneration in respect of 2017/18

What did our Executive Directors earn during the year?

Fixed components

Jamie Hopkins, CEO	Graham Clemett, CFO
Salary: £479,700 (effective from 1 April 2017)	**Salary:** £293,200 (effective from 1 April 2017)
Pension: 16.5% of base salary	**Pension:** 16.5% of base salary
Benefits: include car allowance, private health insurance and other benefits	**Benefits:** include car allowance, private health insurance and other benefits

Variable components

Annual bonus 2017/18 out-turn

The following table sets out outcomes under the annual bonus.

	Threshold (0% payable)	Maximum (100% payable)	Outcome (% salary)	CEO Actual £000	CFO Actual £000
Adjusted trading profit after interest	Threshold: £57.9m Target: £58.9m	Max: £59.9m Actual: £60.7m	60%/60%	**£287.8**	**£175.9**
Total Property Return	Threshold: Benchmark	Max: Benchmark+2% Actual: Benchmark +4.2%	24%/24%	**£115.1**	**£70.4**
Customer satisfaction	Threshold: 70%	Max: 80% Actual: 89.3%	12%/12%	**£57.6**	**£35.2**
Personal performance	Threshold: 0%	Max: 100% Actual: 100%	24%/24%	**£115.1**	**£70.4**
Total			**120%/120%**	**£575.6**	**£351.8**

More detail on the outcomes against personal objectives are set out on page 128. It should be noted that adjusted trading profit after interest exceeded the maximum.

2015 LTIP out-turn

The following table sets out outcomes under the 2015 LTIP performance measures, over the period 1 April 2015 to 31 March 2018.

	Threshold (0% payable)	Maximum (100% payable)	Outcome (% award)	CEO % vesting and outcome £000	CFO % vesting and outcome £000
Growth in NAV relative to the constituents of the FTSE 350 Real Estate Index excluding agencies.	Threshold: 51st	Max: 75th Actual: 94th	33.3%/33.3%	Performance shares: Outcome: £300.9	Performance shares: Outcome: £183.9
TSR relative to the constituents of the FTSE 350 Real Estate Index excluding agencies.	Threshold: 51st Actual: 64th	Max: 75th	21.4%/33.3%	Matching shares: Outcome: £167.5	Matching shares: Outcome: £183.9
Absolute TSR	Threshold: 8% p.a. Actual: 8.4% p.a.	Max: 17% p.a.	7.9%/33.3%		
Total 62.7%			**62.7%/100%**		

The share price used is the 3 month average to 31 March 2018 of £9.75.

Single figure for 2017/18 (£000) **£1,623.8**
Jamie Hopkins, CEO

Single figure for 2017/18 (£000) **£1,083.1**
Graham Clemett, CFO

What is our Remuneration Policy?

In this section we provide a summary of the key elements of the Remuneration Policy for Executive Directors approved by Shareholders at our 2017 AGM on 14 July. In addition, we have set out how the Policy was operated in 2017/18 and how it is intended to be operated in 2018/19. You can find the full Policy at www.workspace.co.uk.

What is our objective?
Our main objective is to help promote the long-term success of the Company, by:
- Supporting an effective pay for performance culture which allows us to retain, motivate and attract highly skilled Directors, who have a clear purpose and are of the necessary calibre to execute the Company's strategy.
- Achieving a strong alignment between Executive and Shareholder interests.
- Promoting a long-term ownership culture by encouraging the acquisition and retention of shares amongst the Executive Directors.
- Ensuring that we are totally au fait with the constantly changing regulatory and governance environment.

How do we take into account Shareholder views?
We have an ongoing dialogue with Shareholders and welcome feedback on Directors' remuneration. As part of the Policy review carried out in 2017, the Committee consulted with major Shareholders representing 70% of the share capital and the main investor bodies.

Summary table for Executive Directors

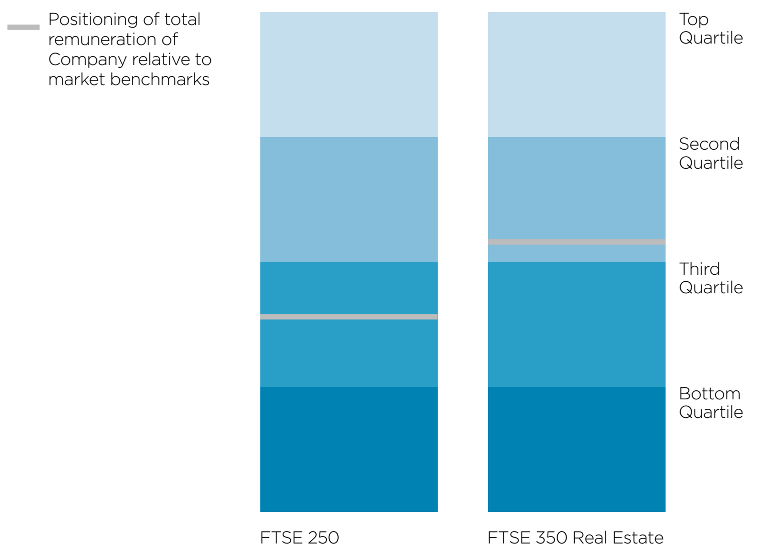
Element	2017/18	2018/19	2019/20	2020/21	2021/22	Operation	Opportunity	Operation in the year ended 31 March 2018 2017/18	Operation in the year ending 31 March 2019 2018/19
Base Salary To reflect market value of the role and an individual's experience, performance and contribution.						Salaries are normally reviewed annually. Salary levels take account of: – Role, performance and experience. – Business performance and the external economic environment. – Salary levels for similar roles at relevant comparators. – Salary increases across the Group.	Increases are applied in line with the outcome of the review. There is no prescribed maximum. Increases for Executive Directors will typically be in line with those of the wider workforce.	Jamie Hopkins (CEO) – £479,700. Graham Clemett (CFO) – £293,200.	Jamie Hopkins (CEO) – £494,090. Graham Clemett (CFO) – £302,000.
Pension To provide market competitive pensions.						Directors participate in a defined contribution pension scheme or may receive a cash allowance in lieu of pension contribution.	Up to 16.5% of salary.	Jamie Hopkins (CEO) – 16.5% of salary. Graham Clemett (CFO) – 16.5% of salary.	No change.
Benefits To provide market competitive benefits.						Benefits typically include car allowance, private health insurance, and death in service cover. In addition, Directors are eligible to participate in all-employee share plans, currently the SAYE and Share Incentive Plan.	Benefits may vary by role and individual circumstance, and are reviewed periodically. There is no overall maximum.	Include car allowance, private health insurance and other benefits.	No change.
Annual bonus To reinforce and reward delivery of annual strategic business priorities, based on performance measures relating to both Group and individual performance. Bonus deferral provides alignment with Shareholder interests.						A portion of the annual bonus is deferred into shares for a period of three years. The deferral is 33% of bonus earned. Dividend equivalents may be accrued on deferred shares. The Committee may apply malus and clawback in circumstances of gross misconduct, material misstatement of the Group's results, or an error in calculation, up to the end of the deferral period.	The maximum bonus potential for Executive Directors is 120% of salary p.a.	Maximum opportunity: Jamie Hopkins (CEO) – Up to 120% of salary. Graham Clemett (CFO) – Up to 120% of salary. Performance conditions and weightings (as % of salary): – Adjusted trading profit after interest (60%). – Total Property Return (TPR) (24%). – Customer satisfaction (12%). – Personal performance (24%). Executive Directors awarded bonuses of: Jamie Hopkins (CEO) – 120% of salary. Graham Clemett (CFO) – 120% of salary. Deferral of 33% of bonus earned. See page 127 for further details on outcomes.	No change to type of performance condition or the respective weightings 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.
Long Term Incentive Plan (LTIP) To reward and align to the delivery of sustained long-term sector outperformance and to align the interests of participants with those of Shareholders.						The Committee may grant annual awards of Performance Shares which vest after three years, subject to performance conditions. Vested shares are subject to a further two-year holding period. The Committee has discretion to apply malus and clawback to awards (see above for reasons) up to the end of the holding period. Dividend equivalents may be accrued on shares in respect of the performance and holding period.	Normal maximum award of up to 200% of salary per annum.	Grant sizes for: Jamie Hopkins (CEO) – 200% of salary. Graham Clemett (CFO) – 200% of salary). Performance conditions are: – 50% Total Shareholder Return (TSR) relative to FTSE 350 property companies. – 50% Total Property Return (TPR) versus IPD. – A performance underpin will apply which allows the Committee to reduce vesting if performance is inconsistent with the overall performance of the business. The 2015 LTIP vested in the year at 62.7% of the award. See page 129 for further details on outcomes.	No change to maximum LTIP opportunities or the performance conditions.
Shareholding requirement						Shareholding guidelines for Executive Directors of 200% of salary.		Current shareholdings* are: – CEO: 270% of salary. – CFO: 463% of salary.	No change.

*Based on a share price of £9.15 being the average share price over the year up to 31 March 2018 and salaries of £479,700 and £293,200 for Jamie Hopkins and Graham Clemett respectively.

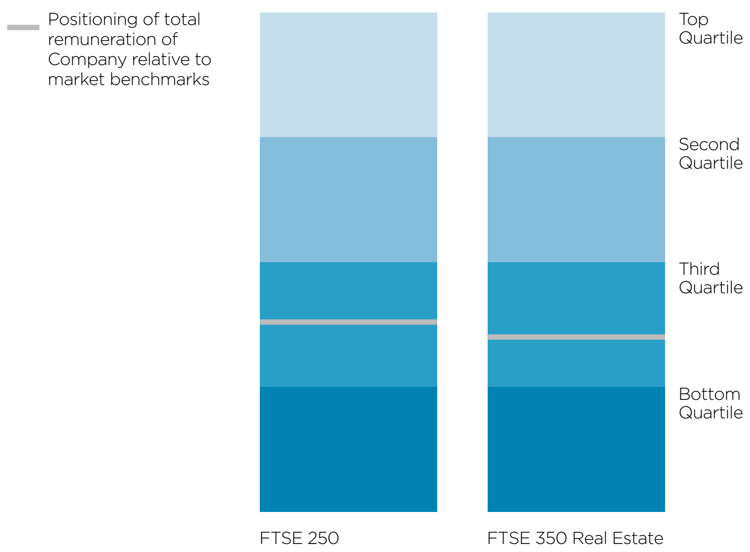
How does our target total compensation compare to our peers?

The following chart shows the relative position of target total compensation for our Executive Directors compared to our peers.

Chief Executive Officer



Chief Finance Officer



When we set the target total compensation for the Executive Directors, one of the factors the Committee considers is the competitive market for our Executive Directors, which we believe is the FTSE 250 and FTSE 350 Real Estate Sector, and the size of the Company compared to these peers. The Committee hopes the Executives will deliver above target performance, and this has been the case over recent years.

Additional context on our Executive Directors' pay

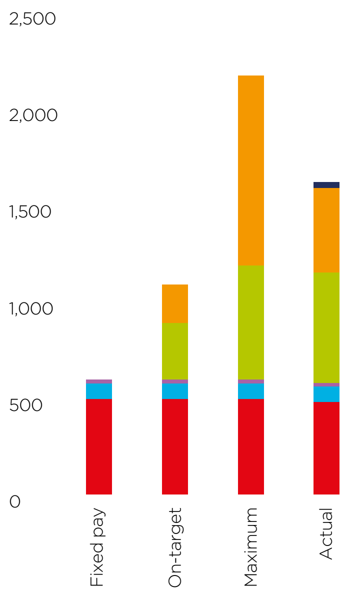
What is our 2017/18 single figure compared to our Policy?

When Shareholders approved our Remuneration Policy in 2017, we set out scenarios for the potential remuneration to be earned by our Executive Directors under the Policy for various performance assumptions. We have set out, at right, the actual single figure of remuneration for the Executive Directors against these scenarios to demonstrate how the actual remuneration paid lines up with our Policy.

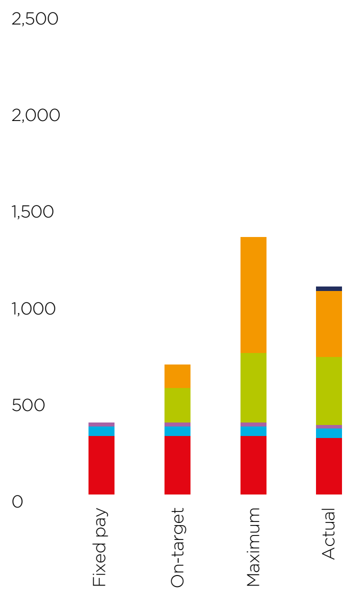
We have separated out the effect of share price growth on the share-based elements of the single figure for each Executive Director (see page 127 for details). A high proportion of our Directors' package is made up of shares, supporting the alignment of Executive pay with the interests of our Shareholders. The increased value in our remuneration from share price appreciation is beneficial for both Executive Directors and Shareholders.

- **Salary:** Latest known salary.
- **Pension:** Current contribution rate of 16.5% of salary.
- **Benefits:** As provided in the single figure table on page 127.
- **Annual bonus:** Minimum – no bonus payable; on-target – 50% of maximum potential bonus; maximum – maximum potential bonus.
- **LTIP:** Minimum – no LTIP vesting; on-target – 20% of maximum (threshold vesting); maximum – maximum LTIP vesting.
- **Share price growth:** portion of LTIP vesting value attributable to share price growth since grant.

Single figure
Jamie Hopkins, CEO
£000s



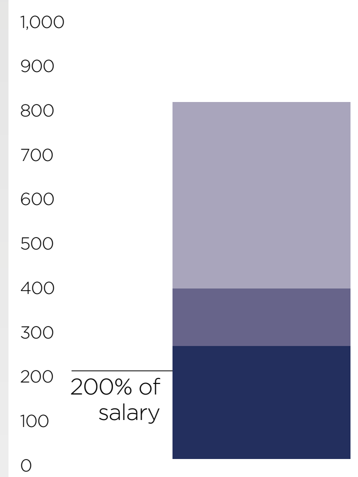
Single figure
Graham Clemett, CFO
£000s



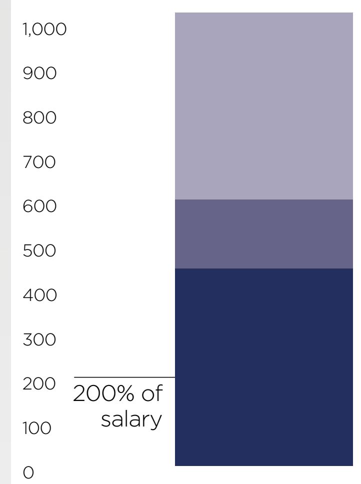
What is our minimum shareholding requirement and has it been met?

The following table shows that our Executive Directors have met their minimum shareholding requirements, and therefore already have strong alignment with our Shareholders. In addition, the table shows the substantial amount of equity which can potentially be earned by our Executive Directors over the next period, further increasing their exposure to the share price performance of the Company and ensuring that their holdings will increase over time.

Share interests
Jamie Hopkins, CEO
%



Share interests
Graham Clemett, CFO
%



- Owned outright or vested.
- Unvested and not subject to performance.
- Subject to performance.

See page 130 for more details.

Calculated using annual average share price to 31 March 2018 of £9.15.

Overall link to remuneration and equity of the Executive Directors

Our Executive Directors are encouraged to hold a high number of shares in order to ensure their interests align to those of the Shareholders, and that they take a long-term view of the sustainable performance of the Company. As such, our Directors are impacted by the share price over the year in the same way as our Shareholders.

The table to the right sets out the single figure for 2017/18, the number of shares held by the Director at the beginning and end of the financial year, and the impact on the value of these shares taking the opening price and closing price for the year.

	Jamie Hopkins	Graham Clemett
2017/18 single figure	£1,623.8	£1,083.1
Shares held at start of year	130,525	147,674
Shares held at end of year	133,082	142,627
Value of shares at start of year (£000s)[1]	£1,025	£1,159
Value of shares at end of year (£000s)[2]	£1,320	£1,415
Difference (£000)	+£295	+£256

1 Based on a closing share price on 31 March 2017 of £7.85.
2 Based on a closing share price on 31 March 2018 of £9.92.

Our approach to fairness and wider workforce considerations

When making remuneration decisions for the Executive Directors, we consider pay, policies and practices elsewhere in the Group. The Committee receives regular updates from the Executive Directors on employee feedback. The Committee also monitors bonus payout and share award data.

In this section, we provide context to our Director pay by explaining our employee policies and our approach to fairness, as well as the ratio of CEO pay to that of the wider workforce.

Communication with employees
The Board are committed to ensuring there is an open dialogue with our employees over various decisions. 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. This 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
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') and the Share Incentive Plan ('SIP').

Equal opportunities
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.

We are an organisation which uses everyone's talents and abilities, and where diversity is valued. The Company ensures its promotion and recruitment practices are fair and objective, and encourages the continuous development and training of its employees, as well as the provision of equal opportunities for the training and career development of all employees. Further details of this are shown on page 26.

Retirement benefit provision
The Group provides retirement benefits for the majority of its employees. The Group's commitment with regard to pension contributions, consistent with the prior year, ranges from 6% to 10% of an employee's salary, excluding Executive Directors.

The pension scheme is open to every employee in accordance with the new Government auto-enrolment rules.

Pay comparisons
The chart to the right shows the single figure of remuneration for our CEO over time, and the pay of our average employee, each rebased to 2009. We have also included our TSR performance over this period.

In advance of the incoming regulatory requirement to disclose the ratio of CEO pay to workforce pay, the Committee have chosen to disclose this ratio on a variety of bases, as shown at the bottom of the table to the right.

