

# WORKSPACE UNDERSTANDS WORK SPACE

ANNUAL REPORT  
AND ACCOUNTS 2014



WORKSPACE®

# WORKSPACE PROVIDES BUSINESS PREMISES TAILORED TO THE NEEDS OF NEW AND GROWING COMPANIES ACROSS LONDON.

## CONTENTS

### STRATEGIC REPORT

#### Overview

- IFC 2014 highlights
- 01 The right strategy
- 02 Pill Box
- 04 60 Gray's Inn Road
- 06 Club Workspace
- 09 Chairman's introduction
- 10 Chief Executive Officer's Strategic Review
- 12 Right market and properties
- 14 Our business model

#### Strategy

- 16 Our strategy
- 18 Principal business risks

#### Performance

- 22 Corporate Social Responsibility
- 26 Business review
- 36 Key property statistics

### GOVERNANCE

- 38 Chairman's overview
- 40 The Board & Executive Committee
- 42 Corporate governance report
- 55 Directors' remuneration report
- 73 Report of the Directors
- 77 Directors' responsibilities

### FINANCIAL STATEMENTS

- 78 Independent Auditors' report to the members of Workspace Group PLC
- 81 Consolidated income statement
- 81 Consolidated statement of comprehensive income
- 82 Consolidated balance sheet
- 83 Consolidated statement of changes in equity
- 84 Consolidated statement of cash flows
- 85 Notes to the financial statements
- 113 Independent Auditors' report to the members of Workspace Group PLC
- 115 Parent Company balance sheet
- 116 Notes to the Parent Company financial statements

### SHAREHOLDER INFORMATION

- 120 Five-year performance
- 120 Key Performance Indicators
- 121 Property portfolio 2014
- 123 Investor information
- 124 Glossary of terms
- 125 Workspace Group online

## INVESTOR

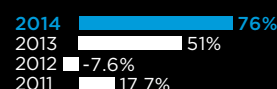
### Dividend per share growth

**+10%**



### Total Shareholder Return

**76%**



## PROPERTY

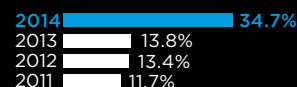
### Valuation

**+27%**



### Total return

**35%**



## CUSTOMER

### Enquiries per month

**1,063**



### Customer satisfaction

**78%**



## FINANCIAL

### Adjusted underlying EPS

**+14%**

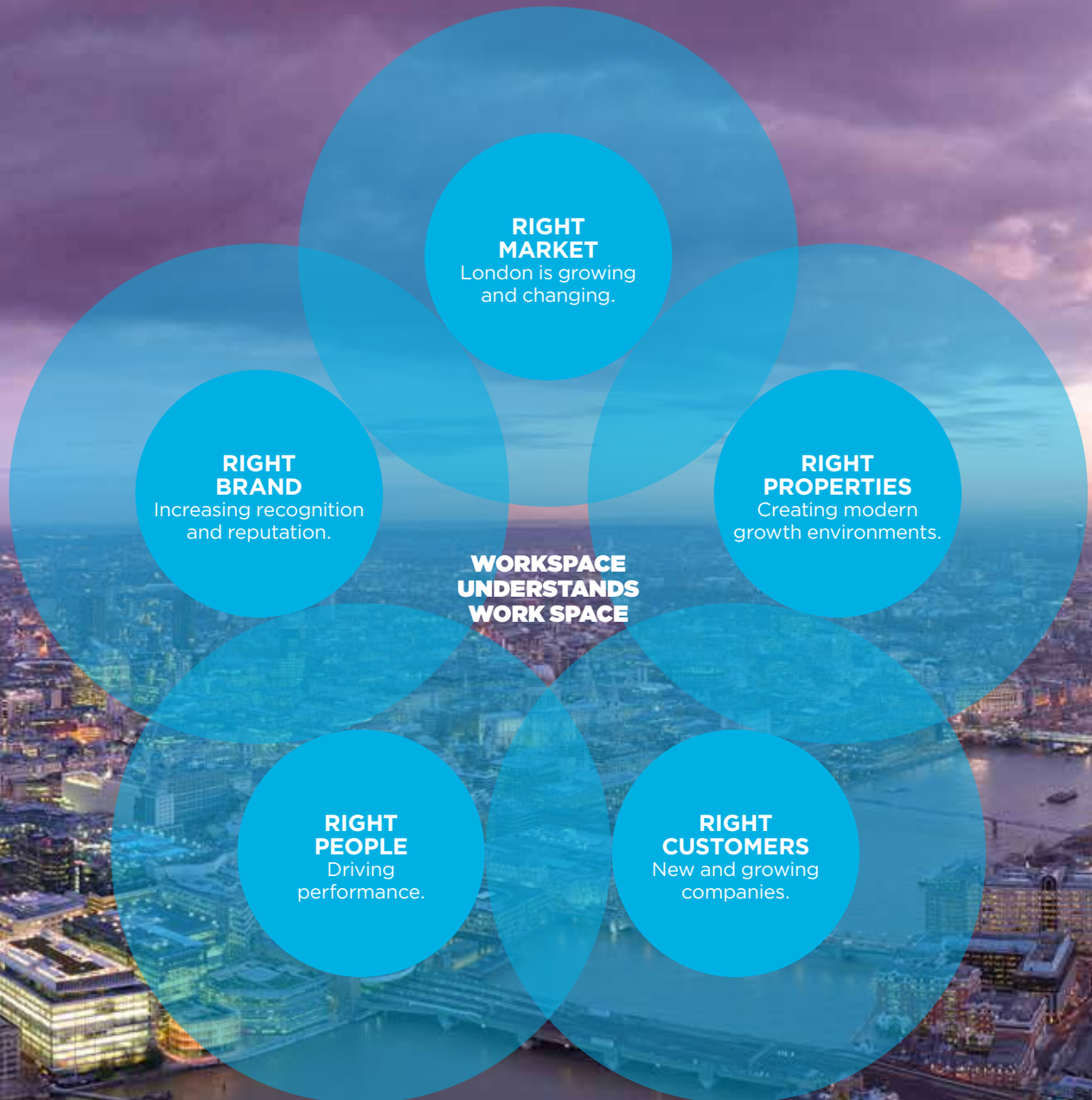


### EPRA NAV per share

**+43%**



# THE RIGHT STRATEGY







# PILL BOX

A STUNNING NEW REFURBISHMENT IN BETHNAL GREEN



**RIGHT  
BRAND****RIGHT  
PEOPLE****RIGHT  
MARKET**

Creating a new  
hub for business  
in Bethnal Green.

