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.

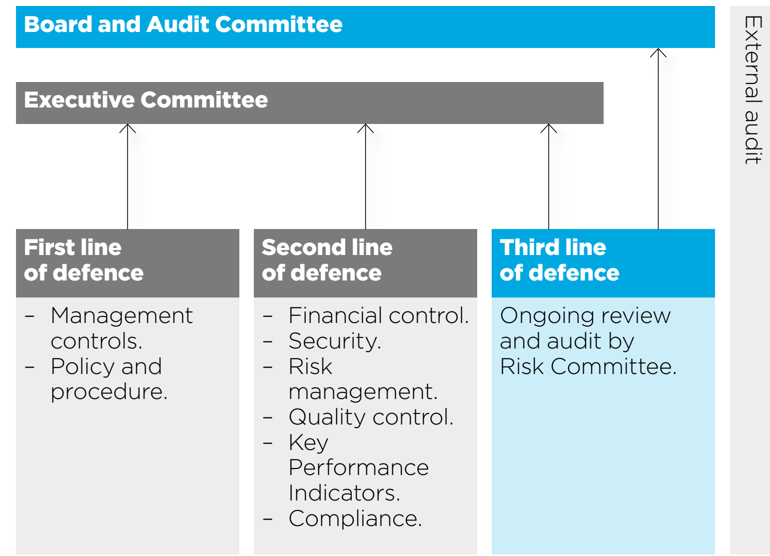
Our Strategic Risks are shown in the heat map and in detail on pages 50 to 56.

2. Operational risks

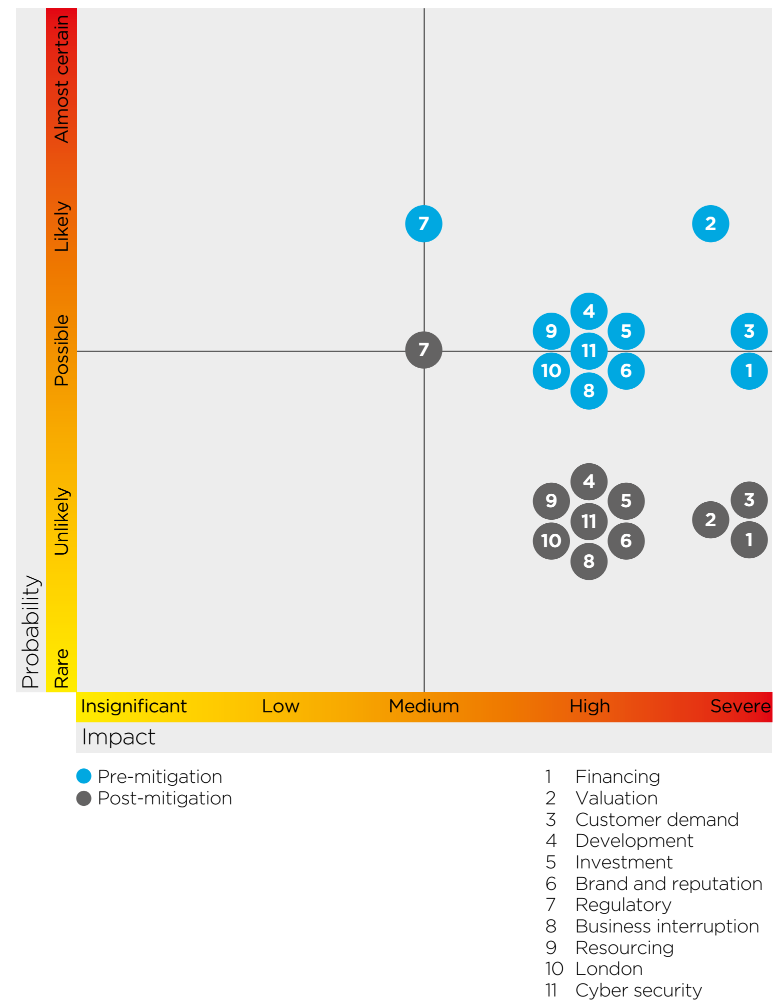
- These are lower level risks covering day-to-day processes and procedures and regulation requirements.
- These cover all areas of the business, such as Finance, Operations, Investment and Development.
- These risks are assessed, managed and owned by the Executive Committee.
- Day-to-day operational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