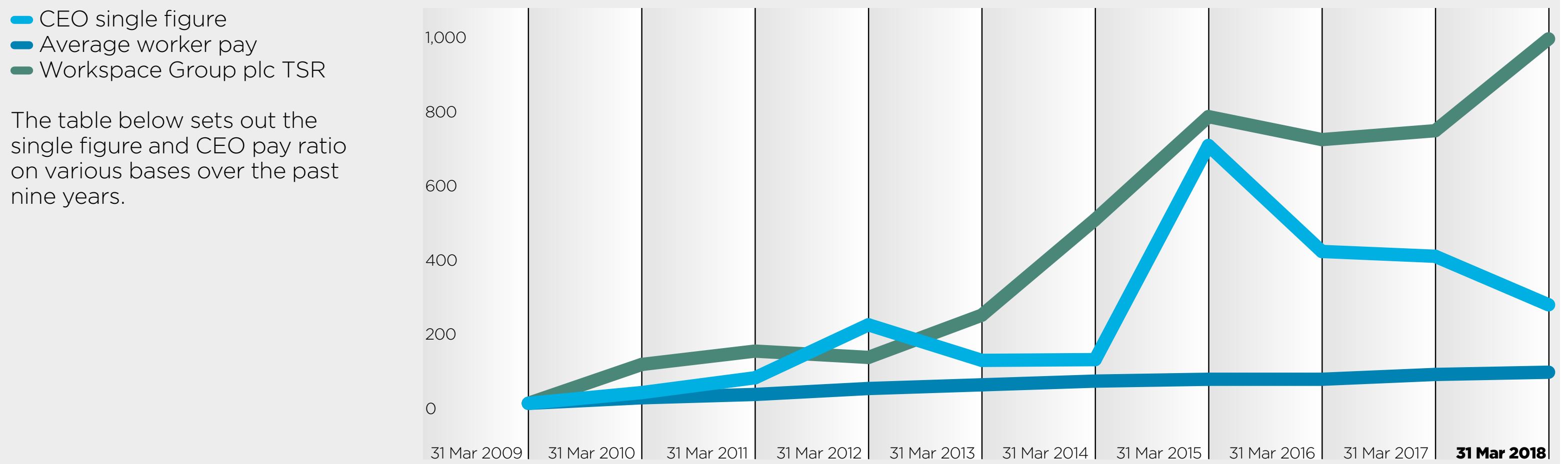
What does the chart show?
The chart shows that there is a strong correlation between our CEO pay and the Total Shareholder Return of the Company. We have achieved this through the CEO receiving a high proportion of his remuneration in shares and through the variable pay within his package being based on measures which directly support the implementation of our strategy. The chart also shows that our average employee pay has trended upwards over this period.

What does the table show?
We have set out the ratio of CEO pay to that of the wider workforce on a variety of bases, and, over time, at the bottom of the table to the right. There is significant volatility in this ratio, and we believe that this is caused by the following:

- Our CEO pay is made up of a higher proportion of incentive pay than that of our employees, in line with the expectations of our Shareholders. This introduces a higher degree of variability in his pay each year which affects the ratio;
- The value of long-term incentives which measure performance over three years is disclosed in pay in the year it vests, which increases the CEO pay in that year, again impacting the ratio for that year;
- Long-term incentives are provided in shares, and therefore an increase in share price over the three years magnifies the impact of a long-term incentive award vesting in a year.

We recognise that the ratio is driven by the different structure of the pay of our CEO versus that of our employees, as well as the make-up of our workforce. This ratio varies between businesses even in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and wider workforce.

Where the structure of remuneration is similar, as for the Executive Committee and the CEO, the ratio is much more stable over time.



The table below sets out the single figure and CEO pay ratio on various bases over the past nine years.

		31 Mar 2010	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015	31 Mar 2016	31 Mar 2017	**31 Mar 2018**
CEO single figure of total remuneration £000										
Jamie Hopkins[1]		–	–	27.4	960.3	966.9	3,533.1	2,262.7	2,205.6	**1,623.8**
Harry Platt[2]		573.7	748.7	1,359.6	–	–	–	–	–	**–**
Annual bonus pay-out										
Jamie Hopkins (% of maximum opportunity)		–	–	–	100%	97.8%	97.2%	95.3%	100%	**100%**
Harry Platt (% of maximum opportunity)		41.7%	85.5%	75%	–	–	–	–	–	**–**
LTIP vesting										
Jamie Hopkins (% of maximum opportunity)		–	–	–	–	–	100%	100%	88.7%	**62.7%**
Harry Platt (% of maximum opportunity)		0%	0%	66.5%	–	–	–	–	–	**–**
Ratio of single total remuneration figure shown to employees as a whole	to employee mean[3]	11x	13x	21x	14x	13x	46x	29x	27x	**19x**
	to employee median	–	–	–	–	34x	128x	79x	72x	**48x**
Ratio of single total remuneration figure shown to mean of Executive Committee members		–	–	–	–	0.8x	1.6x	1.1x	1.4x	**1.2x**

1. Mr Hopkins was appointed as an Executive Director on 12 March 2012.
2. Mr Platt retired as an Executive Director of the Company on 31 March 2012.
3. 'Employee mean' based on staff costs for the Group and the average number of persons employed during the year, sourced from the Financial Note to the Accounts.

What is the year-on-year change in our CEO remuneration?
The Committee monitors the changes year-on-year between our CEO pay and average employee pay, shown in the table to the right. As per our Policy, salary increases applied to Executive Directors will typically be in line with those of the wider workforce.

	CEO			All other employees
Executive Director	**2018 £000**	2017 £000	% change	% change
Salary	**479.7**	468.0	2.5%	3.7%
Taxable benefits	**18.8**	18.1	3.8%	11.2%
Annual variable	**575.6**	561.6	2.5%	6.2%
Total	**1,074.1**	1,047.7	2.5%	4.7%

The table above 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 217 (2017: 203). All employees are eligible for consideration for an annual bonus.

How do we cascade remuneration through the Company?

All staff in the Company are eligible to participate in the Company's bonus scheme, all-employee share schemes, pension scheme, life assurance arrangements and medical insurance benefits. Additionally, all employees participate in an annual bonus plan. All members of the Executive Committee and some senior staff are eligible to participate in the Company's LTIP.

Executive Committee members are also required to adhere to the Company's shareholding guidelines.

The following diagram demonstrates how Workspace's key objectives are reflected consistently in plans operating at all levels within the Company.

Eligibility	Number of people that this applies to[1]	Element	Details
Executive Committee	**5**	**Shareholding guidelines**	Supports alignment of Executives' interests with Shareholders.
Executive Committee and Senior Management	**51**	**LTIP**	The LTIP reinforces delivery of long-term sector outperformance.
All employees	**208** (as at 31 March 2018)	**Annual bonus**	All employees participate in annual bonuses. Opportunities and performance conditions may be tailored to reflect an individual's role and responsibilities.
		SAYE and SIP	Encourages employee engagement and reinforces our strong performance culture. Enables all employees to share in the long-term success of the 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.

1. Subject to requirements on timing of awards as detailed in the relevant plan rules and/or completion of probationary periods.

How did we implement the Policy in 2017/18?

Single figure of Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 March 2018 and the prior year:

	Jamie Hopkins		Graham Clemett	
	2017/18 £000	2016/17 £000	**2017/18 £000**	2016/17 £000
Salary	**479.7**	468.0	**293.2**	286.0
Benefits[1]	**18.8**	18.1	**19.9**	19.9
Annual bonus[2]	**575.6**	561.6	**351.8**	343.2
LTIP[3]	**468.5**	1,076.2	**367.8**	738.4
Other – SAYE, SIP	**2.0**	4.5	**2.0**	2.3
Pension[4]	**79.2**	77.2	**48.4**	47.2
Total	**1,623.8**	2,205.6	**1,083.1**	1,437.0

1. Benefits: Taxable value of benefits received in the year by Executive Directors includes a car allowance, private health insurance and death in service cover.
2. Annual bonus: This is the total bonus earned in respect of performance during the relevant year. For 2016/17 and 2017/18, the Committee set a minimum deferral requirement of 33% of the bonus earned. For 2017/18, this deferral of 33% was equivalent to £189,961 for Mr Hopkins and £116,107 for Mr Clemett.
3. LTIP: The 2017/18 figure includes the estimated value of 62.7% of the 2015 LTIP shares that vested based on performance to 31 March 2018. The share price used is the three-month average to 31 March 2018 of £9.75. This will be updated in next year's report to reflect the share price on the date of vesting. The 2016/17 figures have been updated to reflect the share price on the date of vesting of £9.07.
4. Pension: During 2017/18 each of Messrs Hopkins and Clemett received a cash allowance in lieu of pension contribution.

Annual bonus payout in respect of 2017/18

For 2017/18 the maximum bonus opportunity for the Executive Directors was 120% of salary. Payouts are subject to the assessment of performance against stretching financial, strategic and personal performance targets, and are calculated on a straight-line basis from 0% at threshold to 100% at maximum performance. Executive Directors will be required to defer 33% of their bonus into Company shares for three years. The stretching targets were set based on the Company's budgeting process, which takes account of market expectation, planned acquisitions and disposals of assets, and aspirations around Company growth.

The performance measures, targets and outcomes for each measure are shown below:

	Weighting as a % of salary	Measure	Achieved: Threshold	Achieved: Maximum	Opportunity and outcome as a % of salary: Jamie Hopkins	Opportunity and outcome as a % of salary: Graham Clemett
Corporate	60%	Adjusted trading profit after interest	£57.9m	£59.9m	60%	60%
				£60.7m	**60%**	**60%**
	24%	Total Property Return from portfolio versus a defined comparator Benchmark compiled by MSCI	Benchmark	Benchmark+2%	24%	24%
				Benchmark +4.2%	**24%**	**24%**
	12%	Customer satisfaction	70%	80%	12%	12%
				89.3%	**12%**	**12%**
Individual performance	24%	Personal performance (see below for full details of targets and assessment)			24%	24%
			See below for full details		**24%**	**24%**
			Annual bonus	Opportunity	120%	120%
				Outcome (% of salary)	**120%**	**120%**
				Outcome (£000)	**£575.6**	**£351.8**

As a result the following cash bonus and deferred bonus shares will be awarded:

	Cash bonus	Deferred bonus shares
CEO	£385,679	£189,961
CFO	£235,733	£116,107

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Personal objectives

The Executive Directors' personal objectives focus on the delivery of the strategic priorities for the business and the successful management of risk. Based on a review of achievement against the personal objectives set out below, the Committee has awarded Jamie Hopkins and Graham Clemett 24% of salary under this element.

Objective	Target	Achievements in year
Active property portfolio management	– Identify scale acquisition opportunities across London and look to acquire where return criteria can be met.	– Three major acquisitions in key strategic locations completed for £368m.
	– Complete disposal of legacy industrial properties provided good value can be achieved.	– Two industrial estates sold for £80m, a 40% premium to their March 2017 valuation.
	– Continue to identify and progress opportunities for refurbishment and redevelopment across the portfolio.	– Four residential redevelopments sold for £41m in cash, and 55,000 sq. ft. of new commercial space. – Excellent progress on extensive pipeline of refurbishment and redevelopment projects with 18 projects currently underway to deliver 774,000 sq. ft. of new and upgraded space.
	– Continue to identify opportunities to grow ancillary income alongside maximising core rental income growth.	– 22% growth in meeting room income and launch of customer cleaning services. – 8.6% growth in like-for-like rent roll.
Maintain a low risk business profile	– Conduct appropriate due diligence on all acquisitions, refurbishment and redevelopment projects.	– Acquisitions successfully completed and integrated; refurbishments and redevelopments delivered to plan.
	– Maintain strong customer demand through efficient marketing expertise.	– Brand positioning refreshed and extensive branding campaign successfully conducted across London. – Customer enquiries averaged 1,016 per month in 2017/18.
	– Ensure that a high-quality comms infrastructure is provided to customers.	– WiredScore assessments underway across the portfolio with 15 already scoring Gold or Platinum and work ongoing to achieve Gold or Platinum ratings at the rest.
	– Match scale, diversification and maturity of debt facilities to Company's funding requirements.	– Secured £200m of new private placement notes with blended maturity of nine years and fixed rate of coupon of 3.1%. – Extended maturity of bank facilities to five years and increased quantum by £100m to £250m.
	– Ensure appropriate preparation for new regulations.	– Preparation well advanced for new GDPR legislation in May 2018.
	– Ongoing review of potential higher risk areas across the business.	– Regular review by the Executive and Risk Committee of risk register and effectiveness of controls to minimise risk exposure. – External review of IT function completed and cyber security training undertaken for all staff. – Detailed external tax compliance review completed.
Comprehensive investor engagement programme	– Provide added value investor briefing and presentation sessions.	– Positive feedback from investors and analysts following the full and half year result presentations and investor tours.
	– Ensure that all identified key existing and potential investors offered 1:1 meetings at least annually.	– 100 1:1 or group meetings with European existing and potential investors and 30 1:1 or group meetings with North American existing and potential investors. 135 meetings in total.
	– Extend reach of North American investor programme.	– Three property tours conducted for North American investors. – Attendance and presentations at five property conferences in the UK and one in the US.
People engagement – Doing The Right Thing	Customers: – Improve recycling levels and energy efficiency.	– 12 recycling roadshows conducted, new recycling information pack sent to all customers and new signage at all centres. – 'Your energy' portal facility launched at three buildings enabling customers to monitor their energy consumption.
	Staff: – Encourage local community engagement and related charity opportunities.	– 121 volunteering days completed by staff, comprising 61 work days and 60 personal. – Various charity events undertaken by Workspace staff during the year raising £31,039 for local charities. – An additional £40,000 raised for charity at events held by staff and customers across our business centres.
	Suppliers: – Establish sustainability standards.	– Minimum sustainable development standards launched for all new developments and refurbishments.

LTIP award vesting in respect of 2017/18

The 2015 LTIP awards measured performance over the period 1 April 2015 to 31 March 2018. Details of the performance targets and achievement against them are set out in the table below:

Weighting	Measure	Threshold	Maximum	Payout as % maximum
1/3 of award	Growth in Net Asset Value relative to comparators	51st percentile	75th percentile	
			Actual: 94th	33.3%
1/3 of award	TSR (share price growth plus reinvested dividends) relative to comparators	51st percentile	75th percentile	
		Actual: 64th		21.4%
1/3 of award	Absolute TSR	8.0% p.a.	17.0% p.a.	
		Actual: 8.4% p.a.		7.9%
LTIP (% maximum) vesting				62.7%

	CEO	CFO
Number of shares vesting (audited)		
– Performance share award	30,866	18,862
– Matching share award	17,184	18,862
Value of shares vesting*		
– Performance share award	£300,944	£183,905
– Matching share award	£167,544	£183,905
Date vesting	26 June 2018	

* Given the vesting date share price of £9.75, which is the three-month average price to 31 March 2018.

The Committee considered performance set out in the table above together with the underlying business performance of Workspace and concluded that 62.7% of the 2015 LTIP award should vest.

These awards are subject to a one-year holding period and malus and clawback provisions. The 2016 LTIP awards are based on the same targets and weightings as the 2015 LTIP award shown above, measured over the period 1 April 2018 to 31 March 2019.

LTIP awards made during the 2017/18 financial year

Under the current Policy, awards (conditional shares) under the LTIP are granted to a maximum of 200% of salary. Awards under the 2017 LTIP are subject to the performance conditions detailed in the table below measured over the period 1 April 2017 to 31 March 2020.

	Relative TSR vs. sector group[1] (1/2 of award)	Total Property Return versus London IPD index (1/2 of award)
Threshold[2] (20% vesting)	Median	Median
Maximum[2] (100% vesting)	Upper quartile	Upper quartile

1. The comparator group for the 2017 LTIP cycle is the constituents of the FTSE 350 Real Estate Index excluding agencies.
2. There is straight-line vesting between the 'Threshold' and 'Maximum' performance levels.

A performance underpin will apply which allows the Committee to reduce vesting if performance is inconsistent with the overall performance of the business.

The following awards were granted during the year under the 2017 LTIP (audited):

			Performance Share award		
				Face value	
	Date of grant	Market price at date of award[1]	Number of shares	£	% of salary
CEO	20 July 2017	£8.9033	107,757	959,393	200%
CFO	20 July 2017	£8.9033	65,863	586,398	200%

1. The share price for calculating the levels of awards was £8.9033, see table above, the average mid-market closing price over the three dealing days 17, 18 and 19 July 2017, in accordance with the LTIP rules.

Deferred shares were granted (as conditional shares) under the 2016/17 bonus of 20,119 shares to Mr Hopkins and 12,295 shares to Mr Clemett on 26 June 2017 based on a share price of £9.1382.

Single figure for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2018 and the prior year:

	Daniel Kitchen		Maria Moloney		Chris Girling		Damon Russell		Stephen Hubbard	
Non-Executive Director	**2017/18 £000**	2016/17 £000	**2017/18 £000**	2016/17 £000	**2017/18 £000**	2016/17 £000	**2017/18 £000**	2016/17 £000	**2017/18 £000**	2016/17 £000
Base fee	**178.5**	175.0	**48.2**	47.3	**48.2**	47.3	**48.2**	47.3	**48.2**	47.3
Additional fees	**–**	–	**10.5**	10.5	**10.5**	10.5	**–**	–	**–**	–
Total	**178.5**	175.0	**58.7**	57.8	**58.7**	57.8	**48.2**	47.3	**48.2**	47.3

1. Additional fees were paid to Maria Moloney as Chairman of the Remuneration Committee and to Chris Girling as Chairman of the Audit Committee.
2. Expenses incurred by Non-Executive Directors represent the cost to the Group, being gross of taxation. In 2017/18, 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 £2,800, £13,428 and £3,072 respectively.

Share ownership and share interests (audited)

The shareholding guideline for Executive Directors is 200% of salary. The table below shows the interests of the Directors and connected persons in shares (owned outright or vested). There have been no changes in the interests in the period between 31 March 2018 and 5 June 2018. Both Executive Directors have exceeded the shareholding guidelines.

	31 March 2018	31 March 2017
Chairman		
Daniel Kitchen[1]	**44,700**	44,700
Executive Directors		
Jamie Hopkins	**133,082**	130,525
Graham Clemett	**142,627**	147,674
Non-Executive Directors		
Maria Moloney	**2,027**	2,027
Chris Girling	**Nil**	Nil
Damon Russell	**Nil**	Nil
Stephen Hubbard	**15,290**	15,290

1. Daniel Kitchen acquired 1,000 6% Sterling Bonds on 2 October 2012 at a price of £100 per Bond.

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

Executive Director	Type	Owned outright or vested[2]	Unvested and not subject to performance[3]	Subject to performance[4]	Total
Jamie Hopkins	Shares	133,082	68,169	220,777	422,028
	Market value options[1]	Nil	3,474	Nil	3,474
Graham Clemett	Shares	142,627	50,019	134,931	327,577
	Market value options[1]	Nil	1,737	Nil	1,737

1. Market value options include SAYE options outstanding not yet matured as at 31 March 2018. 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 134 for further details.
2. Total shares owned outright or vested shares.
3. The interests in shares comprise those LTIP awards granted in 2015 which are no longer subject to performance but are due to vest on 26 June 2018, of 37,724 shares for Mr Clemett and 48,050 shares for Mr Hopkins. In addition, the gross number of deferred bonus shares awarded in 2017 of 20,119 for Mr Hopkins and 12,295 for Mr Clemett are also included in this figure,
4. The interest in shares of 134,931 for Mr Clemett and the interest in shares of 220,777 for Mr Hopkins consist of the total LTIP awards made in 2016 and 2017, details of which can be found on page 134 of this Report.