**RIGHT  
PROPERTIES**

Attractive space,  
high quality digital  
infrastructure and services  
on flexible terms.

**RIGHT  
CUSTOMERS**

Social networking  
opportunities with  
like-minded entrepreneurs  
to develop and grow  
their businesses.







# 60 GRAY'S INN ROAD

A RECENT ACQUISITION

**RIGHT  
MARKET**

**RIGHT  
CUSTOMERS**

**RIGHT  
PEOPLE**  
Our centre managers  
focus on our customers.

**RIGHT  
BRAND**  
Our customers are  
attracted by the low  
energy usage in  
our buildings.

**RIGHT  
PROPERTIES**  
Our buildings become our  
customers' address and part  
of their brand.

Overview

01-15

Strategy

16-21

Performance

22-36

Governance

37-77

Financial statements

78-119

Shareholder information 120-125



**RIGHT  
MARKET****RIGHT  
PEOPLE**

Our Club Hosts facilitate networking between our members enabling them to grow faster.

**RIGHT  
BRAND**

The ultimate in operational flexibility.

A collaborative co-working environment.

**RIGHT  
CUSTOMERS**

Tomorrow's economy.

**RIGHT  
PROPERTIES**

Based within existing Workspace properties.

Offering "super-fast" digital infrastructure.

# CLUB WORKSPACE

INNOVATIVE CO-WORKING SPACE AT CHANCERY LANE











## CHAIRMAN'S INTRODUCTION

# DRIVING VALUE

Workspace has had another year of successful growth, delivering a strong operational and financial performance through our established strategy of driving rent, occupancy and asset value across our London portfolio. Not only are we benefiting from our focused refurbishment and redevelopment programme but we have continued to strengthen the direct relationships we have with our customers by becoming an essential partner, thus helping their businesses to grow faster.

Revenues and profits grew strongly during the year. Group net rental income was £50.3m, an underlying increase of 9.6%, trading profit after interest was £20.5m, an increase of 14.5%, and EPRA NAV per share was £4.96, an increase of 43% on 2013.

We are proposing a final dividend of 7.09 pence per share (a total of 10.63 pence for the year) to be paid on 1 August 2014, an increase of 10% on last year. Workspace's proven long-term value generation is reflected in this progressive dividend stream.

During the year we successfully completed a refinancing which gives us far greater operational flexibility to execute our capital expenditure programme to redevelop and refurbish existing assets and create buildings that complement our strategy. We also made selective acquisitions where we see the opportunity to create added value by applying our operating model, accelerated our mixed-use planning applications and successfully disposed of a number of non-core properties.

We continue to be mindful of the role we play in the communities in which our properties are based. Our buildings are our biggest environmental impact and we are committed to making the most of opportunities to reduce energy use, benefiting the environment and reducing energy costs. Our 2014 Corporate Social Responsibility report outlines the progress we have made against our 2013 targets and sets new targets for the future.

In a similar vein, we always try to ensure that when refurbishing an existing property or progressing a redevelopment we do so in a way that helps to act as a catalyst in either boosting or regenerating the economy of the local area. Our aim is always a positive legacy.

Jamie and the executive team work hard to grow the business for our customers, investors and employees and they have been ably supported by our strong and diversified Board. Bernard Cragg retires from the Board in July and we thank him for his guidance and contribution to our growth over the last 11 years.

Of course none of the growth or initiatives we have reported would be possible without the dedication and expertise of all our employees and I would like to thank them for another year of success.

We continue to execute a very consistent strategy in support of clear objectives and this year's results show the benefit of that approach.

**DANIEL KITCHEN**  
NON-EXECUTIVE CHAIRMAN

**Related information:**

Corporate Social Responsibility p.22

Corporate governance p.42

## CHIEF EXECUTIVE OFFICER'S STRATEGIC REVIEW

# THE RIGHT STRATEGY

In many ways the story of the last twelve months is straightforward. We have stuck to our strategy of supporting London's new and growing companies by providing them with high-quality properties that are in the right locations and that offer the services and facilities that suit their needs. We have ensured that we refurbish and redevelop our portfolio to create a modern working environment in order to retain and attract customers and to drive rents. By doing that consistently and well we have grown our business, yet again reporting an increase in our core rent roll of 8.5% together with a 27% uplift to the capital value of our portfolio taking its value to over £1bn. A very successful year.

But ours is a property story with a difference.

Of course, at the core are our buildings. Spread across the capital, many of them well-known landmarks, we make sure that they provide our customers with the quality, flexible space they need and we do this in ways that minimise environmental impact. However, the management of our buildings doesn't end there because we also put in place the technology and communication channels on which our customers' day-to-day business and future growth depends. It is this twin approach that sets us apart. Not only that, but we are able to manage and evolve our properties in this way because we deal directly with our customers – there are no intermediaries – so we can tailor our space, management and services using this direct dialogue and knowledge. Our brand is very important to us.

Over the last few years, we have grown our relationships and relevance with customers quickly and one thing that has taught us is that their needs are constantly evolving. We know that because we have a constant dialogue with them: our on-site teams talk to them daily; we regularly survey them on their needs and opinions; and of course we have regular online communication with them. These fast-growing businesses are thoughtful and nimble and always alive to the possibilities of new technology and increasingly-sophisticated processes. We intend to be there supporting them as they evolve, ensuring our buildings are providing exactly the right environment for their success.

Nowhere is that more visible than in our Club Workspace environments. Customers contact us directly to join and take advantage of our co-working spaces and the feedback our local teams receive as we begin each new relationship helps to tailor our services and inform our

thinking about future improvements to buildings. Having attracted these customers many stay with us as they grow, moving into dedicated space often in the same building. By the end of this year we will have eleven of these co-working centres across our estate, housed in space we have that is generally less easy to rent out – a win win for us.

Our refurbishment and redevelopment pipeline remains strong with great results achieved throughout the year. For example, our Pill Box property in east London underwent a full refurbishment and internal redesign, creating modern and vibrant space as well as adding a café, gym and bike store – things we know our customers value. Further, a major redevelopment of ScreenWorks in Islington will see us open a brand new office building, creating an exciting destination for our customer base in the heart of a thriving business community.

On top of all of this we are actively looking to acquire more of the right kind of properties and grow our business. Opportunities where we can leverage and apply our marketing and asset management skills to drive rents and values. Within the last six months we have successfully purchased three properties in strategic locations across the capital and we continue to search out more.