Overview
Strategic Report
Our Governance
Financial Statements
Additional Information

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

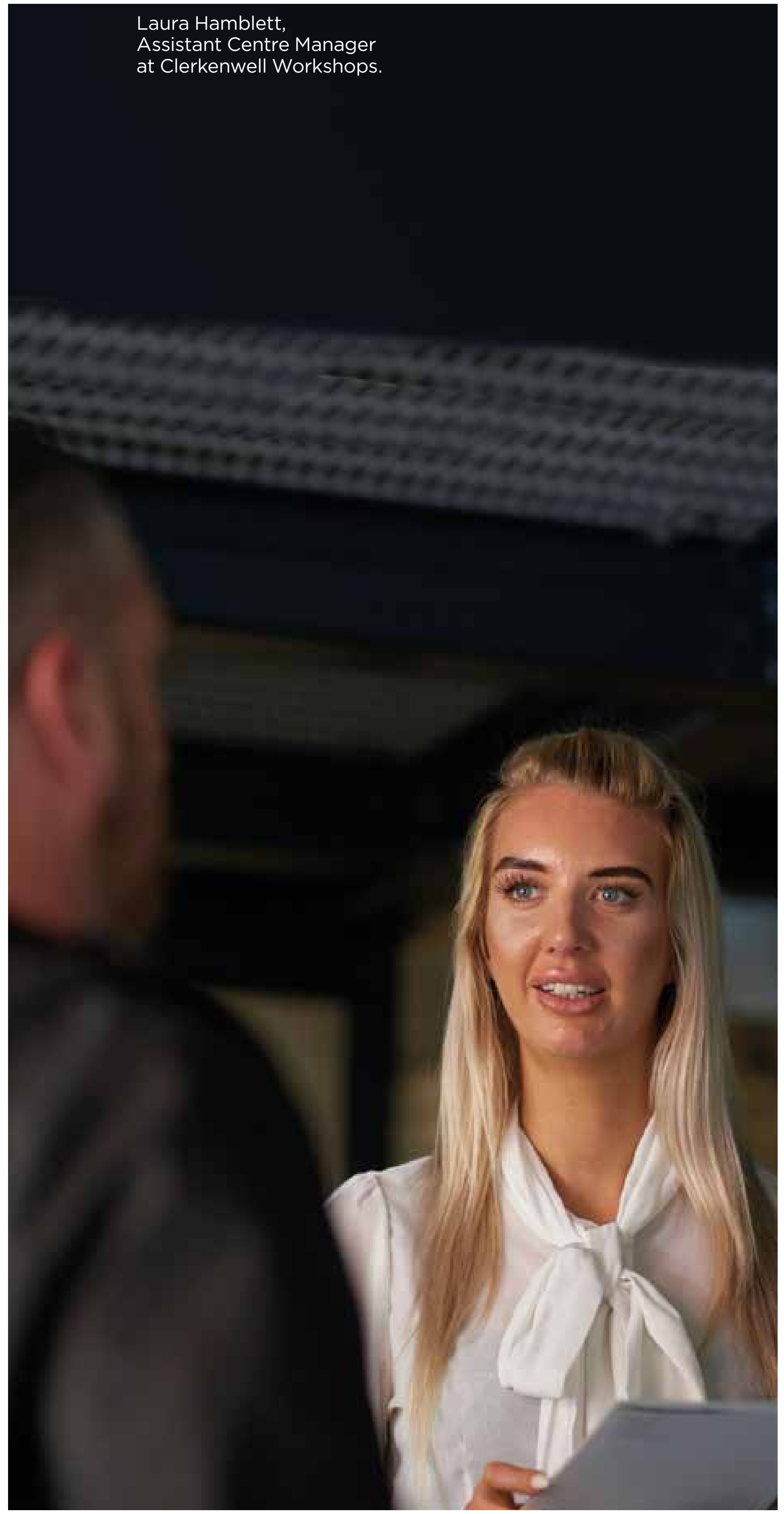
+5%
Increase in underlying property valuation

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.