External appointments

It is the Board's policy to allow Executive Directors to take up one Non-Executive position on the Board of another company, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. Mr Clemett was appointed a Non-Executive Director and Chairman of the Audit Committee of The Restaurant Group plc, effective 1 June 2016. Mr Clemett is paid an annual fee of £60,000. Mr Hopkins was appointed a Non-Executive Director of St. Modwen Properties PLC, effective from 1 March 2018, and is paid an annual fee of £45,921.

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 2017 and ended 31 March 2018.

Employee remuneration

Distribution to shareholders

How will we apply the Policy in 2018/19

We believe that the Policy continues to be fit for purpose going forward, and therefore the Committee is not proposing to make any changes for 2018/19.

Base salary

The Committee reviewed Executive Directors' salaries and the following salaries are effective from 1 April 2018.

CEO

CFO

The average salary increase across the Group for the year commencing 1 April 2018 is 3%.

Benefits and pension

No change.

Annual bonus

There is no change to the annual bonus maximum potential in 2018/19, and this will continue to be 120% of salary for Executive Directors.

No changes are being made to the performance measures and they will be:

Adjusted trading profit after interest (60% of salary)	+	Total Property Return (24% of salary)	+	Customer satisfaction (12% of salary)	+	Personal performance (24% of salary)

33% of the total bonus paid will be deferred into shares for three years. Dividend equivalents may be accrued on deferred shares.

Whilst we believe that disclosing the exact performance conditions and targets for the personal performance would not be in the best interests of Shareholders, we remain committed to best practice disclosure. We therefore set out below some of the categories that the Committee will consider in respect of evaluating personal performance, and examples of the nature of some of the goals under these (excluding exact targets). Full disclosure on the targets, performance achieved and resulting bonus payouts for 2018/19 will be provided in next year's report.

Personal objectives 2018/19

Objective	Target
Active property portfolio management	– Identify scale acquisition opportunities across London and look to acquire where return criteria can be met. – Continue to identify and progress opportunities for refurbishment and re development across the portfolio.
Maintain low risk business profile	– Preparation for, and compliance with, evolving regulatory requirements. – Monitor and update IT systems and processes as appropriate to optimise efficiency and security. – Ensure that the Company and its staff are aware of, and protected from existing and emerging cyber security threats.
Investor engagement programme	– Comprehensive timetable of visits, site tours and presentations to both existing and potential investors. – Delivery of high quality, added value presentations and briefings to investors and analysts.
People engagement – 'Doing the Right Thing'	– Encourage staff engagement with local communities and potential charity opportunities. – Develop and launch a values based staff engagement programme.

Long-Term Incentive Plan (LTIP)
Maximum award 200% of salary. The performance measures are such that 50% will be based on Total Property Return against a London focused IPD index and 50% will be based on relative TSR against FTSE 350 Real Estate companies. The targets for the two elements are as follows:

	Total Shareholder Return relative to FTSE 350 Real Estate Supersector index excluding agencies	Total Property Return versus London focused IPD index
Threshold vesting (20% of maximum)	Median	Median
Maximum vesting (100% of maximum)	Upper quartile	Upper quartile

A holding period of two years will apply to any vested shares under the LTIP.

To ensure any payouts are fully reflective of underlying performance, the LTIP underpin allows the Committee to reduce vesting should the Committee believe that the relative TSR and/or relative TPR performance is inconsistent with the overall performance of the business.

Non-Executive Director fees
The fees for Non-Executive Directors are reviewed and agreed annually. The fees, which are effective from 1 April 2018, are set out in the table below.

	2018 fee	2017 fee	% change
Chairman	**£183,855**	£178,500	3
NED base fee	**£49,640**	£48,195	3
Chair of Audit Committee fee	**£10,500**	£10,500	0
Chair of Remuneration Committee fee	**£10,500**	£10,500	0

Additional information

Payments for loss of office (audited)
None.

Payments to past Directors (audited)
None.

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:

			Notice period	
Executive Director	Position	Effective date of contract	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 are set out below:

Name	Date of original appointment (date of reappointment)	Date of appointment/ last reappointment at AGM	Notice period
Daniel Kitchen	6 June 2011 (6 June 2017)	2017	6 months
Maria Moloney	22 May 2012 (22 May 2018)	2017	3 months
Chris Girling	7 February 2013 (7 February 2016)	2017	3 months
Damon Russell	29 May 2013 (29 May 2016)	2017	3 months
Stephen Hubbard	16 July 2014 (16 July 2017)	2017	3 months

The Directors are subject to annual re-election at the AGM. Non-Executive Directors' letters of appointment and Executive Directors' contracts are available to view at the Company's registered office.

Who are the Committee's advisers?
During the year, the Committee appointed PwC LLP as independent adviser to the Committee following a selection process. PwC LLP is a founding member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to Executive remuneration consulting in the UK. The Committee is satisfied that the PwC LLP engagement partner and team, which provide remuneration advice to the Committee, do not have connections with the Group that may impair their objectivity and independence. The fees charged by PwC LLP for the provision of independent advice to the Committee since their appointment in September 2017 were £28,500. The Committee retained Deloitte LLP as its advisers for the first half of the year. Deloitte LLP, who are also founding members and signatories of the Remuneration Consultants Group, provided independent advice. The fees paid to Deloitte LLP were £46,859 for that period.

Other than in relation to advice on remuneration, neither PwC LLP nor Deloitte LLP provided any other services to the Company.

Voting at the Company's AGMs
The table below sets out the results of the most recent Shareholder votes on the Policy Report and the advisory vote on the 2016/17 Annual Report on Remuneration at the 2017 AGM on 14 July 2017. The Committee views this level of Shareholder support as a strong endorsement of the Company's Policy and its implementation.

	Percentage of votes cast		Number of votes cast		
	For and Discretion	Against	For and Discretion	Against	Withheld[1]
Policy Report (2017 AGM)	99.72	0.28	108,262,655	308,916	1,728
Annual Report on Remuneration (2017 AGM)	99.06	0.94	107,554,174	1,017,396	1,728

1. A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

Share-based awards and dilution
The Company's share schemes are funded through a combination of shares purchased in the market and new-issue shares, as appropriate. The Company monitors the number of shares issued under these schemes and their impact on dilution limits. The Company's usage of shares compared to the relevant dilution limits set by the Investment Association ('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 2018 is detailed on the next page.

As of 31 March 2018, around 4.4% and 3.7% shares have been, or may be, issued to settle awards made in the previous 10 years in connection with all share schemes and executive share schemes respectively. Awards that are made but then lapse or are forfeited are excluded from the calculations.

All Share Plans

Executive Share Plans

Supplementary information on Directors' remuneration

Outstanding LTIP awards

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

	At 1 April 2017			Lapsed during the year		Vested during the year			At 31 March 2018		
Name	Performance[2]	Invested[3]	Matching[4]	Performance	Matching	Performance	Invested	Matching	Performance	Invested	Matching
Jamie Hopkins											
26/06/2014[1]	73,469	16,000	60,378	(8,302)	(6,823)	(65,167)	(16,000)	(53,555)	–	–	–
26/06/2015[1]	49,229	7,263	27,407	–	–	–	–	–	49,229	7,263	27,407
23/06/2016[1]	56,510	14,975	56,510	–	–	–	–	–	56,510	14,975	56,510
20/07/2017[1,5]	–	–	–	–	–	–	–	–	107,757	–	–
Graham Clemett											
26/06/2014[1]	45,918	12,168	45,918	(5,189)	(5,189)	(40,729)	(12,168)	(40,729)	–	–	–
26/06/2015[1]	30,084	7,972	30,084	–	–	–	–	–	30,084	7,972	30,084
23/06/2016[1]	34,534	9,151	34,534	–	–	–	–	–	34,534	9,151	34,534
20/07/2017[1,5]	–	–	–	–	–	–	–	–	65,863	–	–

1. Awards will vest subject to the satisfaction of performance conditions detailed on page 129 over the three-year performance period.
2. Performance Awards made to the Executive Directors: In June 2014, awards were in respect of 100% of salary based on a share price at date of award of £5.7033; in June 2015 awards were in respect of 100% of salary based on a share price at date of award of £9.1408 and in July 2017, awards were in respect of 200% of salary based on a share price at date of award of £8.9033. 88.7% of the 2014 Awards vested on 26 June 2017.
3. Participants are entitled to dividends payable on the Invested Shares. The Invested Shares, which are beneficially owned by participants, are included in the table detailing Ordinary Shares held by Directors on page 130 of this Report.
4. Matching Awards were granted to participants who purchased Invested Shares. In 2014, matching shares granted were up to 100% of salary for Mr Clemett and 82% of salary for Mr Hopkins, in 2015 matching shares granted were up to 100% of salary for Mr Clemett and 56% of salary for Mr Hopkins and in 2016, matching shares were granted up to 100% of salary for each of Messrs Clemett and Hopkins.
5. The LTIP awards granted in July 2017, were made under the new LTIP approved by Shareholders at the AGM in July 2017.

Share options

The following table shows, for the Directors who served during the year, the interests in outstanding awards under the HMRC-approved Savings Related Share Option Plan and SIP Awards.

	At 01/04/2017	Granted during the year	Lapsed during the year	Vested in year	At 31/03/2018	Exercise price	Normal exercise date From	To
Jamie Hopkins	107[1]	–	–	–	107	–	18.09.2018	–
	–	228[1]	–	–	228	–	31.08.2017	–
	3,474	–	–	–	3,474	£5.18	01.09.2019	01.03.2020
Graham Clemett	1,960	–	–	(1,960)	–	–	–	–
	1,737	–	–	–	1,737	£5.18	01.09.2019	01.03.2020
	107[1]	–	–	–	107[1]	–	18.09.2018	–
	–	228[1]	–	–	228	–	31.08.2017	–

1. Each of Messrs Hopkins and Clemett were granted awards under the Share Incentive Plan in 2015 and 2017.

There have been no changes in Directors' interests over options in the period between the balance sheet date and 5 June 2018.

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
5 June 2018

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 2018.

Workspace Group PLC is incorporated in the UK and registered as a public limited company in England and Wales. Its headquarters are in London and it is listed on the main market of the London Stock Exchange.

This section of the Annual Report sets out the information required to be disclosed by the Company in the Directors' Report. Certain matters that would otherwise be disclosed in the Directors' Report have been reported elsewhere in the Annual Report and consequently, this Directors' Report should be read in conjunction with the Strategic Report on pages 3 to 71, which provides a description of the Company's business model and strategy. It also includes our report on Resources and Relationships, Principal Risks and Uncertainties and the Going Concern and Viability Statement.

The Corporate Governance Report and Chairman's Governance Report for the year ended 31 March 2018 on pages 73 to 139, are incorporated by reference into this Directors' Report.

Principal activities and business review

The Group is engaged in property investment and letting business space to London businesses. As at 31 March 2018 the Company had 10 active subsidiaries, five of which are property investment companies owning properties in Greater London. The other five companies are: Workspace Management Limited; Workspace 16 (Jersey) Limited, LI Property Services Limited, Workspace Glebe Limited and Workspace 17 (Jersey) Limited. A full list of the Company's subsidiaries and other related undertakings appears on page 177.

Significant events which occurred during the year are detailed in the Chairman's statement on page 3, the Chief Executive Officer's strategic review on pages 28 to 34 and the Business Review on page 62.

A description of the principal risks and uncertainties facing the Company can be found on pages 46 to 56. Details of the Company's health and safety policies can be found on page 136 and information on its environmental and community engagement activities can be found on pages 22 to 27.

Profit and dividends

The Group's profit after tax for the year attributable to shareholders amounted to £171.4m (2017: £88.7m).

The interim dividend of 8.84 pence (2017: 6.80 pence) was paid in February 2018 and the Board is proposing to recommend the payment of a final dividend of 18.55 pence (2017: 14.27 pence) per share to be paid on 3 August 2018 to shareholders whose names are on the Register of Members at the close of business on 6 July 2018. This makes a total dividend of 27.39 pence (2017: 21.07 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 10 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 13 July 2018.

The Directors of the Company all held office throughout the year. The current Directors and their biographies can be found on pages 84 to 90. Details of Directors' remuneration are provided in the Remuneration Report on pages 113 to 134. Details of the Directors' shareholdings in the share capital of the Company and options over shares are provided on pages 130 and 134.

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 57.

The Group's activities, strategy and performance are explained in the Strategic Report on pages 3 to 71.

Further detail on the financial performance and financial position of the Group are provided in the financial statements on pages 146 to 178.

Employees

The Group values highly the commitment of its employees and has maintained its practice of communicating business developments to them in a variety of formats. The Group's employees are kept informed of its activities and performance through a series of Director-led staff briefings at key points during the year and the circulation of corporate announcements and other relevant information to staff which is supplemented by updates on the intranet. These briefings also serve as an informal forum for employees to ask questions about the Company.

Share schemes are a long-established and successful part of our total reward package, encouraging and supporting employee share ownership. In particular, all employees are invited to participate in the Company's Savings Related Share Option Scheme ('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 26 on page 178.

Further information on Group employees can be found on pages 26, 126 and 156.

Share capital and control
As at 31 March 2018, the Company's issued share capital comprised a single class of 163,806,591 Ordinary Shares of £1.00 each. Details of the Company's issued share capital are set out on page 172.

Full details of share options and awards under the terms of the Company's share incentive plans can be found on pages 172 to 175.

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 2018, 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	44,770,817	27.33
Old Mutual	17,396,569	10.62
BlackRock Inc	12,480,475	7.62
Standard Life	12,459,207	7.61
Prudential Group	8,731,583	5.33

As at 24 May 2018 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	44,750,229	27.32
Quilter Plc	16,545,092	10.10
Standard Life	12,448,340	7.60
BlackRock Inc	12,327,240	7.53
Prudential Group	8,639,954	5.27

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 2017 Annual General Meeting to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2018 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 110.

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.

Political donations
The Company and its subsidiaries made no political donations during the year (2017: Nil).

Greenhouse gas ('GHG') emissions
In line with the requirements of The Greenhouse Gas Emissions (Directors' Reports) Regulations 2013 we have continued to benchmark and report our emissions that result from our business activities. Emissions are calculated from the following sources:

Scope 1 emissions – direct emissions
- **On-site fuel combustion:**
  Gas or oil purchased for our assets. This includes tenant consumption where we procure gas on their behalf.
- **Fugitive emissions:**
  Refrigerant leaks from owned air-conditioning ('RAC') equipment.
- **Company vehicles:**
  Fuel combustion and refrigerant leakage.

Scope 2 emissions – indirect emissions
- **Purchased electricity:**
  Electricity purchased for our assets. This includes tenant consumption where we procure electricity on their behalf.
- **Purchased heat:**
  Heat purchased for our assets. This includes tenant consumption where we procure district heat on their behalf.

Carbon emissions by source (tCO_2e)
In order to satisfy the requirements, we report both absolute emissions and emissions as an intensity ratio, this is based on net lettable and occupied area.

Source of emissions	2012/13	2013/14	2014/15	2015/16	2016/17	**2017/18**	% Change
Scope 1 (direct emissions)	4,222	3,846	3,515	3,375	3,181	**3,192**	-24%
Workspace							
Gas	3,959	3,535	3,194	2,847	2,849	**2,804**	
Fugitive emissions	169	216	244	458	319	**383**	
Vehicle emissions	2	2	4	7	4	**5**	
Joint venture							
Gas	60	64	51	42	5	**0**	
Heating oil	31	28	20	20	3	**0**	
Fugitive emissions	0	2	2	2	0	**0**	
Scope 2 (indirect emissions)	10,822	11,290	12,405	12,366	10,110	**8,863**	-18%
Workspace							
Purchased electricity (location-based)	10,510	10,956	12,037	12,129	10,005	**8,762**	
Purchased electricity (market-based)	–	–	–	–	–	**1,004**	
Purchased heat	0	0	0	84	92	**100**	
Joint venture							
Purchased electricity	312	334	368	153	14	**0**	
Total	15,044	15,136	15,920	15,741	13,292	**12,055**	-20%
Net lettable area tCO_2e/m^2	0.030	0.031	0.035	0.036	0.037	**0.035**	
Occupied space area tCO_2e/m^2	0.035	0.036	0.040	0.041	0.044	**0.041**	

1. Previous data has been recalculated to account for changes and additions.
2. Emissions from vacant units have been omitted from data collection as they are considered to be immaterial.
3. Calculations based upon a 5% materiality threshold.
4. Joint venture emissions as a proportion of our equity share.
5. DEFRA Environmental Reporting Guidelines and the financial control approach applied.
6. Note that when reporting totals, the location-based emissions are used.

Performance
The 2017/18 Greenhouse Gas (GHG) emissions across the portfolio have decreased by 20% against our 2012/13 baseline and have decreased by 9% compared to the previous year. The portfolio has grown in size since 2012/13 and we have been increasing the amount of air-conditioned floor space we let, which has increased our overall portfolio carbon intensity compared to the baseline year. However, we have reduced our 2017/18 carbon intensity compared to the previous year.

The reduction in our 2017/18 GHG emissions and intensity can be attributed to a number of factors including divestment of four assets, three major refurbishment projects which had a strong focus on energy efficiency and the delivery of portfolio wide energy efficiency projects. Another contributing factor to the year-on-year reduction is a decrease in the carbon dioxide emission factor for UK electricity generation, which is attributed to a significant decrease in coal generation and an increase in gas and renewables generation.

For the first time we are also undertaking market-based reporting where we quantify the GHG emissions for our electricity consumption using the carbon dioxide emissions factor provided to us by our supplier, rather than using the UK grid average. As we have chosen to procure a significant proportion of our energy from a verifiable renewable energy contract, that ensures energy is generated by a variable mix of hydro-electric, offshore and onshore wind, we are able to report that our market-based GHG emissions are 1,004 tCO_2e which is significantly less than using the UK grid average. Where possible, we are continuing to increase the number of supplies that are included within our renewable energy contract to further reduce our GHG emissions.

Achievements
We have proactively identified and delivered a range of energy management projects across our portfolio including technology and infrastructure upgrades, improved data management and employee engagement.

One of the main initiatives was the targeted installation of the Optergy Building Management System (BMS) which is a smart metering technology that has enabled real-time energy monitoring at the building level right down to individual plant equipment. The data provided by the BMS has enabled us to engage with our in-house Facility Management teams to improve energy management practices and reduce GHG emissions. Other initiatives that have been implemented include ongoing LED lighting upgrades, ongoing Automatic Meter Reading (AMR) installations, BMS and boiler optimisation, insulation improvements and refurbishment projects.