London is changing fast and I believe this pattern will continue. Infrastructure investment such as Crossrail and the Northern Line extension will further enhance this change. New areas are emerging and establishing across London, breaking down the traditional 'core' territories. Occupiers are generally more fleet of foot, demand more flexibility and less commitment and will locate their businesses where they want to be not where they think they should be. Modern communication channels have revolutionised the way businesses operate with a significant amount now conducted online. Workspace embraces this change and I believe we are well positioned to benefit from this development across the Capital.

Combining our knowledge of London and of every customer, with the right buildings in the right locations, and managing all of these elements directly with our own people and the latest technology is the Workspace blueprint for future growth.

**JAMIE HOPKINS**  
CHIEF EXECUTIVE OFFICER

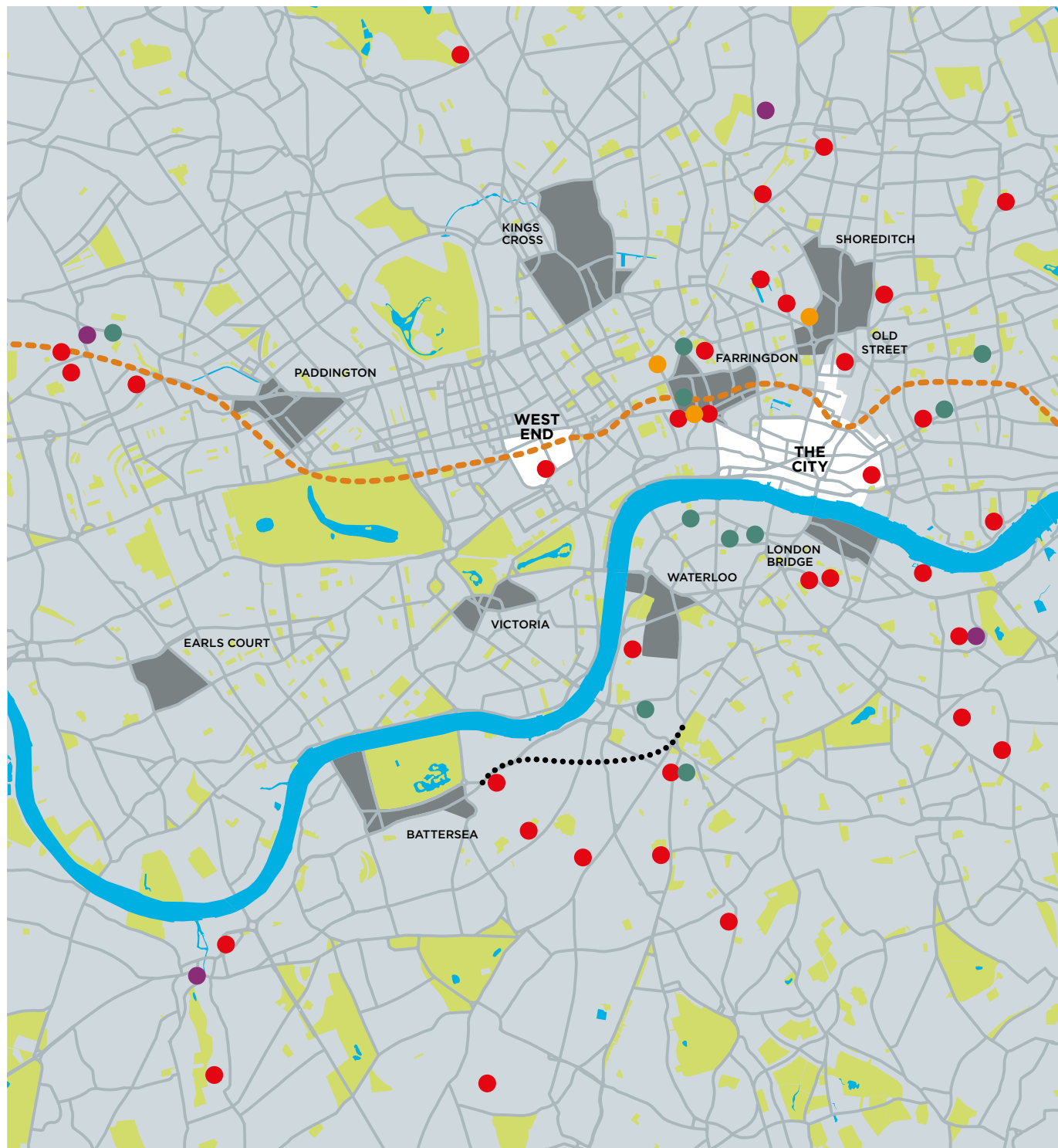


**Related information:**

Our strategy p.16  
Corporate Social  
Responsibility p.22

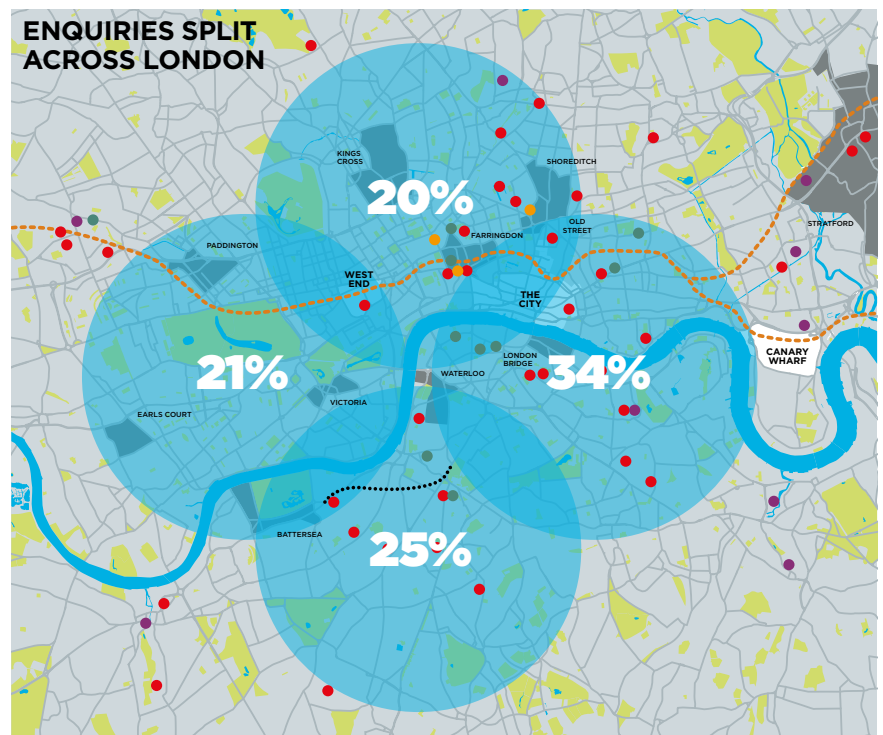
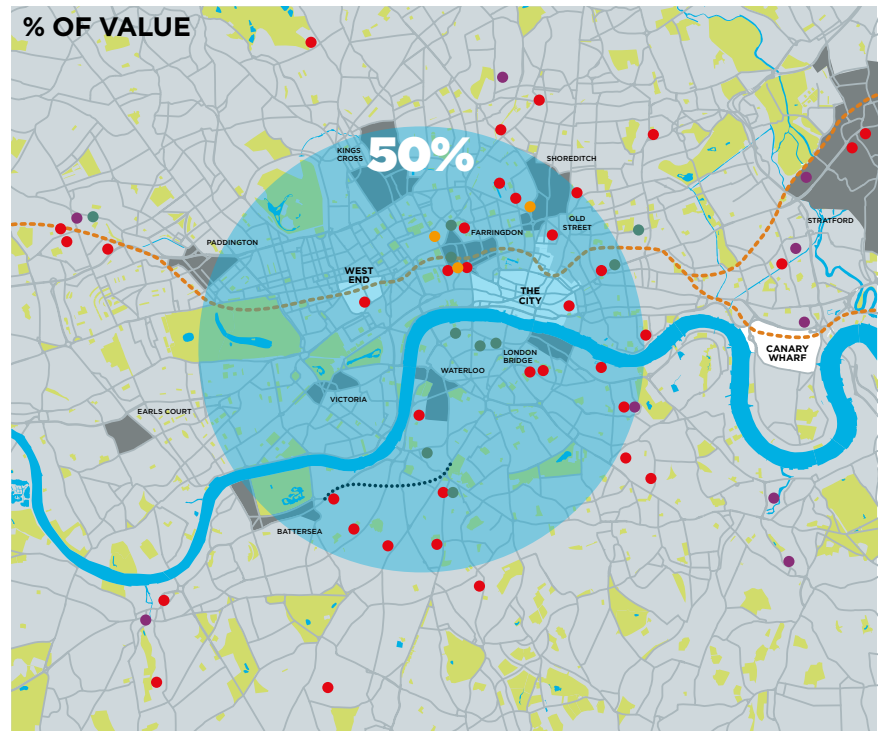
[Overview](#)[01-15](#)[Strategy](#)[16-21](#)[Performance](#)[22-36](#)[Governance](#)[37-77](#)[Financial statements](#)[78-119](#)[Shareholder information 120-125](#)

## RIGHT MARKET AND PROPERTIES



- Workspace property
- Acquisitions
- Redevelopments
- Refurbishments
- Crossrail
- Northern Line Extension

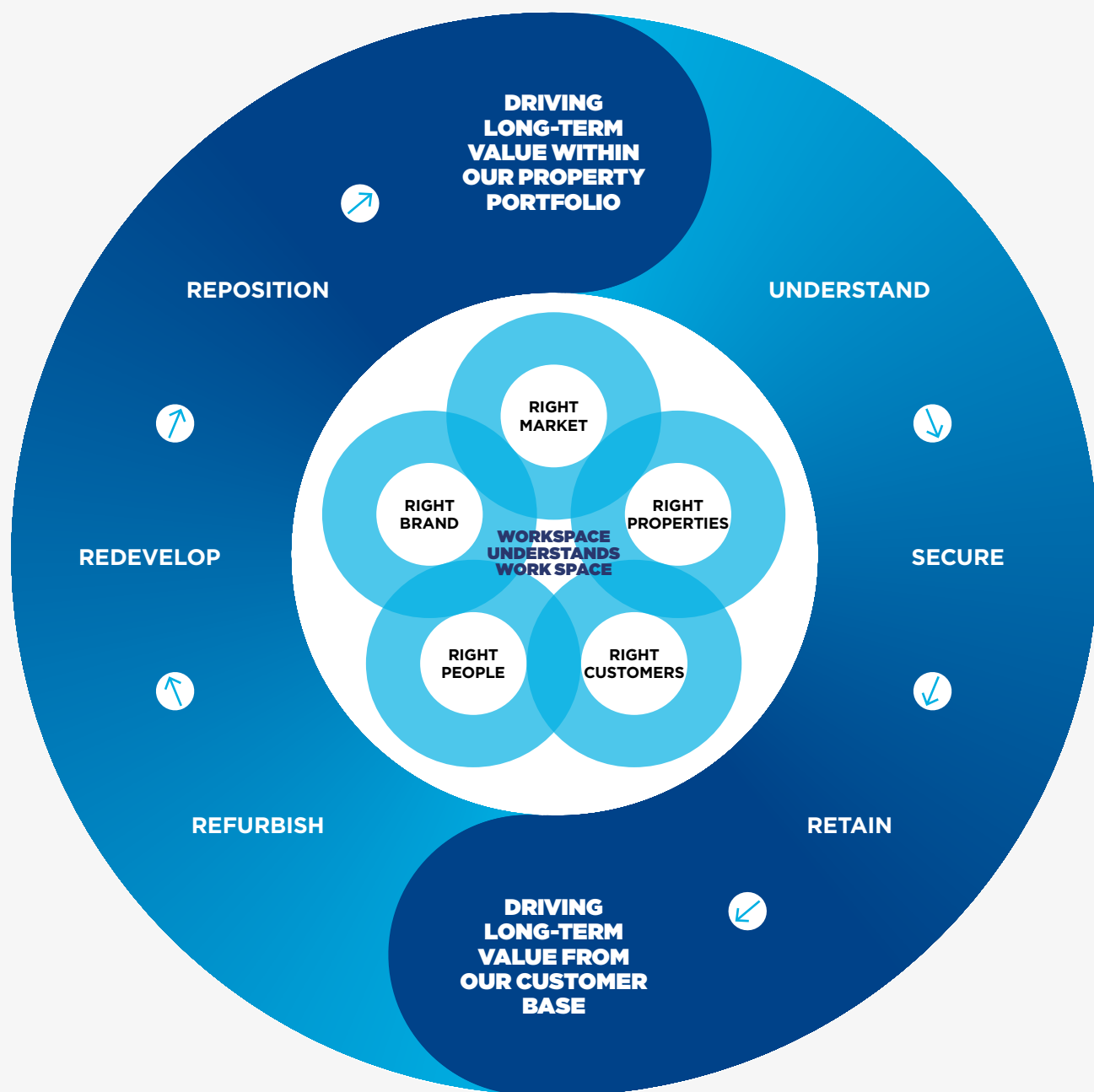




**Related information:**  
Property listing p.121

## OUR BUSINESS MODEL

# DRIVING VALUE

**Related information:**

Our strategy p.16

Principal business risks p.18





### 12-13 GREVILLE STREET, EC1

Acquisition delivering a new business centre in Farringdon.