Future
To further reduce our GHG emissions, we will continue to focus on designing and implementing energy efficiency initiatives within our buildings and actively engage with both our site staff and customers to implement energy conservation measures. We have set challenging objectives and targets for the next year and will be monitoring our performance throughout the year to ensure that we achieve our goal of reducing our GHG emissions.

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 156 note 4
4	Details of long-term incentive schemes	Remuneration Report, pages 129, 130 and 134

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

Post Balance sheet events
Details of post Balance sheet events can be found on page 178.

2018 Annual General Meeting
The 32nd Annual General Meeting of the Company will be held at the Company's business centre at 160 Fleet Street, London EC4A 2DQ on Friday 13 July 2018 at 10.00am. The Notice of the Meeting, together with an explanation of the business to be dealt with at the Meeting, is included as a separate document sent to shareholders who have elected to receive hard copies of shareholder information and is also available on the Company's website.

By Order of the Board

Carmelina Carfora
Company Secretary
5 June 2018

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board on 5 June 2018 by:

Jamie Hopkins
Chief Executive Officer

Graham Clemett
Chief Financial Officer

Independent Auditor's Report
to the members of Workspace Group PLC

KPMG

1. Our opinion is unmodified

We have audited the financial statements of Workspace Group PLC ('the Company') for the year ended 31 March 2018 which comprise the Consolidated and Parent Company's Balance Sheets, the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated and Parent Company's Statement of Changes in Equity, and the related notes, including the accounting policies on pages 146 to 183.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as Auditor by the Shareholders on 14 July 2017. The period of total uninterrupted engagement is for the one financial year ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£22.0 million 0.9% of total Group assets
Lower materiality: components of adjusted trading profit after interest	£3.0 million 4.9% of profit before tax excluding fair value valuation movements and profit on disposals
Coverage	100% of total Group assets
Risks of material misstatement	
Recurring risk (Group)	Valuation of investment property
Recurring risk (Parent)	Accounting for financial instruments

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of investment property (Group) (Group: £2,288.7 million; 2017: £1,839.0 million) *Refer to page 105 (Audit Committee Report), page 150 (accounting policy) and page 161 (financial disclosures).*	**Subjective valuation** Investment properties is the largest balance in the financial statements and is held at fair value in the Group's financial statements. The portfolio is externally valued by qualified independent valuers, CBRE. Each property is unique and determining fair value requires significant judgement and estimation, in particular over the key assumptions of the estimated rental value and the yield. The key assumptions will be impacted by a number of factors including location, quality and condition of the building and occupancy. Valuing investment properties either under development or with development potential can be further complicated by the need to assess the likelihood of planning consent and an allowance for developer's profit. Whilst comparable market transactions can provide valuation evidence, the flexible office sector is still maturing and the unique nature of each property means that a key factor in the property valuations are the assumptions made by the valuer. **Data capture** Each property valuation includes source data provided by management and relied on as accurate by the external valuer, primarily the database of tenancy contracts. The relatively short average lease length in the Workspace portfolio and reduced market comparable information for such flexible office space means the valuer is more reliant on tenancy data to support their market rent assumptions than may be the case in other property sectors. Therefore the valuation is more sensitive to the source data than may be the case for more mature sectors with longer leases. Further, given the higher turnover of tenants, the valuers will have less working knowledge of the current tenancy position, and less reason to question changes.	Our procedures included: – **Assessing valuer's credentials:** We assessed CBRE's objectivity, professional qualifications and experience through discussions with them and reading their valuation report. – **Methodology choice:** We critically assessed the methodology used by the valuers by using our own property valuation specialist to assist us in considering whether the valuation report is in accordance with the RICS Valuation Professional Standards 'the Red Book', IFRS and that the valuation methodology adopted is appropriate by reference to acceptable valuation practice. – **Benchmarking assumptions:** With the assistance of our own property valuation specialist, we held discussions with CBRE to critically assess movements in property values. For a sample of properties selected using various criteria including analysis of the value of a property as well as correlation with movements in market rent, we evaluated and challenged as appropriate the key assumptions upon which these valuations were based, including those relating to forecast market rents and yields, by making a comparison to our own understanding of the market. – **Test of detail:** We compared a sample of key inputs used in the valuations, such as rental income and lease length to the Group's property management system and lease contracts. – **Test of detail:** For a selection of properties under development, we assessed the progress of the development and evaluated assumptions over constructions costs, agreeing them to construction contracts and management's project appraisals. – **Assessing transparency:** We considered the adequacy of the Group's disclosures about the degree of estimation and sensitivity to key assumptions made when valuing properties. **Our results** – We found the valuation of investment properties to be acceptable.

	The risk	Our response
Accounting for derivatives (Parent) *Refer to page 150 (accounting policy) and page 167 (financial disclosures).*	**Accounting application** The Parent Company has derivative financial instruments of £2.5 million (2017: £12.1 million). The cash flow hedge is against a $100 million/£64.5 million loan (2017: $100 million/£64.5 million). The Parent Company has a cross currency swap to ensure the US Dollar liability streams generated from the US Dollar Notes are fully hedged into Sterling for the life of the transaction. Through entering into the cross currency swap, the Parent Company has created a synthetic Sterling fixed rate liability totalling £64.5 million (2017: £64.5 million). The swaps have been externally valued and are designated as a cash flow hedge with changes in fair value dealt with in other comprehensive income. The valuations of the swaps are based on market movements which can fluctuate in the year. It is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	Our procedures included: – **Test of detail:** We agreed the carrying value of derivatives to valuations obtained directly from counter-party valuers. – **Reperformance:** In addition, we engaged our internal specialists who performed independent valuations using independent market data. – **Accounting analysis:** We assessed whether the classification and accounting of the cash flow hedge was appropriate in addition to reviewing whether the changes in fair value are correctly classified within other comprehensive income. **Our results** – We consider derivatives to be accounted for appropriately.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £22.1 million, determined with reference to a benchmark of total assets (of which it represents 0.9%).

In addition, we applied materiality of £3.0 million to Group components of adjusted trading profit after interest (as defined by the Group on page 35) which comprises net rental income, administrative expenses and net finance costs for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Group.

Materiality for the Parent Company financial statements as a whole was set at £21.0 million, determined with reference to a benchmark of Company net assets, of which it represents 3.1%.

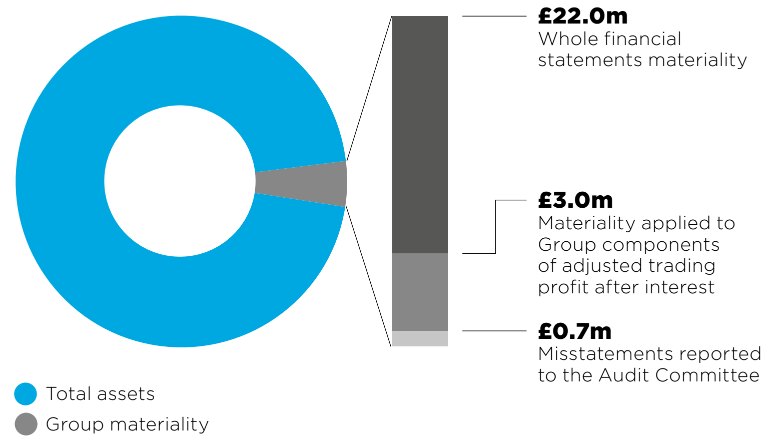
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.7 million (Group), £0.6 million (Parent Company) or £0.15 million for misstatements relating to procedures performed to the lower materiality, in addition to other identified misstatements that warranted reporting on qualitative grounds

The components within the scope of our work accounted for the percentages illustrated opposite.

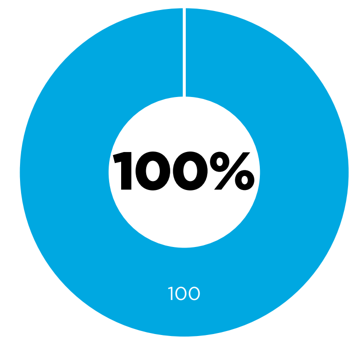
The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality levels set out above.

Total Group assets
£2,339.2m (2017: £1,897.1m)

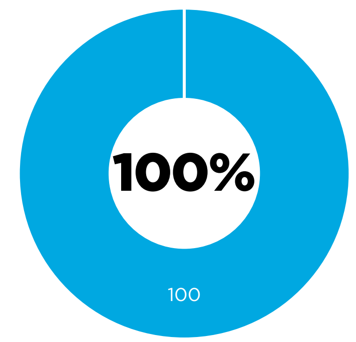
Group materiality
£22.0m



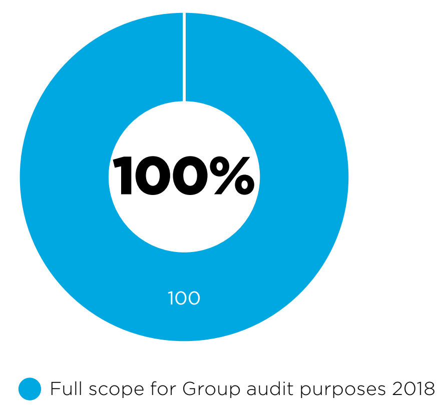
Group revenue



Group profit before tax



Group total assets



4. We have nothing to report on going concern
We are required to report to you if:
- we have anything material to add or draw attention to in relation to the Directors' statement on page 139 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 138 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report
The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report
Based solely on our work on the other information:
- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability
Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:
- the Directors' confirmation within the Going Concern and Viability Statement on page 57 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Going Concern and Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Going Concern and Viability Statement. We have nothing to report in this respect.

Corporate governance disclosures
We are required to report to you if:
- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

We are required to report to you if the Corporate Governance Report does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception
Under the Companies Act 2006, we are required to report to you if, in our opinion:
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities
Directors' responsibilities
As explained more fully in their statement set out on page 139, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an Auditor's Report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the Directors (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the Directors and inspection of regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Kelly (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
5 June 2018

Consolidated income statement
For the year ended 31 March 2018

	Notes	2018 £m	2017 £m
Revenue	1	**128.9**	108.8
Direct costs	1	**(33.3)**	(29.6)
Net rental income	1	**95.6**	79.2
Administrative expenses	2	**(16.1)**	(15.1)
Trading profit		**79.5**	64.1
Profit/(loss) on disposal of investment properties	3(a)	**26.6**	(0.6)
Loss on disposal of joint ventures	3(b)	**-**	(0.2)
Other income	3(c)	**0.6**	2.1
Other expenses	3(d)	**-**	(1.2)
Change in fair value of investment properties	10	**82.5**	39.5
Operating profit	2	**189.2**	103.7
Finance income	4	**-**	0.1
Finance costs	4	**(18.8)**	(13.7)
Exceptional finance costs	4	**-**	(1.4)
Gains from share in joint ventures	12(a)	**-**	0.1
Profit before tax		**170.4**	88.8
Taxation	6	**1.0**	(0.1)
Profit for the financial year after tax		**171.4**	88.7
Basic earnings per share	8	**104.8p**	54.5p
Diluted earnings per share	8	**104.0p**	53.5p

Consolidated statement of other comprehensive income
For the year ended 31 March 2018

	2018 £m	2017 £m
Profit for the financial year	**171.4**	88.7
Other comprehensive income:		
Items that may be classified subsequently to profit or loss:		
Cash flow hedge – transfer to income statement	**8.5**	10.3
Cash flow hedge – change in fair value	**(9.5)**	(8.1)
Total comprehensive income for the year	**170.4**	86.5

The notes on pages 150 to 178 form part of these financial statements.

Consolidated balance sheet
As at 31 March 2018

	Notes	2018 £m	2017 £m
Non-current assets			
Investment properties	10	**2,288.7**	1,839.0
Intangible assets		**1.4**	0.7
Property, plant and equipment	11	**2.9**	2.9
Investment in joint ventures	12(a)	**0.1**	0.3
Other investments	12(b)	**3.2**	3.1
Trade and other receivables	13	**-**	7.3
Derivative financial instruments	16(e) & (f)	**2.5**	12.1
		2,298.8	1,865.4
Current assets			
Trade and other receivables	13	**22.4**	25.2
Cash and cash equivalents	14	**18.0**	6.5
		40.4	31.7
Total assets		**2,339.2**	1,897.1
Current liabilities			
Trade and other payables	15	**(75.5)**	(52.2)
Deferred tax	6	**-**	(0.9)
		(75.5)	(53.1)
Non-current liabilities			
Borrowings	16(a)	**(550.8)**	(265.5)
		(550.8)	(265.5)
Total liabilities		**(626.3)**	(318.6)
Net assets		**1,712.9**	1,578.5
Shareholders' equity			
Share capital	19	**163.8**	163.2
Share premium	19	**135.3**	135.4
Investment in own shares	21	**(9.3)**	(8.9)
Other reserves	20	**19.4**	18.7
Retained earnings		**1,403.7**	1,270.1
Total shareholders' equity		**1,712.9**	1,578.5
EPRA net asset value per share	9	**£10.37**	£9.53

The notes on pages 150 to 178 form part of these financial statements.

The financial statements on pages 146 to 178 were approved and authorised for issue by the Board of Directors on 5 June 2018 and signed on its behalf by:

J Hopkins
G Clemett
Directors

Consolidated statement of changes in equity
For the year ended 31 March 2018

	Notes	Attributable to owners of the parent: Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total Share-holders' equity £m
Balance at 31 March 2016		162.4	135.9	(8.9)	19.0	1,209.2	1,517.6
Profit for the financial year		–	–	–	–	88.7	88.7
Other comprehensive income for the year	20	–	–	–	(2.2)	–	(2.2)
Total comprehensive income		–	–	–	(2.2)	88.7	86.5
Transactions with owners:							
Share issues	19	0.8	(0.5)	–	–	(0.1)	0.2
Dividends paid	7	–	–	–	–	(27.7)	(27.7)
Share based payments	22	–	–	–	1.9	–	1.9
Balance at 31 March 2017		163.2	135.4	(8.9)	18.7	1,270.1	1,578.5
Profit for the financial year		**–**	**–**	**–**	**–**	**171.4**	**171.4**
Other comprehensive income for the year	20	**–**	**–**	**–**	**(1.0)**	**–**	**(1.0)**
Total comprehensive income		**–**	**–**	**–**	**(1.0)**	**171.4**	**170.4**
Transactions with owners:							
Share issues	19	**0.6**	**(0.1)**	**–**	**–**	**–**	**0.5**
Own shares purchase (net)		**–**	**–**	**(0.4)**	**–**	**–**	**(0.4)**
Dividends paid	7	**–**	**–**	**–**	**–**	**(37.8)**	**(37.8)**
Share based payments	22	**–**	**–**	**–**	**1.7**	**–**	**1.7**
Balance at 31 March 2018		**163.8**	**135.3**	**(9.3)**	**19.4**	**1,403.7**	**1,712.9**

The notes on pages 150 to 178 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 March 2018

	Notes	**2018 £m**	2017 £m
Cash flows from operating activities			
Cash generated from operations	18	**93.2**	69.7
Interest received		**–**	0.1
Interest paid		**(18.8)**	(15.0)
Tax		**(0.2)**	(1.4)
Net cash inflow from operating activities		**74.2**	53.4
Cash flows from investing activities			
Purchase of investment properties		**(370.4)**	(10.8)
Capital expenditure on investment properties		**(73.8)**	(56.8)
Proceeds from disposal of investment properties (net of sale costs)		**128.1**	7.8
Purchase of intangible assets		**(1.1)**	(0.4)
Purchase of property, plant and equipment		**(1.0)**	(1.8)
Capital distributions from joint ventures		**–**	2.7
Proceeds from disposal of joint ventures		**–**	18.7
Other income (overage receipts)		**8.7**	23.8
Performance fee from joint venture		**–**	24.5
Purchase of investments		**(0.1)**	–
Movement in funding balances with joint ventures		**–**	0.4
Income distributions from joint ventures	12(a)	**0.2**	0.6
Net cash (outflow)/inflow from investing activities		**(309.4)**	8.7
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	19	**0.5**	0.2
Finance costs for new/amended borrowing facilities		**(1.9)**	(0.3)
Exceptional finance costs		**–**	(0.9)
Settlement and re-couponing of derivative financial instruments		**(0.1)**	–
Repayment of bank borrowings	16(b)	**(294.0)**	(55.0)
Draw down of bank borrowings and Private Placement Notes	16(b)	**580.0**	–
Own shares purchase (net)		**(0.4)**	–
Dividends paid	7	**(37.4)**	(27.4)
Net cash inflow/(outflow) from financing activities		**246.7**	(83.4)
Net increase/(decrease) in cash and cash equivalents		**11.5**	(21.3)
Cash and cash equivalents at start of year	18	**6.5**	27.8
Cash and cash equivalents at end of year	18	**18.0**	6.5

The notes on pages 150 to 178 form part of these financial statements.

Notes to the financial statements
For the year ended 31 March 2018

Workspace Group PLC (the 'Company') and its subsidiaries (together 'the Group') are engaged in property investment in the form of letting of high-quality business accommodation to businesses across London.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK.

The registered number of the Company is 2041612.

Basis of preparation
These financial statements are presented in Sterling, which is the Company's functional currency and the Group's presentation currency and have been prepared on a going concern basis, in accordance with International Financial Reporting Standards ('IFRS') and IFRS IC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The details of the going concern assessment can be found on page 57.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and certain financial assets and liabilities (including derivative financial instruments) 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 valuer as the fair value of its investment properties. The valuation is based upon the key assumptions of estimated rental values and market based yields. With regard to redevelopments and refurbishments, future development costs and an appropriate discount rate are also used. In determining fair value the valuers make reference to market evidence and recent transaction prices for similar properties.

Details of the valuation methodology and key assumptions are given in note 10. Management consider the significant assumptions to the valuation of investment properties to be estimated rental values and market based yields. Sensitivities on these assumptions are provided in note 10.

Significant accounting policies
The significant accounting policies adopted in the preparation of these Consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless stated otherwise.

Basis of consolidation
The Consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings up to 31 March 2018. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

Inter company transactions, balances and unrealised gains from intra group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investment properties
Investment properties are those properties owned or leased by the Group that are held either to earn rental income or for capital appreciation, or both, and are not occupied by the Company or subsidiaries of the Group.

Investment property is measured initially at cost, including related transaction costs. After initial recognition investment property is held at fair value based on a valuation by an independent professional external valuer at each reporting date. The valuation methods and key assumptions applied are explained in note 10. Changes in fair value of investment property at each reporting date are recorded in the Consolidated income statement.

Investment properties acquired under finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the net present value of the minimum lease payments. The investment properties acquired under finance leases are subsequently carried at fair value plus an adjustment for the carrying amount of the finance lease obligation. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the 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.