### VESTRY STREET STUDIOS, N1

Acquisition capturing customer demand in Old Street.



### THE LEATHERMARKET, SE1

Club Workspace near London Bridge.



### SCREENWORKS, N5

New business centre opening in Islington.



### BARLEY MOW CENTRE, W4

Business hub in Chiswick.



### THE FILAMENTS, SW18

New business centre opening in Wandsworth.

## OUR STRATEGY

# DELIVERING TO PLAN

## STRATEGIC PRIORITIES

## PROPERTIES

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

## PORTFOLIO

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

## PRIORITIES IN 2013/14

## Owning properties that are tailored to our customers' needs

- Complete three further refurbishment schemes with a fourth due to complete in 2014.
- Commence three refurbishment schemes.
- Progress further schemes through design phase.
- Focus on driving pricing as occupancy approaches 90%.

## Repositioning and redevelopment

- Obtain planning consent for The Biscuit Factory, Poplar Business Park and The Faircharm.
- Make planning applications for three further schemes.
- Appoint development partners for The Biscuit Factory and The Faircharm.

## PERFORMANCE IN 2013/14

- Successful refurbishments completed at Exmouth House, Westminster Business Square (Phase 1) and Pill Box. All schemes letting up ahead of our expectations.
- Phase 2 at Leyton Industrial Village recently completed and Metal Box Factory nearing completion.
- Hatton Square Business Centre, Barley Mow Centre and Enterprise House have progressed through the planning stage.
- Like-for-like occupancy at 90.0% with like-for-like rent per sq. ft. growth up 8.5% in the year.

- Planning consent for mixed use developments obtained for The Biscuit Factory, Poplar Business Centre, The Faircharm, The Filaments (Phase 2) and Lombard House car park.
- Deals agreed with development partners on three schemes: Grosvenor (The Biscuit Factory), L&Q (The Faircharm) and Peabody (Bow Enterprise Park Phase 2).

## PRIORITIES FOR 2014/15

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

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

## KEY RISKS

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

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



**Related information:**

Principal business risks p.18

Business review p.26

**CUSTOMERS****Understanding our customers and enhancing our brand by responding to their needs.****Enhancing our brand (responding to customers' needs)**

- Continue the roll out and evolution of the Club Workspace brand.
- Broaden the range of services offered under our digital platform.
- Position Workspace as the preferred choice for fast-growing businesses.

- Club Workspace launched at Chancery Lane in November 2013 and at Bethnal Green in March 2014. Revenue growth in year of 52%.
- Growth in partnered provision of telecoms and data services to customers, with the introduction of Cloud products and services during the year. Telecoms and data revenue has increased by 53% in the year.
- Work undertaken with partners to enhance our social media profile and presence.

- Roll out of Club Workspace at four further locations.
- Extend our telecoms and data product range.
- Develop and enhance our social media profile.

- Failure to meet customer service expectations.
- The performance of our selected digital partners.

**CSR****Working sustainably as part of everyday business for us, our customers and our partners.****Sustainable working**

- To develop a CSR policy for engaging with and encouraging school leavers and graduates into entrepreneurship.
- Demonstrate tangible savings in carbon emissions.
- Develop Charity Strategy.

- Refurbishment schemes continuing to achieve good BREEAM scores (Building Research Establishment Environmental Assessment Method).
- Continued liaison with customers in helping to reduce our carbon emissions and investment in energy-reducing equipment during the year.
- Workspace Charity Committee and Charity Strategy established during the year.

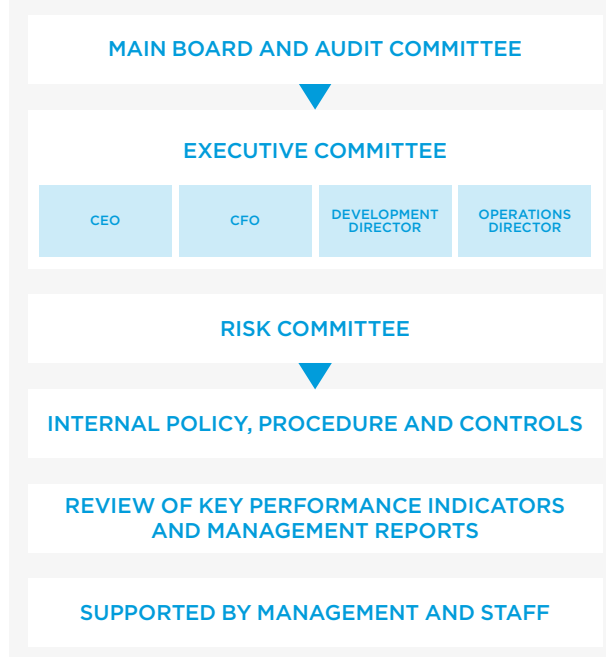
- Deliver on objectives within the Charity Strategy.
- Continue to ensure refurbishment and redevelopment activity fits with our CSR strategy.
- Continue to invest in carbon reduction initiatives and encouraging our customers to follow suit.

- Failure to meet regulatory environmental requirements.
- Introduction of new requirements causing additional costs or inhibiting lettings.

## PRINCIPAL BUSINESS RISKS

# FOCUSED RISK MANAGEMENT

## ORGANISATIONAL STRUCTURE



Risk management continues to be an integral part of our activities and the day-to-day running of the business. Risks are considered at every business level and are assessed, discussed and taken into account when deciding upon future strategy, approving transactions and monitoring performance.

We have a Risk Committee in place to co-ordinate the risk management activities throughout the Group and also to assist with reporting to the Board and Audit Committee. The Risk Committee comprises the Chief Executive Officer, the Operations Director and Company Secretary alongside some senior managers. It also includes rolling representation from various areas across the business to help ensure that lower level issues and risks across all areas of the business are captured and reported as appropriate.