Acquisitions
Where properties are acquired through corporate acquisitions and there are no significant assets (other than investment property) and liabilities, and without a business being acquired, the acquisition is treated as an asset acquisition. In all other cases, the acquisition is treated as a business combination.

Intangible assets
Intangible assets are stated at historical cost, less accumulated amortisation. Acquired computer software licences and external costs of implementing or developing computer software programs and websites are capitalised. These costs are amortised over their estimated useful lives of five years on a straight-line basis.

Costs associated with maintaining computer software programs are recognised as an expense as they fall due.

Property, plant and equipment
Equipment and fixtures
Equipment and fixtures are stated at historical purchase cost less accumulated depreciation. Historical cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Subsequent expenditure is charged to the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of each item can be reliably measured. All other repairs and maintenance costs are charged to the Consolidated income statement during the period in which they are incurred.

Depreciation is provided using the straight-line method to allocate the cost less estimated residual value over the assets' estimated useful lives which range from four to 10 years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at least at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Joint ventures
Joint ventures are those entities over which the Group, either directly or indirectly, is in a position to jointly control the financial and operating policies of the entity. Joint ventures are accounted for under the equity method whereby the Group's investment is initially accounted for at cost and adjusted thereafter to recognise the Group's share of the gains or losses in the joint venture. These are adjusted for any gains or losses arising from transactions between the Group and the joint venture.

Other investments
Investments in unlisted shares are accounted for 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.

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.

Foreign currency translation
Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated income statement, except when deferred in Other comprehensive income as qualifying cash flow hedges.

Derivative financial instruments and hedge accounting
The Group enters into derivative transactions in order to manage its exposure to foreign currency fluctuations and interest rate risks. Financial derivatives are recorded at fair value calculated by valuation techniques based on market prices, estimated future cash flows and forward interest rates.

For financial derivatives (where hedge accounting is not applied) movements in fair value are recognised in the Consolidated income statement. In line with IFRS 13, fair values of financial derivatives are measured at the estimated amount that the Group would receive or pay to terminate the agreement at the balance sheet date, taking into account the current interest expectations and current credit value adjustment of the counterparties.

The Group applies hedge accounting for certain derivatives that are designated and effective as hedges of future cash flows (cash flow hedges). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in note 16. Movements on the hedging reserve in other comprehensive income are shown in note 20.

For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated income statement within other gains/(losses). Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, to offset the currency movement on borrowings that are hedged at each period end). The gain or loss relating to the effective portion of swaps hedging the currency of borrowings is recognised in the Consolidated income statement.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Investment in own shares
The Group operates an Employee Share Ownership Trust ('ESOT') and a trust for the Share Incentive Plan ('SIP'). When the Group funds these trusts in order to purchase Company shares, the loan is deducted from Shareholders' equity as investment in own shares.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision maker is the Executive Committee of the Company. The Group considers that it has only one operating segment being a single portfolio of commercial property providing business accommodation for rent in London.

Revenue recognition
Revenue comprises rental income, service charges and other sums receivable from the Group's investment properties. Other sums comprise insurance charges, supplies of utilities, premia associated with surrender of tenancies, commissions, fees and other sundry income.

All the Group's properties are leased out under operating leases and are included in investment property in the balance sheet. Rental income from operating leases is recognised in the Consolidated income statement on a straight-line basis over the lease term. Rent received in advance is deferred in the Consolidated balance sheet and recognised in the period to which it relates to. If the Group provides incentives to its customers the incentives are recognised over the lease term on a straight-line basis.

Service charges and other sums receivable from tenants are recognised on an accruals basis by reference to the stage of completion of the relevant service or transactions at the reporting date. These services generally relate to a 12-month period.

Direct costs
Direct costs comprise service charges and other costs directly recoverable from tenants and non-recoverable costs directly attributable to investment properties and other revenue streams.

Exceptional items
Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Share based payments
The Group operates a number of share schemes under which the Group receives services from employees as consideration for equity instruments of the Group.

The fair value of the employee services received in exchange for the grant of share awards and options is recognised as an expense over the vesting period.

Fair value is measured by the use of Black-Scholes and Binomial option pricing models. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Pensions
The Group operates a defined contribution pension scheme. Contributions are charged to the Consolidated income statement on an accruals basis.

Taxation
Current income tax is tax payable on the taxable income for the year and any prior year adjustment, and is calculated using tax rates that have been substantively enacted by the balance sheet date.

Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Compliance with the Real Estate Investment Trust ('REIT') taxation regime
The Group is a REIT and is thereby exempt from tax on both rental profits and chargeable gains from its UK property rental business. In order to retain REIT status, certain ongoing criteria must be maintained. The main criteria are as follows:
- At the start of each accounting period, the assets of the tax exempt business must be at least 75% of the total value of the Group's assets;
- At least 75% of the Group's total profits must arise from the tax exempt business; and
- At least 90% of the tax exempt business earnings must be distributed.

Dividend distributions
Final dividend distributions to the Company's Shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved, while interim dividends are recognised when paid.

New accounting standards, amendments and guidance
a) During the year to 31 March 2018 the Group adopted the following accounting standards and guidance:
- Amendments to IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures – amendments regarding the consolidation exemption.
- Amendment: IAS 7 Statement of cash flows on disclosure initiatives.

These standards or guidance had no material impact on the Group's financial statements or resulted in changes to presentation and disclosure only.

b) The following accounting standards and guidance are not yet effective but are not expected to have a significant impact on the Group's financial statements or will result in changes to presentation and disclosure only. They have not been adopted early by the Group:

Standard or interpretation	Content
IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases

IFRS 9 – Financial Instruments
This standard covers the classification and measurement of financial instruments. Having carried out an assessment of the standard, the Group believes the main impact will be the measurement and presentation of trade receivables due to the change in impairment model to expected credit losses. It is not currently expected that any impact will be material.

IFRS 15 – Revenue from contracts with customers
This standard is based on the principle that revenue is recognised when control passes to a customer. In our case, the standard is most applicable to the recognition point for service charge income and disposals of investment properties. As the standard excludes rental income, which falls within the scope of IAS 17/IFRS 16 – Leases, it is not expected that IFRS 15 will have a significant impact on the Group's financial statements. There may be changes to presentation and disclosure.

IFRS 16 – Leases
For operating leases in excess of one year, this standard requires lessees to recognise a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset is assessed for impairment annually and is amortised on a straight-line basis. The lease liability is amortised using the effective interest method. Lessor accounting is substantially unchanged from current accounting. Therefore, since the Group is primarily a lessor, this standard does not significantly impact the Group's financial statements.

1. Analysis of net rental income and segmental information

	2018			2017		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**106.1**	**(3.4)**	**102.7**	86.8	(2.0)	84.8
Service charges	**17.7**	**(21.8)**	**(4.1)**	15.4	(18.5)	(3.1)
Empty rates and other non-recoverables	**–**	**(5.0)**	**(5.0)**	–	(4.8)	(4.8)
Services, fees, commissions and sundry income	**5.1**	**(3.1)**	**2.0**	6.6	(4.3)	2.3
	128.9	**(33.3)**	**95.6**	108.8	(29.6)	79.2

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

2. Operating profit

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

	2018 £m	2017 £m
Depreciation[1]	**1.1**	0.9
Staff costs (including share based costs)[1] (note 5)	**18.6**	17.1
Repairs and maintenance expenditure on investment properties	**2.6**	2.7
Trade receivables impairment (note 13)	**0.3**	0.2
Amortisation of intangibles	**0.3**	0.2
Operating lease rentals payable	**0.1**	0.1
Audit fees payable to the Company's auditors	**0.2**	0.2

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

Auditors' remuneration: Services provided by the Company's Auditors and its associates	**2018 £000**	2017 £000
Audit fees:		
Audit of Parent Company and consolidated financial statements	**150**	155
Audit of subsidiary financial statements	**20**	33
	170	188
Fees for other services:		
Audit-related assurance services	**30**	35
Tax advisory, tax compliance and legal services	**–**	20
	30	55

	2018 £m	2017 £m
Total administrative expenses are analysed below:		
Staff costs	**8.9**	8.3
Cash settled share based costs	**0.6**	0.4
Equity settled share based costs	**1.7**	1.9
Other	**4.9**	4.5
	16.1	15.1

3(a). Profit on disposal of investment properties

	2018 £m	2017 £m
Proceeds from sale of investment properties (net of sale costs)	**128.1**	7.8
Book value at time of sale (including assets held for sale)	**(101.5)**	(8.5)
Profit/(loss) on disposal	**26.6**	(0.7)
Realisation of profits on sale of properties out of joint ventures (note 12)	**–**	0.1
	26.6	(0.6)

Proceeds from sale of investment properties includes £14.0m (March 2017: £Nil) of capital receipts in relation to two part disposals.

3(b). Loss on disposal of joint ventures

	2018 £m	2017 £m
Proceeds from disposal of joint ventures (net of costs)	**0.3**	18.7
Carrying value at time of disposal (note 12)	**(0.3)**	(18.9)
Loss on disposal	**–**	(0.2)

The Group sold its share in Generate Studio Limited in March 2018. The BlackRock Workspace Property Trust joint venture was sold in June 2016 with the loss on sale being recognised in the prior year.

3(c). Other income

	2018 £m	2017 £m
Joint venture performance fee	**–**	0.4
Change in fair value of deferred consideration	**0.4**	(0.5)
Rights of light compensation	**–**	2.2
Income from investments	**0.2**	–
	0.6	2.1

The value of deferred consideration (cash and overage) from the sale of investment properties has been revalued by CBRE Limited at 31 March 2018 and 31 March 2017. The amounts receivable are included in the Consolidated balance sheet under non-current and current trade and other receivables (note 13).

3(d). Other expenses

	2018 £m	2017 £m
Impairment of other investments	**–**	(1.2)

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

4. Finance income and costs

	2018 £m	2017 £m
Interest income	**–**	0.1
Finance income	**–**	0.1
Interest payable on bank loans and overdrafts	**(2.8)**	(1.2)
Interest payable on other borrowings	**(16.0)**	(12.8)
Amortisation of issue costs of borrowings	**(0.7)**	(0.7)
Interest payable on finance leases	**(0.9)**	(0.5)
Interest capitalised on property refurbishments (note 10)	**1.6**	1.5
Foreign exchange losses on financing activities	**(8.5)**	(10.3)
Cash flow hedge – transfer from equity	**8.5**	10.3
Finance costs	**(18.8)**	(13.7)
Exceptional finance costs	**–**	(1.4)
Total finance costs	**(18.8)**	(15.1)

The exceptional finance costs of £1.4m were incurred in the prior year for the repayment of the £45m UK fund debt in September 2016 and comprised of a £0.9m repayment fee and £0.5m unamortised finance costs and legal fees relating to this debt.

5. Employees and Directors

Staff costs for the Group during the year were:	2018 £m	2017 £m
Wages and salaries	**15.6**	13.9
Social security costs	**1.9**	1.7
Other pension costs (note 26)	**0.8**	0.7
Cash settled share based costs (note 22)	**0.6**	0.4
Equity settled share based costs (note 22)	**1.7**	1.9
	20.6	18.6
Less costs capitalised	**(2.0)**	(1.5)
	18.6	17.1

The monthly average number of people employed during the year was:	2018 Number	2017 Number
Head office staff (including Directors)	**103**	98
Estates and property management staff	**114**	108
	217	206

The emoluments and pension benefits of the Directors are determined by the Remuneration Committee of the Board and are set out in detail in the Directors' Remuneration Report on pages 113 to 134. These form part of the financial statements.

Total Directors' emoluments for the financial year were £4.1m (2017: £4.3m), comprising of £2.1m (2017: £2.1m) of Directors' remuneration, £1.8m (2017: £2.1m) gain on exercise of share options and £0.2m (2017: £0.1m) of contributions to pension plans in respect of two Directors (2017: two).

6. Taxation

	2018 £m	2017 £m
Current tax:		
UK corporation tax	**–**	0.6
Adjustments to tax in respect of previous periods	**(0.1)**	(0.3)
	(0.1)	0.3
Deferred tax:		
On origination and reversal of temporary differences	**(0.9)**	(0.2)
	(0.9)	(0.2)
Total taxation (credit)/charge	**(1.0)**	0.1

The tax on the Group's profit for the year differs from the standard applicable corporation tax rate in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £m	2017 £m
Profit before taxation	**170.4**	88.8
Adjusted gains from share in joint ventures	**–**	(0.1)
	170.4	88.7
Tax at standard rate of corporation tax in the UK of 19% (2017: 20%)	**32.4**	17.7
Effects of:		
REIT exempt income	**(17.1)**	(10.3)
Changes in fair value not subject to tax as a REIT	**(15.7)**	(7.9)
Share based payment adjustments	**(0.4)**	(0.5)
Overage income subject to tax when received	**0.6**	1.2
Adjustments to tax in respect of previous periods	**(0.1)**	(0.3)
Losses carried forward previously unrecognised	**0.1**	–
Utilisation of losses unrecognised brought forward	**(0.8)**	–
Other non-taxable expenses	**–**	0.2
Total taxation (credit)/charge	**(1.0)**	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. Other income of £0.6m (2017: £2.1m) has been recorded this year (note 3(c)). £0.1m (2017: £0.8m) of this income is subject to tax. The Group estimates that as the majority of its future profits will be exempt from tax, future tax charges are likely to be low.

Changes to the UK corporation tax rates were 'substantively enacted' and 'fully enacted' on 6 and 15 September 2016 respectively as part of the Finance Bill 2016. These changes include reductions to the main rate of corporation tax from 19% to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using the rates expected to apply to the period when the asset is realised or the liability is settled.

The Group currently has an unrecognised asset in relation to tax losses carried forward of £0.3m (2017: £1.0m) calculated at a corporation tax rate of 19% (2017: 19%).

	2018 £m	2017 £m
Deferred tax assets:		
– Deferred tax to be recovered within 12 months	**0.8**	0.9
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered within 12 months	**(0.8)**	(1.8)
Deferred tax liabilities (net)	**–**	(0.9)

6. Taxation continued

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Other income (overage receipts) £m	Total £m
At 1 April 2016	**4.2**	4.2
Charged to income statement	**(2.4)**	(2.4)
At 31 March 2017	**1.8**	1.8
Credited to income statement	**(1.0)**	(1.0)
At 31 March 2018	**0.8**	0.8

Deferred tax assets	Expenses (share based payment) £m	Tax losses £m	Total £m
At 1 April 2016	**(1.1)**	**(2.0)**	(3.1)
Charged to income statement	**0.2**	**2.0**	2.2
At 31 March 2017	**(0.9)**	**-**	(0.9)
Charged to income statement	**0.1**	**-**	0.1
At 31 March 2018	**(0.8)**	**-**	(0.8)

7. Dividends

	Payment date	Per share	2018 £m	2017 £m
For the year ended 31 March 2016:				
Final dividend	August 2016	10.19p	**-**	16.5
For the year ended 31 March 2017:				
Interim dividend	February 2017	6.80p	**-**	11.2
Final dividend	August 2017	14.27p	**23.3**	–
For the year ended 31 March 2018:				
Interim dividend	February 2018	8.84p	**14.5**	–
Dividends for the year			**37.8**	27.7
Timing difference on payment of withholding tax			**(0.4)**	(0.3)
Dividends cash paid			**37.4**	27.4

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 March 2018 of 18.55 pence per ordinary share which will absorb an estimated £30.4m of revenue reserves and cash. If approved by the Shareholders at the AGM, it will be paid on 3 August 2018 to Shareholders who are on the register of members on 6 July 2018. The dividend will be paid as a REIT Property Income Distribution ('PID') net of withholding tax where appropriate.

8. Earnings per share

Earnings used for calculating earnings per share:	2018 £m	2017 £m
Basic and diluted earnings	**171.4**	88.7
Change in fair value of investment properties	**(82.5)**	(39.5)
Profit/(loss) on disposal of investment properties	**(26.6)**	0.6
Loss on disposal of joint venture	**-**	0.2
EPRA earnings	**62.3**	50.0
Adjustment for non-trading items:		
Group's share of joint venture other expenses	**-**	0.1
Other expenses	**-**	1.2
Exceptional finance costs	**-**	1.4
Other income	**(0.6)**	(2.1)
Taxation (credit)/charge	**(1.0)**	0.1
Adjusted trading profit after interest	**60.7**	50.7

Earnings have been adjusted to derive an earnings per share measure as defined by the European Public Real Estate Association ('EPRA') and an adjusted underlying earnings per share measure.

Number of shares used for calculating earnings per share:	2018 Number	2017 Number
Weighted average number of shares (excluding own shares held in trust)	**163,495,793**	162,833,428
Dilution due to share option schemes	**1,293,620**	2,892,100
Weighted average number of shares for diluted earnings per share	**164,789,413**	165,725,528

In pence:	2018	2017
Basic earnings per share	**104.8p**	54.5p
Diluted earnings per share	**104.0p**	53.5p
EPRA earnings per share	**37.8p**	30.2p
Adjusted underlying earnings per share[1]	**36.8p**	30.6p

1. Adjusted underlying earnings per share is calculated on a diluted basis.

9. Net assets per share

Net assets used for calculating net assets per share:	**2018 £m**	2017 £m
Net assets at end of year (basic)	**1,712.9**	1,578.5
Derivative financial instruments at fair value	**(2.5)**	(12.1)
EPRA net assets	**1,710.4**	1,566.4

Number of shares used for calculating net assets per share:	**2018 Number**	2017 Number
Shares in issue at year-end	**163,806,591**	163,199,045
Less own shares held in trust at year-end	**(163,874)**	(118,274)
Dilution due to share option schemes	**1,262,717**	1,227,537
Number of shares for calculating diluted adjusted net assets per share	**164,905,434**	164,308,308

	2018	2017
EPRA net assets per share	**£10.37**	£9.53

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

10. Investment properties

	2018 £m	2017 £m
Balance at 1 April	**1,839.0**	1,749.4
Purchase of investment properties	**382.4**	–
Capital expenditure	**75.6**	57.1
Acquisition of finance lease	**9.1**	–
Capitalised interest on refurbishments (note 4)	**1.6**	1.5
Disposals during the year	**(101.5)**	(8.5)
Change in fair value of investment properties	**82.5**	39.5
Balance at 31 March	**2,288.7**	1,839.0

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

During the year the Group acquired three properties, Salisbury House, 13-17 Fitzroy Street and Centro Buildings for a combined £382m, including acquisition costs of £14m.

Capitalised interest is included at a rate of capitalisation of 4.4% (2017: 5.2%). The total amount of capitalised interest included in investment properties is £9.6m (2017: £8.2m).

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

Investment properties include buildings with a carrying amount of £291m (2017: £105m) held under finance leases with a carrying amount of £16.1m (2017: £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 2018 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.

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:

	2018 £m	2017 £m
Total per CBRE valuation report	**2,279.6**	1,844.0
Deferred consideration on sale of property	**(7.0)**	(12.1)
Head leases treated as finance leases under IAS 17	**16.1**	7.1
Total investment properties per balance sheet	**2,288.7**	1,839.0

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.

10. Investment properties continued

The following table summarises the valuation techniques and inputs used in the determination of the property valuation.

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	1,112	1	£12–£80	£40	4.8%–7.4%	6.5%
Completed projects	290	1	£26–£60	£48	5.1%–6.9%	5.8%
Refurbishments	308	2	£19–£75	£44	5.0%–6.8%	5.8%
Redevelopments	180	2	£13–£40	£23	5.1%–7.1%	6.1%
Acquisitions	383	1	£20–£72	£60	4.3%–6.6%	5.6%
Head leases	16	n/a				
Total	**2,289**					

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

Key unobservable inputs for redevelopments at planning stage and refurbishment is a Developer's profit. The range is 13%–20% with a weighted average of 18%.

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £186–£273 per sq. ft. and a weighted average of £203 per sq. ft.

Costs to complete are not considered to be a significant unobservable input for refurbishments due to the high percentage that is already fixed.

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

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+111/-111	-42/+45
Completed projects (refurbishments)	+29/-29	-12/+13
Refurbishments	+44/-44	-13/+23
Redevelopments	+13/-13	-5/+6
Acquisitions	+38/-38	-16/+18

11. Property, plant and equipment

Cost or valuation	Equipment and fixtures £m
1 April 2016	5.1
Additions during the year	1.8
Disposals during the year	(0.8)
Balance at 31 March 2017	6.1
Additions during the year	1.1
Balance at 31 March 2018	**7.2**
Accumulated depreciation	
1 April 2016	3.1
Charge for the year	0.9
Disposals during the year	(0.8)
Balance at 31 March 2017	3.2
Charge for the year	1.1
Balance at 31 March 2018	**4.3**
Net book amount at 31 March 2018	**2.9**
Net book amount at 31 March 2017	2.9

12. Investments

(a) Investment in joint ventures
The Group's investment in joint ventures represents:

	2018 £m	2017 £m
Balance at 1 April	**0.3**	22.3
Capital distributions received*	**–**	(2.7)
Payment of loans to joint ventures	**0.1**	–
Share of gains	**–**	0.1
Income distributions received*	**(0.3)**	(0.6)
Disposal of joint ventures (note 3(b))	**–**	(18.9)
Realisation of profits on sale of properties out of joint ventures (note 3(a))	**–**	0.1
Balance at 31 March	**0.1**	0.3

* Capital distributions are from proceeds on disposal of investment properties. Income distributions are from trading profits.

The Group had one joint venture during the year, Generate Studio Limited, which is engaged in the design and project management of office fit outs and workplace consultancy both for Group properties and third parties. The Group sold its share in Generate Studio Limited in March 2018. A dividend was paid to Workspace of £0.3m, of which £0.1m is being repaid by Generate Studio Limited to Workspace over the next financial year.

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

(b) Other investments
The Group holds the following investment:

	2018 £m	2017 £m
10% of share capital of The Excell Group plc	**3.2**	3.1
	3.2	3.1

13. Trade and other receivables

Non-current trade and other receivables	**2018 £m**	2017 £m
Prepayments, other receivables and accrued income	**–**	3.0
Deferred consideration on sale of investment properties (see below)	**–**	4.3
	–	7.3

	2018 £m	2017 £m
Deferred consideration on sale of investment properties:		
Balance at 1 April	**4.3**	7.0
Cash received	**(2.4)**	(1.7)
Additions	**4.7**	–
Less: classified as current	**(7.0)**	–
Change in fair value	**0.4**	(1.0)
Balance at 31 March	**–**	4.3

The deferred consideration arising on the sale of investment properties relates to cash and overage. The conditional value of the portion of thweceivable that relates to overage is held at fair value through profit and loss. It has been fair valued by CBRE Limited using appropriate discount rates, and will be revalued on a regular basis. This is a Level 3 valuation of a financial asset, as defined by IFRS 13. The change in fair value recorded in the Consolidated income statement, including both current and non-current elements, was a profit of £0.4m (31 March 2017: £0.5m loss) (note 3(c)).

Current trade and other receivables	**2018 £m**	2017 £m
Trade receivables	**3.8**	3.5
Less provision for impairment of receivables	**(0.6)**	(0.3)
Trade receivables – net	**3.2**	3.2
Prepayments, other receivables and accrued income	**12.2**	14.2
Deferred consideration on sale of investment properties	**7.0**	7.8
	22.4	25.2

Receivables at fair value:
Included within deferred consideration (both current and non-current) on sale of investment properties is £0.9m (2017: £9.4m) of overage which is held at fair value through profit and loss. In the current year, as the amounts receivable are due within the following 12 months it has been classified as current receivables.

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:

	2018 £m	2017 £m
Balance at 1 April	**0.3**	0.4
Increase in provision for impairment of trade receivables	**0.5**	0.2
Receivables written off during the year	**(0.2)**	(0.3)
Balance at 31 March	**0.6**	0.3

14. Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	**13.9**	2.7
Restricted cash – tenants' deposit deeds	**4.1**	3.8
	18.0	6.5

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

	2018 £m	2017 £m
Trade payables	**6.0**	4.6
Other tax and social security payable	**4.4**	2.0
Corporation tax payable	**–**	0.3
Tenants' deposit deeds (note 14)	**4.1**	3.8
Tenants' deposits	**24.0**	18.0
Accrued expenses	**28.5**	20.2
Deferred income – rent and service charges	**8.5**	3.3
	75.5	52.2

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

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16. Borrowings

(a) Balances

	2018 £m	2017 £m
Non-current		
Bank loans (unsecured)	**113.9**	28.4
6% Retail Bond (unsecured)	**57.2**	57.1
5.6% Senior US Dollar Notes 2023 (unsecured)	**71.5**	80.1
5.53% Senior Notes 2023 (unsecured)	**83.8**	83.8
Senior Floating Rate Notes 2020 (unsecured)	**9.0**	9.0
3.07% Senior Notes (unsecured)	**79.7**	–
3.19% Senior Notes (unsecured)	**119.6**	–
Finance lease obligations	**16.1**	7.1
	550.8	265.5

In June 2017, the Group exercised the options to extend the maturity of our revolver bank facility by a 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.

(b) Net Debt

	2018 £m	2017 £m
Borrowings per (a) above	**550.8**	265.5
Adjust for:		
Finance leases	**(16.1)**	(7.1)
Cost of raising finance	**3.4**	2.3
Foreign exchange differences	**(7.1)**	(15.7)
	531.0	245.0
Cash at bank and in hand (note 14)	**(13.9)**	(2.7)
Net Debt	**517.1**	242.3

At 31 March 2018 the Group had £134m (2017: £120m) of undrawn bank facilities, a £2m overdraft facility (2017: £4m) and £13.9m of unrestricted cash (2017: £2.7m).

Net debt represents borrowing facilities drawn, less cash at bank and in hand. It excludes impacts of foreign exchange differences as these are fixed via swaps, finance leases and any cost of raising finance as they have no future cash flows.

(c) Maturity

	2018 £m	2017 £m
Repayable between one year and two years	**57.5**	–
Repayable between two years and three years	**9.0**	57.5
Repayable between three years and four years	**–**	9.0
Repayable between four years and five years	**116.0**	30.0
Repayable in five years or more	**348.5**	148.5
	531.0	245.0
Cost of raising finance	**(3.4)**	(2.3)
Foreign exchange differences	**7.1**	15.7
	534.7	258.4
Finance leases:		
Repayable in five years or more	**16.1**	7.1
	550.8	265.5

(d) Interest rate and repayment profile

	Principal at period end £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	–	Base+2.25%	Variable	On demand
Non-current				
Private Placement Notes:				
5.6% Senior US Dollar Notes	64.5	5.6%	Half yearly	June 2023
5.53% Senior Notes	84.0	5.53%	Half yearly	June 2023
Senior Floating Rate Notes	9.0	LIBOR+3.5%	Half yearly	June 2020
3.07% Senior Notes	80.0	3.07%	Half yearly	August 2025
3.19% Senior Notes	120.0	3.19%	Half yearly	August 2027
Revolver loan	116.0	LIBOR+1.65%	Monthly	June 2022
6% Retail Bond	57.5	6.0%	Half yearly	October 2019
	531.0			

(e) Derivative financial instruments

The following derivative financial instruments are held:

	Amount	Rate payable (%)	Term/expiry
Cash flow hedge – cross currency swaps	$100m/£64.5m	5.66%	June 2023

The Group has cross currency swaps to ensure the US Dollar liability streams generated from the US Dollar Notes are fully hedged into Sterling for the life of the transaction. Through entering into cross currency swaps the Group has created a synthetic Sterling fixed rate liability totalling £64.5m. These swaps have been designated as a cash flow hedge with changes in fair value dealt with in other comprehensive income.

(f) Financial instruments and fair values

	2018 Book value £m	2018 Fair value £m	2017 Book value £m	2017 Fair value £m
Financial liabilities held at amortised cost				
Bank loans	**113.9**	**116.0**	28.4	28.4
6% Retail Bond	**57.2**	**60.2**	57.1	61.7
Private Placement Notes	**363.6**	**379.4**	172.9	172.9
Finance lease obligations	**16.1**	**16.1**	7.1	7.1
	550.8	**571.7**	265.5	270.1
Financial (assets)/liabilities at fair value through other comprehensive income				
Derivative financial instruments:				
Cash flow hedge – derivatives used for hedging	**(2.5)**	**(2.5)**	(12.1)	(12.1)
	(2.5)	**(2.5)**	(12.1)	(12.1)
Financial assets at fair value through profit or loss				
Deferred consideration (overage)	**0.9**	**0.9**	9.4	9.4
Other investments	**3.2**	**3.2**	3.1	3.1
	4.1	**4.1**	12.5	12.5

In accordance with IFRS 13 disclosure is required for financial instruments that are carried or disclosed in the financial statements at fair value. The fair values of all the Group's financial derivatives, bank loans and Private Placement Notes, have been determined by reference to market prices and discounted expected cash flows at prevailing interest rates and are Level 2 valuations. The fair value of the Retail Bond has been established from the quoted market price at 31 March 2018 and is thus a Level 1 valuation. There have been no transfers between levels in the year.

The different levels of valuation hierarchy as defined by IFRS 13 are set out in note 10.

16. Borrowings continued
(g) Financial instruments by category

Assets	2018 £m	2017 £m
a) Assets at value through profit or loss		
Deferred consideration (overage)	**0.9**	9.4
Other investments	**3.2**	3.1
	4.1	12.5
b) Loans and receivables		
Cash and cash equivalents	**18.0**	6.5
Trade and other receivables excluding prepayments[1]	**15.1**	9.6
	33.1	16.1
Total	**37.2**	28.6

Liabilities	2018 £m	2017 £m
Other financial liabilities at amortised cost		
Borrowings (excluding finance leases)	**534.7**	258.4
Finance lease liabilities	**16.1**	7.1
Trade and other payables excluding non-financial liabilities[2]	**63.0**	46.6
	613.8	312.1

1. Trade and other receivables exclude prepayments of £6.4m (2017: £6.4m) and non-cash deferred consideration of £0.9m (2017: £9.4m).
2. Trade and other payables exclude other tax and social security of £4.4m (2017: £2.0m), corporation tax of £Nil (2017: £0.3m) and deferred income of £8.5m (2017: £3.3m).

(h) Finance leases
Finance lease liabilities are in respect of leased investment property.

Minimum lease payments under finance leases fall due as follows:

	2018 £m	2017 £m
Within one year	**1.0**	0.5
Between two and five years	**3.9**	1.8
Beyond five years	**95.3**	48.3
	100.2	50.6
Future finance charges on finance leases	**(84.1)**	(43.5)
Present value of finance lease liabilities	**16.1**	7.1

(i) Changes in liabilities from financing activities

Deferred tax assets	Bank loans and borrowings £m	Finance lease liabilities £m	Derivatives used for hedging-assets £m
Balance at 1 April	**258.4**	**7.1**	(12.1)
Changes from financing cash flows:			
Proceeds from bank borrowings and Private Placement Notes	**580.0**	**–**	–
Repayment of bank borrowings	**(294.0)**	**–**	–
Finance costs for new/amended borrowing facilities	**(1.9)**	**–**	–
Settlement of derivative financial instruments	**–**	**–**	0.1
Total changes from cash flows	**284.1**	**–**	0.1
Changes in fair value of derivative financial instruments	**–**	**–**	9.5
Foreign exchange differences	**(8.5)**	**–**	–
Amortisation of issue costs of borrowing	**0.7**	**–**	–
New finance leases	**–**	**9.0**	–
Interest payable/(receivable)	**18.5**	**0.9**	(0.6)
Interest paid/(received)	**(18.5)**	**(0.9)**	0.6
Total other changes	**0.7**	**9.0**	–
Balance at 31 March 2018	**534.7**	**16.1**	2.5

17. Financial risk management objectives and policy
The Group has identified exposure to the following financial risks:
- Market risk.
- Credit risk.
- Liquidity risk.
- Capital risk management.

The policies for managing each of these risks and the principal effects of these policies on the results for the year are summarised below:

(a) Market risk
Market risk is the risk that changes in market conditions will affect the Group's interest rates. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group finances its operations through a mixture of retained profits and borrowings. The Group borrows at both fixed and floating rates of interest and then uses interest rate and cross currency swaps and caps to generate the desired interest and risk profile. The Group has entered into a cross currency swap to ensure the US Dollar liability streams generated from the US Dollar private placement notes are fully hedged into Sterling for the life of the transaction. At 31 March 2018 77% (2017: 84%) of Group borrowings were fixed or fixed through the use of interest rate and cross currency swaps.

All transactions entered into are approved by the Board and are in accordance with the Group's treasury policy. The Board also monitors variances on interest rates to budget and forecast rates to ensure that the risk relating to interest rates is being sufficiently safeguarded against. Based upon year end variable rate loan balances, a reasonably possible interest rate movement of +/-0.5% would have increased and decreased net interest payable by £0.6m (2017: £0.2m).

Interest cover covenants in relation to Group borrowings range between 1.5x and 2.0x and the Group targets a minimum cover of 2.0x. As at 31 March 2018 interest cover was 5.1x. Interest cover is calculated as net rental income divided by finance costs.

(b) Credit risk
The Group's main financial assets are cash and cash equivalents, deposits with banks and financial institutions and trade and other receivables.

Credit risk is the risk of financial loss if a tenant or a counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to this risk principally relates to the receivables from tenants, deferred consideration on the sale of investment property and cash and cash equivalent balances held with counterparties.

The Group's exposure to credit risk in relation to receivables from tenants is influenced mainly by the characteristics of individual tenants occupying its rental properties. The Group has around 3,000 tenants over 66 properties. The largest 10 single tenants generate less than 10% 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 £28.1m (2017: £21.8m). The Group monitors aged debt balances and any potential bad debts every week, the information being reported to the Executive Committee every month as part of the performance monitoring process. The Group's debtor recovery is consistently high and as such is deemed a low risk area.

17. Financial risk management objectives and policy continued

(b) Credit risk continued

Deferred consideration (cash and overage) on the sale of investment properties is contractual and valued regularly by the external valuer based on current and future market factors. Cash and cash equivalents and financial derivatives are held with major UK high street banks or building societies and strict counterparty limits are operated on deposits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018 £m	2017 £m
Cash and cash equivalents (note 14)	**13.9**	6.5
Trade receivables – current (note 13)	**3.2**	3.2
Deferred consideration – current (note 13)	**7.0**	7.8
Deferred consideration – non-current (note 13)	**–**	4.3
	24.1	21.8

(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. The Board reviews compliance with loan covenants which include agreed interest cover and loan to value ratios, alongside review of available headroom on loan facilities.

To ensure it can effectively manage its liquidity risk, the Group has an overdraft facility of £2m (2017: £4m) and a revolving loan facility of £250m (2017: £150m). At 31 March 2018 headroom excluding overdraft and cash was £134m (31 March 2017: £120m).

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities, derivative financial instruments and trade and other payables existing at the balance sheet date. Contracted cash flows are based upon the loan balances and applicable interest rates payable on these at each year end.

31 March 2018	Carrying* amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial liabilities						
Bank loans	**116.0**	**2.5**	**2.5**	**2.5**	**118.9**	**126.4**
6% Retail Bond	**57.5**	**3.5**	**59.4**	**–**	**–**	**66.4**
Private Placement Notes	**357.5**	**14.9**	**14.9**	**23.7**	**400.6**	**454.1**
Finance lease liabilities	**16.1**	**1.0**	**1.0**	**1.0**	**97.2**	**100.2**
Trade and other payables†	**62.6**	**62.6**	**–**	**–**	**–**	**62.6**
	609.7	**84.5**	**77.8**	**27.2**	**616.7**	**809.7**

31 March 2017	Carrying* amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial liabilities						
Bank loans	30.0	0.6	0.6	0.6	30.8	32.6
6% Retail Bond	57.5	3.5	3.5	59.4	–	66.4
Private Placement Notes	157.5	8.7	8.7	8.7	183.6	209.7
Finance lease liabilities	7.1	0.5	0.5	0.5	49.1	50.6
Trade and other payables†	46.6	46.6	–	–	–	46.6
	298.7	59.9	13.3	69.2	263.5	405.9

† Trade and other payables exclude other tax and social security of £4.4m (2017: £2.0m), corporation tax of £nil (2017: £0.3m) and deferred income of £8.5m (2017: £3.3m).
* Excludes unamortised borrowing costs.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and monitor an appropriate mix of debt and equity financing.

Equity comprises issued share capital, reserves and retained earnings as disclosed in the Consolidated statement of changes in equity. Debt comprises term loan facilities, revolving loan facilities from banks, 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 2018 Group equity was £1,712.9m (2017: £1,578.5m) and Group net debt (debt less cash at bank and in hand) was £517.1m (2017: £242.3m). Group gearing at 31 March 2018 was 30% (2017: 17%).

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. Loan to value at 31 March 2018 was 23%. This is calculated using the total CBRE investment property valuation (as per note 10) and the current net debt (as per note 16b). Our target is to maintain loan to value below 30%. This may from time-to-time be exceeded up to a maximum of 40% as steps are taken to reduce loan to value to below 30%.