The process we use to identify risks, assess their impact and monitor their likelihood is considered in two parts:

**1. STRATEGIC RISKS:**

These are identified, assessed and managed by the Main Board and Audit Committee. They are reviewed at Board level to ensure they are valid, and they represent the key risks associated with the current strategic direction of the Group.

**2. OPERATIONAL RISKS:**

These are identified, assessed and managed by Executive Committee Directors. These cover all areas of the business, such as Finance, Operations, Investment, Development and Corporate Risks.

The segregation between strategic and operational risks ensures that risks related to our strategy and major decisions are considered at Main Board level and that our level of risk appetite remains appropriate. Day-to-day operational risks are more closely reviewed and managed by the Executive team and senior management, with information being reported to the Board and Audit Committee as appropriate.

Risk registers are owned and maintained by the Main Board for strategic risks and by the Executive Committee for operational risks. The absolute and net levels of risk (taking into account mitigating controls) are assessed using our Risk Management Policy to try to ensure consistency of rating risk exposure. High-rated risks identified in the registers are regularly reviewed by the Board, Audit and Executive Committees.

Details of our principal strategic risks and the mitigating activities in place to reduce these risks are set out on the following pages. The Board are satisfied that we continue to operate within our risk appetite.



## RISK

**RISK AREA:**  
**FINANCING**

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

**RISK AREA:**  
**PROPERTY VALUATION**

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

**RISK AREA:**  
**OCCUPANCY**

Demand by businesses for our accommodation declining as a result of social, economic or competitive factors.

## CHANGE

▼ **REDUCED****STRATEGIC LINK**

- 1 Property
- 2 Portfolio

## MITIGATING ACTIVITIES

Funding requirements for business plans are reviewed regularly and options for alternative sources of funding monitored.

A broad range of funding relationships maintained and refinancing strategy reviewed regularly.

Interest rate hedging policy in place to minimise exposure to short-term rate fluctuations.

Examples of actions undertaken in 2013/14:

- Refinancing of all debt facilities to an unsecured basis.
- Reduced reliance on bank funding.
- Extended maturity profile to an average of seven years.

**ACT Deal of the Year Award – Loans below £750m**

Workspace won this award for achieving an unsecured refinancing of their debt from a combination of bank debt and capital markets funding.

— **NO CHANGE****STRATEGIC LINK**

- 1 Property
- 2 Portfolio

Investment market mood monitoring.

Market yields and pricing of property transactions monitored closely across the London market.

Alternative use opportunities pursued across the portfolio and planning consent progressed.

Examples of actions undertaken in 2013/14:

- Unsecured facilities give more flexibility to address covenant requirements.
- Maximised value of The Biscuit Factory (pictured below).

— **NO CHANGE****STRATEGIC LINK**

- 1 Property
- 3 Customer

Weekly senior management monitoring of occupancy levels, pricing demand levels and reasons for customers vacating.

Extensive marketing using the Workspace brand.

Flexibility offered on deals by dedicated in-house marketing and letting teams.

Increased social media marketing (pictured below).



## PRINCIPAL BUSINESS RISKS

### CONTINUED

RISK	CHANGE	MITIGATING ACTIVITIES
<b>RISK AREA:</b> <b>DEVELOPMENT</b> Impact to underlying income and capital performance due to: <ul style="list-style-type: none"> <li>– Adverse planning rulings.</li> <li>– Construction cost and timing overrun.</li> <li>– Lack of demand for developments.</li> </ul>	<b>REDUCED</b> <b>STRATEGIC LINK</b> <ul style="list-style-type: none"> <li>1 Property</li> <li>2 Portfolio</li> <li>3 Customer</li> <li>4 CSR</li> </ul>	Understanding of planning environment and use of appropriate advisers. Detailed standardised development analysis and appraisal undertaken, sensitivity and risk scenarios considered. Board level discussion and approval prior to project commitment. Contract structuring to reduce/eliminate build risk. Regular detailed monitoring of progress against plans at Board level including post completion reviews.
		
<b>RISK AREA:</b> <b>LONDON</b> Changes in the political, infrastructure and environmental dynamics of London lead to reduced demand for space from businesses.	<b>NO CHANGE</b> <b>STRATEGIC LINK</b> <ul style="list-style-type: none"> <li>2 Portfolio</li> <li>3 Customer</li> </ul>	Regular monitoring of the London economy, research reports and the commissioning of research. Regular meetings with the GLA and London Boroughs.
<b>RISK AREA:</b> <b>INVESTMENT</b> Underperformance due to inappropriate strategy of: <ul style="list-style-type: none"> <li>– Timing of disposal decisions.</li> <li>– Acquisitions timing.</li> <li>– Non-achievement of expected returns.</li> </ul>	<b>REDUCED</b> <b>STRATEGIC LINK</b> <ul style="list-style-type: none"> <li>1 Property</li> <li>2 Portfolio</li> <li>3 Customer</li> <li>4 CSR</li> </ul>	Regular monitoring of asset performance and positioning of portfolio. Acquisition due diligence appraisal and business plans analysis. Regular monitoring of acquisition performance against target returns. <b>Example of actions undertaken in 2013/14:</b> <ul style="list-style-type: none"> <li>– Board level review and approval of targeted non-core disposals undertaken during the year.</li> </ul>
		
		<b>60 Gray's Inn Road</b> Detailed review, due diligence and approval of the acquisition of 60 Gray's Inn Road to ensure it represents a good return and is consistent with our strategy.



RISK	CHANGE	MITIGATING ACTIVITIES
<b>RISK AREA:</b> <b>TRANSACTIONAL</b> Joint ventures or other ventures with third parties do not deliver the expected return.	<b>NO CHANGE</b> <b>STRATEGIC LINK</b> ③ Customer	Due diligence on potential joint venture partners. Requirements for business plans are reviewed regularly. Regular review of performance of joint ventures.
<b>RISK AREA:</b> <b>REGULATORY</b> Failure to meet regulatory requirements leading to fines or penalties or the introduction of new requirements that inhibit activity.	<b>NO CHANGE</b> <b>STRATEGIC LINK</b> ④ CSR	REIT conditions monitored and tested on a regular basis and reported to the Board. Close working relationship maintained with appropriate authorities and all relevant issues openly disclosed. Advisers engaged to support best practice operation. The Risk Committee provides regular updates to the Board on emerging risks and issues. The Group employs a health and safety manager. The Company's policies include the Bribery Act, Health and Safety, and whistleblowing.
<b>RISK AREA:</b> <b>BUSINESS INTERRUPTION</b> Major external events result in Workspace being unable to carry out its business for a sustained period.	<b>NO CHANGE</b> <b>STRATEGIC LINK</b> ① Property ④ CSR	Monitoring security threat/target information. Business continuity plans and procedures in place.
<b>RISK AREA:</b> <b>REPUTATIONAL</b> Failure to meet customer and external stakeholder expectations.	<b>REDUCED</b> <b>STRATEGIC LINK</b> ③ Customer ④ CSR	Customer survey undertaken and results acted upon. Training and mystery shopper initiatives undertaken. Regular communication with stakeholders, Investor Day presentations and Investor Roadshows. Continual monitoring of social media channels. Example of actions undertaken in 2013/14: – Investor Day held in October 2013.