18. Notes to cash flow statement

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

	2018 £m	2017 £m
Profit before tax	**170.4**	88.8
Depreciation	**1.1**	0.9
Amortisation of intangibles	**0.3**	0.2
(Profit)/loss on disposal of investment properties	**(26.6)**	0.6
Loss on disposal of joint ventures	**–**	0.2
Other income	**(0.6)**	(2.1)
Other expenses	**–**	1.2
Net gain from change in fair value of investment property	**(82.5)**	(39.5)
Equity settled share based payments	**1.7**	1.9
Finance income	**–**	(0.1)
Finance costs	**18.8**	13.7
Exceptional finance costs	**–**	1.4
Gains from share in joint ventures	**–**	(0.1)
Changes in working capital:		
Increase in trade and other receivables	**(7.9)**	(2.2)
Increase in trade and other payables	**18.5**	4.8
Cash generated from operations	**93.2**	69.7

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

	2018 £m	2017 £m
Cash at bank and in hand	**13.9**	2.7
Restricted cash – tenants' deposit deeds	**4.1**	3.8
	18.0	6.5

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19. Share capital and share premium

	2018 £m	2017 £m
Issued: Fully paid ordinary shares of £1 each	**163.8**	163.2

Movements in share capital were as follows:	2018 Number	2017 Number
Number of shares at 1 April	**163,199,045**	162,404,600
Issue of shares	**606,546**	794,445
Number of shares at 31 March	**163,806,591**	163,199,045

The Group issued 606,526 shares (2017: 794,445 shares) during the year to satisfy the exercise of share options with net proceeds of £0.5m (2017: £0.2m).

	Share Capital		Share Premium	
	2018 £m	2017 £m	2018 £m	2017 £m
Balance at 1 April	**163.2**	162.4	**135.4**	135.9
Issue of shares	**0.6**	0.8	**(0.1)**	(0.5)
Balance at 31 March	**163.8**	163.2	**135.3**	135.4

20. Other reserves

	Equity settled share based payments £m	Merger reserve £m	Hedging reserve £m	Total £m
Balance at 1 April 2016	12.1	8.7	(1.8)	19.0
Share based payments	1.9	–	–	1.9
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	(2.2)	(2.2)
Balance at 31 March 2017	14.0	8.7	(4.0)	18.7
Share based payments	1.7	–	–	1.7
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	(1.0)	(1.0)
Balance at 31 March 2018	**15.7**	**8.7**	**(5.0)**	**19.4**

21. Investment in own shares

The Company has an Employee Share Ownership Trust ('ESOT') and a trust for the Share Incentive Plan ('SIP'). Shares are purchased in the market for distribution at a later date in accordance with the terms of the various share schemes. The shares are held by independent trustees. At 31 March 2018 the number of shares held by the ESOT totalled 75,226 (2017: 75,226).

The SIP is governed by HMRC rules (note 22). At 31 March 2018 the number of shares held for the SIP totalled 76,183 (2017: 43,048).

	2018 £m	2017 £m
Balance at 1 April	**8.9**	8.9
Shares purchased for the Trusts	**0.4**	–
Balance at 31 March	**9.3**	8.9

22. Share based payments

The Group operates a number of share schemes:

(a) Long term equity incentive plan ('LTIP')

The LTIP scheme is a performance award scheme whereby shares are issued against Group performance measures which are assessed over the three-year vesting period.

For the 2017 scheme these were:
- Relative TSR.
- Total Property Return compared to the IPD benchmark.

For the 2015 and 2016 schemes these were relative TSR, absolute TSR and relative NAV.

The shares are issued at nil consideration provided the performance conditions are met.

Under the 2017 LTIP scheme 495,009 performance and matching shares were awarded in June 2017 to Directors and Senior Management (2016 LTIP scheme: 479,057).

Details of the movements for the LTIP scheme during the year were as follows:

	LTIP Number
At 1 April 2016	1,722,815
Granted	479,057
Exercised	(740,263)
Lapsed	(67,714)
At 31 March 2017	1,393,895
Granted	473,947
Exercised	(495,009)
Lapsed	(72,488)
At 31 March 2018	**1,300,345**

For the 2014 LTIP Scheme, which vested in June 2017, the average closing share price at the date of exercise of shares exercised during the year was £9.07 (2013: £6.85).

A binomial model was used to determine the fair value of the LTIP grant for the Absolute TSR and Relative TSR elements of the 2016 LTIP scheme and Relative TSR for the 2017 scheme.

Assumptions used in the model were as follows:

	2017 LTIP	2016 LTIP	2015 LTIP
Share price at grant	**890p**	828p	914p
Exercise price	**Nil**	Nil	Nil
Average expected life (years)	**3**	3	3
Risk free rate	**1%**	1%	1%
Expected dividend yield	**3%**	2%	2%
Average share price volatility	**29%**	28%	25%
Fair value per option – Absolute TSR element	**n/a**	316p	305p
Fair value per option – Relative TSR element	**333p**	306p	306p

The Total Property Return compared to the IPD benchmark is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 890 pence. At each balance sheet date, the Directors will assess the likelihood of meeting the conditions under this element of the scheme. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity. The assessment at year end was that up to 50% of the Total Return element will vest.

The expected Workspace share price volatility was determined by taking account of the daily share price movement over a three-year period. The respective FTSE 250 Real Estate share price volatility and correlations were also determined over the same period. The average expected term to exercise used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions and historical experience.

The risk free rate has been determined from market yield curves for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant. The expected dividend yield was determined by calculating the present value of expected future dividend payments to expiry.

22. Share based payments continued

(b) Employee share option schemes

The Group operates a Save As You Earn ('SAYE') share option scheme. Grants under the SAYE scheme are normally exercisable after three or five year's saving. In accordance with UK practice, the majority of options under the SAYE schemes are granted at a price 20% below the market price ruling at the date of grant.

Details of the movements for the SAYE schemes during the year were as follows:

	SAYE	
Options outstanding	Number	Weighted exercise price
At 1 April 2016	267,693	£4.95
Options granted	190,167	£5.18
Options exercised	(53,429)	£3.65
Options lapsed	(99,220)	£6.41
At 31 March 2017	305,211	£4.85
Options granted	89,488	£7.09
Options exercised	(111,517)	£2.37
Options lapsed	(18,059)	£5.85
At 31 March 2018	**265,123**	**£5.82**

The average closing share price at the date of exercise for the SAYE options exercised (for the three-year 2014 and the five-year 2012 schemes) during the year was £8.84 (2017: £7.16).

The fair value has been calculated using the Black-Scholes model. Inputs to the model are summarised as follows:

	2018 SAYE 3 year	**2018 SAYE 5 year**	2017 SAYE 3 year	2017 SAYE 5 year
Weighted average share price at grant	**851p**	**851p**	622p	622p
Exercise price	**709p**	**709p**	518p	518p
Expected volatility	**28%**	**28%**	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:

	2018		2017	
	Grant date	**Fair value of award**	Grant date	Fair value of award
SAYE – three year	**26 July 2017**	**204p**	27 July 2016	149p
SAYE – five year	**26 July 2017**	**225p**	27 July 2016	164p

(c) Share incentive plan ('SIP')

All staff were granted £1,000 worth of shares in both March 2013 and September 2015 and £2,000 in August 2017. These shares are held in trust under an HMRC approved SIP. The shares can be exercised following three years of employment but must be held for a further two years in order to qualify for tax advantages. 46,968 new shares were granted in the year (2017: nil). 12,179 (2017: 4,088) shares were exercised in the year and 6,102 (2017: 3,930) shares lapsed.

(d) Year end summary

At 31 March 2018 in total there were 1,649,658 (2017: 1,733,960) share awards/options exercisable on the Company's ordinary share capital. These are analysed below:

Date of grant	Exercise price	Ordinary shares Number	Vested and exercisable	Exercisable between	
LTIP					
26 June 2015	–	374,545	–	26.06.2018	–
26 June 2016	–	459,860	–	26.06.2019	–
26 June 2017	–	473,947	–	26.06.2020	–
SAYE					
31 July 2013 – five year	£3.47	8,644	–	01.09.2018	01.03.2019
25 July 2014 – three year	£4.59	1,960	1,960	01.09.2017	01.03.2018
25 July 2014 – five year	£4.59	392	–	01.09.2019	01.03.2020
25 July 2015 – three year	£7.27	11,996	–	01.09.2018	01.03.2019
25 July 2015 – five year	£7.27	247	–	01.09.2020	01.03.2021
20 July 2016 – three year	£5.18	157,941	–	01.09.2019	01.03.2020
20 July 2016 – five year	£5.18	347	–	01.09.2021	01.03.2022
26 July 2017 – three year	£7.08	82,834	–	01.09.2020	01.03.2021
26 July 2017 – five year	£7.08	762	–	01.09.2022	01.03.2023
SIP					
18 September 2015	–	32,635	–	18.09.2018	18.09.2020
10 August 2017		43,548		10.08.2020	10.08.2022
Total		**1,649,658**	**1,960**		

The share awards/options outstanding at 31 March 2018 had a weighted average remaining contractual life of: LTIP – 1.2 years (2017: 1.2 years), SAYE – 1.7 years (2017: 1.6 years), SIP – 1.6 years (2017: 0.8 years).

(e) Cash-settled share based payments

National Insurance payments due on the exercise of non-approved ESOS options and shares from the LTIP are considered cash-settled share based payments.

The estimated fair value of the National Insurance cash-settled share based payments have been calculated using the Black-Scholes model. At each balance sheet date the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement.

(f) Share based payment charges

The Group recognised a total charge in relation to share based payments as follows:

	2018 £m	2017 £m
Equity settled share based payments	**1.7**	1.9
Cash-settled share based payments	**0.6**	0.4
	2.3	2.3

The total liability at the end of the year in respect of cash-settled share based schemes was £0.8m (2017: £0.8m).

23. Related party transactions

	2018 £m	2017 £m
Transactions for the year ended 31 March:		
Capital distributions received from joint ventures (note 12(a))	**–**	2.7
Repayment/payment of loans to joint ventures (note 12(a))	**(0.1)**	–
Fee income and recharges to joint ventures (including performance fees)	**–**	0.4
Fee income and recharges from joint ventures	**–**	(1.4)
Income distributions received from joint ventures (note 12(a))	**0.3**	0.6
Balances with joint ventures at 31 March:		
Amounts receivable from joint venture	**0.1**	–

Key management for the purposes of related party disclosure under IAS 24 are taken to be the Executive Board Directors, the Non-Board Executive Directors and the Non-Executive Directors. Key management compensation is set out below:

Key management compensation:	2018 £m	2017 £m
Short-term employee benefits	**3.8**	3.2
Share based payments	**1.2**	1.1
	5.0	4.3

24. Capital commitments

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

	2018 £m	2017 £m
Construction or redevelopment of investment property	**49.7**	27.9

25. Subsidiary and other related undertakings

The Company's subsidiary and other related undertakings at 31 March 2018, and up to the date of signing the financial statements, are listed below.

Except where indicated otherwise, the Company owns 100% of the ordinary share capital of the following subsidiary undertakings incorporated and operating in the UK, all of which are consolidated in the Group's financial statements.

UK subsidiaries

The registered address of all UK subsidiaries is Canterbury Court, Kennington Park, 1-3 Brixton Road, London SW9 6DE.

Name	Nature of business
Workspace 12 Limited*	Property Investment
Workspace 13 Limited	Property Investment
Workspace 14 Limited	Property Investment
Workspace Glebe Limited	Holding Company
Glebe Three Limited*	Property Investment
LI Property Services Limited	Insurance Agents
Workspace Management Limited	Property Management
Workspace 1 Limited*	Dormant
Workspace 10 Limited	Dormant
Workspace 11 Limited	Dormant
Workspace 15 Limited	Dormant
Workspace Holdings Limited	Dormant
Anyspacedirect.co.uk Limited	Dormant
Workspace Newco 1 Limited	Holding Company
Workspace Newco 2 Limited	Dormant

* 100% of the ordinary share capital of these subsidiaries is held by other Group companies.

Non-UK subsidiaries

Name	Country of incorporation	Registered address	Nature of business
Workspace 16 (Jersey) Limited	Jersey	Gaspé House, 66-72 The Esplanade, St Helier, Jersey JE2 3QT	Investor in joint venture
Workspace 17 (Jersey) Limited	Jersey	44 Esplanade, St Helier, Jersey JE4 9WQ	Holding Company
Workspace Salisbury Limited*	Jersey	44 Esplanade, St Helier, Jersey JE4 9WQ	Property Investment
Centro Property Limited*	Guernsey	Martello Court, Admiral Park, St Peter Port, Guernsey GY1 3HB	Property Investment

* 100% of the ordinary share capital of these subsidiaries is held by other Group companies.

26. Pension commitments
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for this scheme in the year was £0.8m (2017: £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, including Directors, in the scheme at the year end was 199 (2017: 177).

27. Operating leases
As a lessee, the following future minimum lease payments are due under non-cancellable operating leases:

Motor vehicles and office equipment:	**2018 £m**	2017 £m
Due within one year	**0.1**	0.1
Due between two and five years	**0.1**	0.1
	0.2	0.2

As a lessor, the Group has determined that all tenant leases are operating leases within the meaning of IAS 17. The majority of the Group's tenant leases are granted with a rolling three to six-month tenant break clause, however the recent property acquisitions in the financial year have included customer leases which are much longer, with fewer break clauses. The future minimum non-cancellable rental receipts under operating leases granted to tenants are shown below.

Land and buildings:	**2018 £m**	2017 £m
Within one year	**69.1**	41.2
Between two and five years	**49.0**	6.4
Beyond five years	**24.8**	1.5
	142.9	49.1

28. Post balance sheet events

On 20 April 2018 the Group acquired Centro Buildings 1 & 2 in Camden for £76.5m.

Parent Company balance sheet
As at 31 March 2018

	Notes	**2018 £m**	2017 £m
Fixed assets			
Investments	C	**795.5**	703.8
Derivative financial instruments	F	**2.5**	12.1
		798.0	715.9
Current assets			
Debtors: amounts falling due within one year	D	**564.4**	243.6
Cash and cash equivalents		**0.2**	0.2
		564.6	243.8
Total assets		**1,362.6**	959.7
Current liabilities			
Creditors: amounts falling due within one year	E	**(140.1)**	(100.1)
Creditors: amounts falling due after more than one year			
Borrowings	F	**(534.7)**	(258.4)
Total liabilities		**(674.8)**	(358.5)
Net assets		**687.8**	601.2
Capital and reserves			
Share capital	G	**163.8**	163.2
Share premium	G	**135.3**	135.4
Investment in own shares	G	**(9.3)**	(8.9)
Other reserves	G	**19.4**	18.7
Retained earnings		**378.6**	292.8
Total shareholders' equity		**687.8**	601.2

The notes on pages 181 to 183 form part of these financial statements.

The financial statements on pages 179 to 183 were approved by the Board of Directors on 5 June 2018 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 2018

	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total Share-holders' equity £m
Balance at 31 March 2016	162.4	135.9	(8.9)	19.0	310.9	619.3
Profit for the year	–	–	–	–	9.7	9.7
Other comprehensive income for the year	–	–	–	(2.2)	–	(2.2)
Total comprehensive income	–	–	–	(2.2)	9.7	7.5
Transactions with owners:						
Share issues	0.8	(0.5)	–	–	(0.1)	0.2
Dividends paid	–	–	–	–	(27.7)	(27.7)
Share based payments	–	–	–	1.9	–	1.9
Balance at 31 March 2017	163.2	135.4	(8.9)	18.7	292.8	601.2
Profit for the year	**–**	**–**	**–**	**–**	**123.6**	**123.6**
Other comprehensive income for the year	**–**	**–**	**–**	**(1.0)**	**–**	**(1.0)**
Total comprehensive income	**–**	**–**	**–**	**(1.0)**	**123.6**	**122.6**
Transactions with owners:						
Share issues	**0.6**	**(0.1)**	**–**	**–**	**–**	**0.5**
Dividends paid	**–**	**–**	**–**	**–**	**(37.8)**	**(37.8)**
Own shares	**–**	**–**	**(0.4)**	**–**	**–**	**–**
Share based payments	**–**	**–**	**–**	**1.7**	**–**	**1.7**
Balance at 31 March 2018	**163.8**	**135.3**	**(9.3)**	**19.4**	**378.6**	**687.8**

The notes on pages 181 to 183 form part of these financial statements.

Notes to the Parent Company financial statements

A. Accounting policies
Although the Group Consolidated financial statements are prepared under IFRS as adopted by the EU, the Workspace Group PLC Company financial statements are prepared under Financial Reporting Standard 101 ('FRS 101') 'Reduced Disclosure Framework'.

Basis of accounting
The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. The financial statements are presented in Sterling.

In preparing the financial statements the Company has taken advantage of the following disclosure exemptions conferred by FRS 101:

a) The requirements of IAS 7 to provide a Statement of cash flows and related notes for the year;

b) The requirements of IAS 1 to provide a statement of compliance with IFRS;

c) The requirements of IAS 1 to disclose information on the management of capital;

d) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRS's that have been issued but are not yet effective;

e) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

f) The requirements of IFRS 7 on financial instruments disclosures; and

g) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

The above disclosure exemptions are allowed because equivalent disclosures are included in the Group Consolidated financial statements.

Significant Accounting Policies
i. Investments
Investments are carried in the Company's balance sheet at cost less impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Impairment and reversal of impairment is taken to the profit and loss account.

ii. Share based payment and investment in own shares
Incentives are provided to employees under share option schemes. The Company has established an Employee Share Ownership Trust ('ESOT') to satisfy part of its obligation to provide shares when Group employees exercise their options. The Company provides funding to the ESOT to purchase these shares.

The Company has also established an employee Share Incentive Plan ('SIP') which is governed by HMRC rules.

The Company itself has no employees. When the Company grants share options to Group employees as part of their remuneration, the expense of the share options is reflected in a subsidiary undertaking, Workspace Management Limited. The Company recognises this as an investment in subsidiary undertakings with a corresponding increase to equity.

The disclosure requirements for share based payments are met in note 22 of the Group Consolidated financial statements.

iii. Borrowings
Details of borrowings are described in note F to the Parent Company financial statements. Costs associated with the raising of finance are capitalised, amortised over the life of the instrument and charged as part of interest costs.

iv. Derivative financial instruments and hedge accounting
The accounting policy for derivative financial instruments and hedge accounting are the same as those for the Group and are set out on page 152. 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 152.

Taxation
Current income tax is tax payable on the taxable income for the year and any prior year adjustment, and is calculated using tax rates that have been substantively enacted by the balance sheet date.

Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Dividend distributions
Final dividend distributions to the Company's Shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved, while interim dividends are recognised when paid.

B. Profit for the year
As permitted by the exemption in Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The profit attributable to Shareholders, before dividend payments, dealt with in the financial statements of the Company was £123.6m (2017: £9.7m). £130.0m dividends were received in the year from subsidiary undertakings (2017: £23.1m).

Dividend payments are disclosed in note 7 to the Consolidated financial statements.

C. Investments

	Investment in subsidiary undertakings £m	Other investments £m	Total £m
Cost			
Balance at 31 March 2017	838.1	1.2	839.3
Additions in the year	91.7	–	91.7
Balance at 31 March 2018	929.8	1.2	931.0
Impairment			
Balance at 31 March 2017 and 31 March 2018	134.3	1.2	135.5
Net book value at 31 March 2018	**795.5**	**–**	**795.5**
Net book value at 31 March 2017	703.8	–	703.8

Other investments represented 8% of the share capital of Mailstorage Ltd, a company incorporated in the UK. The Company wrote off this investment during the prior year.

D. Debtors

Amounts falling due within one year	**2018 £m**	2017 £m
Amounts owed by Group undertakings	**562.0**	241.6
Corporation tax asset	**2.4**	2.0
	564.4	243.6

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

	2018 £m	2017 £m
Amounts owed to Group undertakings	**133.8**	95.0
Taxation and social security	**1.4**	1.0
Accruals and deferred income	**4.9**	4.1
	140.1	100.1

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest is paid to Group undertakings.

F. Creditors: amounts falling due after more than one year

Borrowings and financial instruments	Interest rate	Repayable	**2018 £m**	2017 £m
Bank loan	LIBOR+1.65%	June 2022	**116.0**	30.0
5.6% Senior US Dollar Notes 2023	5.6%	June 2023	**64.5**	64.5
5.53% Senior Notes 2023	5.53%	June 2023	**84.0**	84.0
Senior Floating Rate Notes 2020	LIBOR+3.5%	June 2020	**9.0**	9.0
3.07% Senior Notes	3.07%	August 2025	**80.0**	–
3.19% Senior Notes	3.19%	August 2027	**120.0**	–
6% Retail Bond	6.0%	October 2019	**57.5**	57.5
Total borrowings			**531.0**	245.0
Less cost of raising finance			**(3.4)**	(2.3)
Foreign exchange differences			**7.1**	15.7
Net borrowings			**534.7**	258.4

All the above borrowings are unsecured.

Maturity analysis of borrowings:	**2018 £m**	2017 £m
Repayable between one and two years	**57.5**	–
Repayable between two and three years	**9.0**	57.5
Repayable between three and four years	**–**	9.0
Repayable between four and five years	**116.0**	30.0
Repayable in five years or more	**348.5**	148.5
	531.0	245.0

The following derivative financial instruments are held:

	Amount	Rate payable (%)	Term/ expiry	**2018 £m**	2017 £m
Cash flow hedge – cross currency swap	$100m/£64.5m	5.66%	June 2023	**2.5**	12.1

G. Capital and reserves

Movements and notes applicable to share capital, share premium account, investment in own shares, other reserves and share based payment reserve are shown in notes 19 to 22 on pages 172 to 175 and in the Statement of changes in equity.

Other reserves:	Equity settled share based payments £m	Merger Reserve £m	Hedging Reserve £m	Total £m
Balance at 31 March 2016	12.1	8.7	(1.8)	19.0
Share based payments	1.9	–	–	1.9
Change in fair value of derivative financial instruments	–	–	(2.2)	(2.2)
Balance at 31 March 2017	14.0	8.7	(4.0)	18.7
Share based payments	1.7	–	–	1.7
Change in fair value of derivative financial instruments	–	–	(1.0)	(1.0)
Balance at 31 March 2018	**15.7**	**8.7**	**(5.0)**	**19.4**

Five-year performance (unaudited)
2014–2018

	31 March 2018 £m	31 March 2017 £m	31 March 2016 £m	31 March 2015 £m	31 March 2014 £m
Rents receivable	**106.1**	86.8	79.6	63.8	55.3
Service charges and other income	**22.8**	22.0	21.6	19.8	18.3
Revenue	**128.9**	108.8	101.2	83.6	73.6
Trading profit before interest	**79.5**	64.3	60.8	45.1	39.0
Net interest payable*	**(18.8)**	(13.6)	(16.9)	(18.5)	(18.5)
Trading profit after interest	**60.7**	50.7	43.9	26.6	20.5
Profit before taxation	**170.4**	88.8	391.3	360.0	252.5
Profit after taxation	**171.4**	88.7	388.9	359.9	252.4
Basic earnings per share	**104.8p**	54.5p	240.3p	231.4p	166.8p
Dividends per share	**27.39p**	21.07p	15.05p	12.04p	10.63p
Dividends (total)	**44.9**	34.4	24.4	19.4	15.5
Investment properties	**2,288.9**	1,839.0	1,749.4	1,408.9	1,068.3
Other assets less liabilities	**58.7**	18.2	43.7	14.5	(8.4)
Net debt	**(517.1)**	(242.3)	(275.5)	(277.1)	(333.8)
Net assets	**1,712.9**	1,578.5	1,517.6	1,146.3	726.1
Gearing	**30%**	15%	18%	24%	46%
Loan to value	**23%**	13%	16%	24%	46%
Basic NAV per share	**£10.47**	£9.68	£9.35	£7.12	£4.99
EPRA NAV per share	**£10.37**	£9.53	£9.23	£7.03	£4.96

* Excludes exceptional items.

Performance metrics (unaudited)

	31 March 2018 £m	31 March 2017 £m	31 March 2016 £m	31 March 2015 £m	31 March 2014 £m
Workspace Group:					
Number of estates	**66**	68	69	75	83
Lettable floorspace (million sq. ft.)	**3.7**	3.6	3.8	4.2	4.5
Number of lettable units	**4,539**	4,306	4,554	4,525	4,653
Average unit size (sq. ft.)	**979**	827	834	919	967
Rent roll of occupied units	**£112.9m**	£89.5m	£78.2m	£69.4m	£58.3m
Overall rent per sq. ft.	**£36.05**	£28.41	£24.32	£18.79	£15.12
Overall occupancy	**85.5%**	87.0%	85.8%	88.7%	85.8%
Enquiries (number)	**12,189**	12,724	12,353	14,664	12,754
Lettings (number)	**1,111**	1,182	1,212	1,313	1,020
EPRA Measures					
EPRA Earnings per share	**37.8p**	30.2p	47.5p	18.9p	15.4p
EPRA Net Asset Value per share	**£10.37**	£9.53	£9.23	£7.03	£4.96
EPRA Cost Ratio	**25%**	28%	31%	34%	33%

Property portfolio 2018 (unaudited)

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000s
Alexandra House	N22 7TR	Acquisition	54,843	675,000
Angel House	EC1V 7LQ	Refurbishment	45,808	856,726
Archer Street Studios	W1D 7AZ	Like-for-like	14,984	951,382
Barley Mow Centre	W4 4PH	Refurbishment	75,001	1,866,892
Belgravia Workshops	N19 4NF	Like-for-like	32,025	390,274
Bow Enterprise Park	E3 3QY	Redevelopment	14,634	189,781
Bow Office Exchange	E3 3QP	Like-for-like	36,962	366,620
Brickfields	E2 8HD	Refurbishment	1	0
Canalot Studios	W10 5BN	Like-for-like	49,839	1,607,524
Cannon Wharf	SE8 5EN	Refurbishment	32,619	638,135
Cargo Works	SE1 9PG	Like-for-like	71,844	4,440,561
Centro Buildings	NW1 0DU	Acquisition	131,139	4,861,719
China Works	SE1 7SJ	Refurbishment	59,001	1,844,692
Chiswick Studios	W4 5PY	Like-for-like	14,254	429,521
Clerkenwell Workshops	EC1R 0AT	Like-for-like	52,879	3,482,819
E1 Studios	E1 1DU	Like-for-like	40,109	1,239,243
East London Works	E1 1DU	Like-for-like	38,605	1,278,982
Easton Street	WC1X 0DS	Refurbishment	22,800	0
Edinburgh House	SE11 5DP	Refurbishment	0	1
Exmouth House	EC1R 0JH	Like-for-like	58,512	2,961,349
Fitzroy Street	W1T 4BQ	Acquisition	92,669	4,855,410
Fleet Street	EC4A 2DQ	Refurbishment	41,566	1,798,393
Garratt Lane	SW18 4LZ	Redevelopment	43,000	688,000
Grand Union Studios	W10 5AD	Redevelopment	64,787	2,334,967
60 Gray's Inn Road	WC1X 8AQ	Refurbishment	39,440	960,926
12-13 Greville Street	EC1N 8SB	Refurbishment	3,787	40,178
14 Greville Street	EC1N 8SB	Refurbishment	10,961	255,851
Havelock Terrace	SW8 4AS	Like-for-like	58,164	1,291,464
Highway Business Park	E1 9HR	Redevelopment	19,786	254,743
Kennington Park	SW9 6DE	Like-for-like	365,060	10,178,943
Leroy House	N1 3QP	Like-for-like	46,564	1,188,532
Mallard Place	N22 6TS	Like-for-like	10,150	122,820
Mare Street Studios	E8 3QE	Refurbishment	38,313	6,000
Marshgate Business Centre	E15 2NH	Redevelopment	92,673	249,221
Metal Box Factory	SE1 0HS	Like-for-like	108,632	6,616,025
Morie Street	SW18 1SL	Like-for-like	21,702	616,047
Pall Mall Deposit	W10 6BL	Refurbishment	48,532	931,684
Parkhall Business Centre	SE21 8EN	Like-for-like	116,676	1,866,072
Parma House	N22 6XF	Like-for-like	34,984	474,859
Peer House	WC1X 8LZ	Like-for-like	10,234	211,505
Pill Box	E2 6GG	Like-for-like	50,409	1,595,510
Poplar Business Park	E14 9RL	Redevelopment	56,928	824,804
Q West	TW8 0GP	Redevelopment	54,784	650,253
Quality Court	WC2A 1HR	Like-for-like	16,923	954,065
Rainbow Industrial Estate	SW20 0JK	Redevelopment	153,871	463,037
Riverside	SW18 4UQ	Like-for-like	100,798	1,754,549
ScreenWorks	N5 2EF	Like-for-like	64,494	2,654,386
Spectrum House	NW5 1LP	Like-for-like	46,859	1,008,216
The Biscuit Factory	SE16 4DG	Like-for-like	234,140	4,561,558
The Biscuit Factory – Cocoa Studios	SE16 4DG	Redevelopment	0	0
The Chocolate Factory (part)	N22 6XJ	Refurbishment	62,181	691,490
The Chocolate Factory (part)	N22 6XJ	Redevelopment	50,898	513,096
The Frames	EC2A 4PS	Refurbishment	0	0
The Fuel Tank	SE8 3DX	Redevelopment	0	0
The Ivories	N1 2HY	Like-for-like	24,545	707,393
The Leather Market	SE1 3ER	Refurbishment	123,146	5,900,503

Property portfolio 2018 (unaudited)
continued

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000s
The Light Box	W4 5PY	Refurbishment	65,761	1,322,489
The Light Bulb	SW18 4GQ	Like-for-like	52,644	1,558,765
The Print Rooms	SE1 0LH	Like-for-like	45,806	2,639,529
The Record Hall	EC1N 7RJ	Refurbishment	57,563	2,143,494
The Salisbury	EC2M 7EB	Acquisition	235,411	11,234,959
The Shaftesbury Centre	W10 6BN	Like-for-like	12,629	295,534
Thurston Road	SE13 7SH	Redevelopment	0	0
Vestry Street Studios	N1 7RE	Like-for-like	22,769	826,836
Vox Studios (part)	SE11 5JH	Like-for-like	80,277	3,534,035
Vox Studios (part)	SE11 5JH	Refurbishment	0	0
Wenlock Studios	N1 7EU	Like-for-like	31,155	1,266,178
Westbourne Studios	W10 5JJ	Like-for-like	58,428	2,780,259

Glossary of terms

Adjusted trading profit after interest is net rental income, joint venture trading and finance income, less administrative expenses, less finance costs but excluding exceptional finance costs.

BlackRock JV BlackRock Workspace Property Trust, a joint venture property fund with the BlackRock UK Property Fund in which the Group held a 20.1% interest until June 2016.

Customer Advocacy is a measure of how likely our customers are to recommend Workspace.

Customer Satisfaction score is a combination of responses to our customer survey focused on how likely customers are to recommend Workdspace and their view on standards of customer service.

Earnings per share ('EPS') is the profit after taxation divided by the weighted average number of shares in issue during the period.

Employee Share Ownership Trust ('ESOT') is the trust created by the Group to hold shares pending exercise of employee share options.

EPRA NAV is a definition of net asset value as set out by the European Public Real Estate Association. It represents net assets after excluding mark to market adjustments of effective cash flow hedges (financial derivatives) and deferred tax relating to revaluation movements, capital allowances and derivatives.

Equivalent yield is a weighted average of the initial yield and reversionary yield and represents the return a property will produce based upon the timing of the occupancy of the property and timing of the income receivable. This is approximated by the reversionary yield multiplied by the Group trend occupancy of 90%.

Estimated Rental Value ('ERV') or market rental value is the Group's external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review.

Exceptional items are significant items of income or expense that by virtue of their size, incidence or nature are shown separately on the Consolidated income statement to enable a full understanding of the Group's financial performance.

Gearing is the Group's net debt as a percentage of net assets.

Initial yield is the net rents generated by a property or by the portfolio as a whole expressed as a percentage of its valuation.

Interest cover is the number of times net interest payable is covered by net rental income.

IPD Quarterly Universe is the IPD quarterly universe property fund benchmark of approximately 240 (£196bn) UK domestic property funds.

LIBOR is the British Bankers' Association London Interbank Offer Rate.

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

Loan to value is net debt divided by the current value of properties owned by the Group as valued by CBRE.

MSCI IPD MSC Inc is a company that produces independent benchmarks of property returns under the brand IPD.

Market rental values (see 'ERV').

Net asset value per share ('NAV') is net assets divided by the number of shares at the period end.

Net debt is the amount drawn on bank and other loan facilities, including overdrafts, less cash deposits. This excludes any foreign exchange movements.

Net rents are rents excluding any contracted increases and after deduction of inclusive service charge revenue.

Occupancy percentage is the area of space let divided by the total net lettable area (excluding land used for open storage).

Open market value is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external valuers).

Profit/(loss) before tax ('PBT') is income less all expenditure other than taxation.

Property Income Distribution ('PID') a dividend generally subject to withholding tax that a UK REIT is required to pay from its tax-exempted property rental business and which is taxable for UK resident shareholders at their marginal tax rate.

REIT is a Real Estate Investment Trust as set out in the UK Finance Act 2006 Sections 106 and 107. REITs pay no corporation tax on profits derived from their property rental business.

Rent per sq. ft. is the net rent divided by the occupied area.

Rent roll is the annualised net rental income of occupied units at a reporting date.

Reversion/reversionary income is the increase in rent estimated by the Group's external valuers, where the net rent is below the current estimated rental value. The increases to rent arise on rent reviews, letting of vacant space, expiry of rent free periods or rental increase steps.

Reversionary yield is the anticipated yield, which the initial yield will rise to once the rent reaches the estimated rental value. It is calculated by dividing the ERV by the valuation.

Total Shareholder Return ('TSR') is the growth in ordinary share price as quoted on the London Stock Exchange plus dividends per share received for the year, expressed as a percentage of the share price at the beginning of the year.

Total Property Return is a percentage measure calculated by MSCI IPD and defined in the MSCI Global Methodology for Real Estate Investment as the percentage of value change plus net income accrued relative to the capital employed.

Unique web visits is the number of unduplicated (counted only once) visitors to a website over the course of a specified time period.

Investor information

Registrar
All general enquiries concerning ordinary shares in Workspace Group PLC should be addressed to:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
Telephone: +44 (0)370 707 1413

Alternatively, shareholders can contact Computershare online via their free Investor Centre facility. Shareholders have the ability to set up or amend bank details for direct credit of dividend payments, amend address details, view payment history and access information on the Company's share price. For more information or to register, please visit www.investorcentre.co.uk

Website
The Company has an investor website, which holds, amongst other information, a copy of the latest Annual Report and Accounts, a list of properties held by the Group and copies of all press announcements. The site can be found at www.workspace.co.uk

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London
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Registered number: 2041612

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Web:	www.workspace.co.uk
Email:	investor.relations@workspace.co.uk

Company Secretary
Carmelina Carfora

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Canary Wharf
London E14 5GL

Solicitors
Slaughter and May
1 Bunhill Row
London EC1Y 8YY

Clearing bankers
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280 Bishopsgate
London EC2M 4RB

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

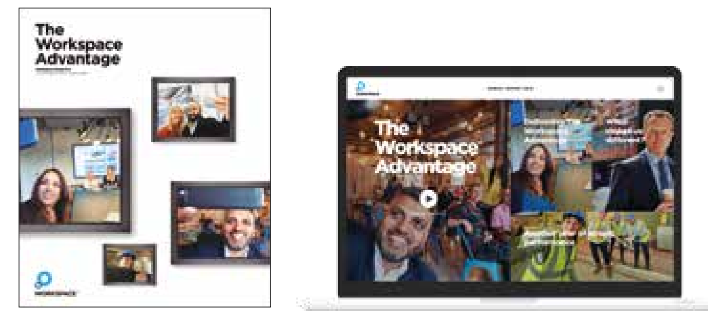
Communicating with our investors

We have developed a comprehensive suite of communications that allow us to keep investors up to date.

Website
The most up-to-date information about our business:
www.workspace.co.uk/investors

Annual Report
Information about our market, value-creating activities, our focus on Doing the Right Thing, our strategy, KPIs, risk, governance and performance.

Available digitally or as a PDF:
www.workspace.co.uk/onlineannualreport2018



Investor video
An overview of how we performed in 2017/18:
www.workspace.co.uk/investors

Investor presentations
The latest presentations can be found in our Reporting Centre:
www.workspace.co.uk/investors/investors/reporting-centre

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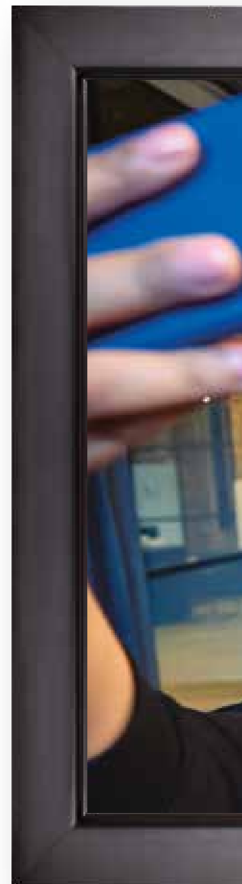
www.workspace.co.uk



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