#### UK Stock Market Award – Best Real Estate PLC

On 27 March 2014, in recognition of the value the Company creates for its shareholders, Workspace won the 'Best Real Estate PLC' at the UK Stock Market Awards hosted by MSM Media in association with KPMG.

#### 1,000 companies to inspire Britain

Jamie Hopkins pictured at the launch at the London Stock Exchange.

#### Crowdfunding Industry Report

Sponsoring research into alternative funding for small and growing businesses.



## CORPORATE SOCIAL RESPONSIBILITY

# AT THE HEART OF THE BUSINESS



FTSE4Good

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

## OUR APPROACH

### CUSTOMERS (EXISTING)

**Customer satisfaction and loyalty are key to the sustainability of our business.**

**We help our customers to connect with local communities by participating in our community programmes and working with them to improve the environmental performance of our centres.**

## PERFORMANCE HIGHLIGHTS 2013/14

- We achieved a score of 78% in our 2013/14 customer experience survey.
- Several energy saving poster campaigns were designed and circulated to centres during the year. Posters identify the key areas of tenant energy usage and how tenants can reduce consumption.
- Centre Managers encouraged responsible energy usage through their tenant newsletters.

### SUPPLIERS AND PARTNERS

**We aim to build long-term relationships with our suppliers by being a responsible purchaser of goods and services.**

**We also work closely with our partners to integrate sustainability into the design, construction and redevelopment of Workspace centres.**

- The Mayor's Green Procurement Code is now discontinued but we continue to work within its guidelines.
- All new construction projects require measures on materials, waste and consideration for the local community.
- All new developments over 2,000m<sup>2</sup> now registered for the Considerate Constructors Scheme.
- Approved signatory of prompt payment code.





Jamie Hopkins introducing Workspace's charity event with Kids Company in November 2013.

We have long understood the value that a focused Corporate Social Responsibility (CSR) programme can create for Workspace, delivering operational efficiencies in the process and contributing to our reputation as a responsible business. We believe our CSR activities benefit financial performance by driving occupancy rates, delivering cost savings and creating a more attractive business environment for our customers.

#### SUMMARY 2013/14 HIGHLIGHTS

- We are particularly pleased that we have extended our community investment strategy from E3 to E5.
- We achieved a score of 78% in our 2013/14 customer experience survey.
- All new construction projects require measures on materials, waste and consideration for the local community.
- A Charitable Strategy has been put in place.
- We developed ongoing training and development programmes to develop the right skills for our expansion plans.

More detail on our CSR activities in 2013/14, including our performance against EPRA sustainability indicators, is available at [www.workspace.co.uk](http://www.workspace.co.uk).

#### JAMIE HOPKINS

CHIEF EXECUTIVE OFFICER

#### TARGETS FOR 2014/15

- Undertake a workplace and wellbeing review, based on a survey of selected customers in Workspace buildings.
- Launch 'Partnered Customers' initiative at flagship sites.
- Create a customer focused sustainability marketing factsheet for selected assets.
- Create a customer engagement action plan which identifies opportunities to engage with customers and the information to be communicated.
- Demonstrate how Workspace's property portfolio contributes to tenant employee productivity.
- Continue to communicate energy saving ideas to customers.



#### Gaining vital feedback on areas for improvement

The Workspace brand has evolved to ensure that we put the customer at the heart of everything we do. To help us achieve this we survey our customers' experience of Workspace annually and use the feedback to help us improve and respond to their needs. All staff are appraised so that their performance is linked to a positive customer experience in their centres.



#### Registering all major developments with the Considerate Constructors Scheme

A prime requirement on Workspace construction projects over 2,000m<sup>2</sup> is that principal contractors are fully registered under the Considerate Constructors Scheme. As an example, the mixed-use redevelopment of our Highbury site including our new ScreenWorks business centre has been demonstrating compliance scores of 'very good' and 'excellent', supporting sustainability target agreements established with our development partners and suppliers.

- Achieve a minimum Considerate Constructors score of 35 for all relevant projects.
- Divert at least 75% (weight) of non-hazardous demolition waste from landfill for all developments and refurbishments.
- On all buildings, procure green electricity tariffs to cover 90% of our total energy consumption.

## CORPORATE SOCIAL RESPONSIBILITY CONTINUED

### OUR APPROACH

#### COMMUNITIES

**We aim to make the communities in which we operate better places to live and do business in.**

**Our flagship E5 community investment strategy supports education, employment, enjoyment, entrepreneurial and environmental initiatives in the communities that we reside.**



#### EMPLOYEES

**We provide a safe and rewarding work environment to ensure we attract and retain talented and ambitious individuals.**

**Our commitment to diversity encourages innovation and ensures our workforce reflects the diversity of our customers and communities.**

Gender split on PLC Board

Male: 6

Female: 1

Gender split of entire workforce

Male: 54%

Female: 46%



#### ENVIRONMENT

**Our buildings are our biggest environmental impact and we are committed to making the most of opportunities to reduce carbon emissions and energy use, benefiting the environment and reducing operating costs.**

**We strive to reduce other environmental impacts and costs such as waste.**

#### Greenhouse gas emissions

Overall GHG emissions across the portfolio have decreased by 2.9% this financial year. On a like-for-like basis energy consumption, which accounts for approximately 98% of our total carbon emissions, has decreased by 3.6%.

This can be mainly attributed to a portfolio-wide improvement of building management systems, and a milder winter.

More information can be found in the Report of the Directors on page 73.

### PERFORMANCE HIGHLIGHTS 2013/14

- New strategy in place for all our social and charitable support schemes.
- Moving from E3 to E5 community programme.
- Through staff engagement, we are partnering with a number of charities including Kids Company, FareShare and XLP.
- Newly formed Charity Committee appointed to ensure consistency and transparency in all charitable and community initiatives.
- We have provided assistance to a number of charitable organisations in the UK in the form of either reduced rent or free accommodation.
- 381 training days completed by 118 staff to help develop the right skills for our expansion plans.
- Delivering presentations to employees to ensure they understand the strategy of the business and the part they play.
- New appraisal process to ensure that employees understand how their objectives assist in driving the business performance.
- Introduced a Share Incentive Plan.
- Continued to offer Sharesave Scheme to employees.
- Staff engagement at the core of our new strategy for social and charitable support.
- Investors in People reaccreditation achieved for the 10th year.
- We have judged that human rights are not a material risk for the business due to existing regulatory requirements in the UK.
- Total energy consumption down 4%, on course to reach our target of reducing consumption by 8% between March 2013 and March 2015.
- Total greenhouse gas (GHG) emissions down 2.9% in the year.
- 51% of total waste was recycled with zero waste sent direct to landfill.
- We recorded water consumption on 62 assets.
- We achieved BREEAM 'very good' on our Pill Box development which completed this year.
- Efficient energy usage at our new head office building, Chester House. In 2013/14 we used 176 kWh/NLA/PA compared to the good practice standard of 223 kWh/NLA/PA (JLL Real Estate Environmental Benchmark).



## TARGETS FOR 2014/15



### Supporting London

For the month of March, Workspace funded the cost of four refrigerated FareShare vans and 12 staff volunteered for a total of 96 hours to help:

- Distribute 143,000 meals to over 150 London-based charities.
- Feed 7,250 vulnerable people each day across London.
- Save 52 tonnes of food from going to waste.
- Prevent 26 tonnes of harmful CO<sub>2</sub> emissions.

### Continue to deliver the E5 strategy:

- Increasing the provision of business space to certain charities nominated in 2014/15.
- Record, report and reward all CSR/charity initiatives taking place across the Company.
- In collaboration with BiTC and the GLA, deliver 'InspiresMe' work placements for local youths.
- Our employees will continue to give their time and energy to support charitable events.
- Evaluate the socio-economic impact of a completed Workspace development by March 2015.



### Introducing a new appraisal process

A new simpler process was introduced to help foster open and honest dialogue between manager and team member. Regular appraisals provide an opportunity to review performance and set objectives as well as reward high-performance employees in the form of a higher bonus.

Team managers' and members' objectives are now aligned and it is understood how collectively they help drive business performance.

- Continue training and development.
- Increase Director-led staff briefings in all business locations.
- Updating our equal opportunities policy.
- Encourage staff to participate in E5 strategy.

### Continue to deliver the E5 strategy:

- Support at least 160 hours of staff volunteering events throughout the year.
- Actively encourage staff to take part in events, sporting challenges and adventures to fundraise for our nominated charities.



### Achieving BREEAM accreditation

A key Workspace sustainability target is to achieve BREEAM Very Good status as a minimum on redevelopment and major refurbishment schemes over 2,000m<sup>2</sup>.

Pill Box, our latest completed fit project, has attained this with an overall design stage score of 60.3% covering categories including energy management, transport, construction materials, waste, land use and ecology.

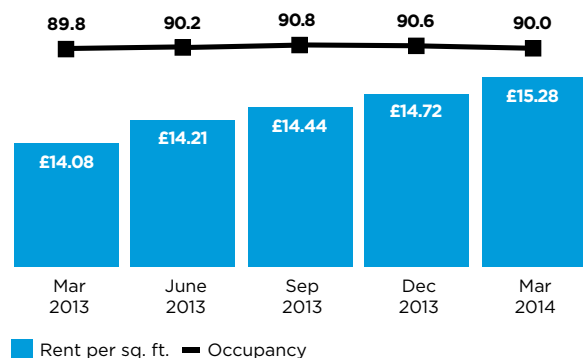
- Achieve an average recycling rate of 57% across all assets where Workspace manages waste.
- Develop and implement a customer waste engagement strategy which will include the conduct of recycling audits and providing feedback to customers.
- Monitor 2014/15 water consumption and investigate water efficiency opportunities with a view to setting a 2015/16 reduction target in April 2015.
- Set energy reduction targets for our ten buildings that consume the most energy (the ten buildings represent 50% of total energy consumption across the portfolio) to assist the achievement of the portfolio reduction target which finishes in March 2015.
- Undertake a portfolio risk review looking at Energy Performance Certificate ('EPC') ratings and opportunities to improve them.
- Review the opportunities across the portfolio for renewable energy initiatives and create an action plan for implementation by March 2016.
- Achieve an 8% reduction in energy between March 2013 and March 2015.
- Create an action plan to improve scores in external industry benchmarks following a review of 2013/14 performance.

## BUSINESS REVIEW

## PERFORMANCE

## OCCUPANCY AND RENT PER SQ. FT.

## LIKE-FOR-LIKE PORTFOLIO



The like-for-like property portfolio, which excludes properties impacted by refurbishment or redevelopment, has seen good growth over the year reflecting the strength of demand from both existing and new customers for space at our properties.

Like-for-like occupancy is stable at around 90% with good growth in rental pricing from both renewals and new lettings. Rent per sq. ft. is up 8.5% since March 2013 to £15.28. This increase in pricing has delivered a similar strong growth in like-for-like rent roll of 8.5% (£3.7m) to £47.4m over the year. See table 1.

The majority of the rent roll in the like-for-like portfolio comes from our office properties where demand has been particularly strong with rent roll growing by 10% to £37.7m (with rent per sq. ft. up 9.6%) compared to 3% growth in rent at our industrials (rent per sq. ft. up 3.9%).

March 2014	Offices	Industrials
Number	38	25
Occupancy	89.2%	91.2%
Rent roll	£37.7m	£9.7m
Rent per sq. ft.	£19.24	£8.50

In the next phase of our refurbishment and redevelopment activity in the current financial year, six properties with rent roll of £7.6m will be transferred out of the like-for-like category. This comprises five planned refurbishments at Hatton Square Business Centre, Barley Mow Centre, Enterprise House, Linton House and Bounds Green Industrial Estate and one mixed-use redevelopment at Poplar Business Park. Prior year like-for-like comparatives will be restated in due course.



CLERKENWELL WORKSHOPS, EC1

16% rent roll growth in year

Table 1:

Like-for-like properties	Mar 2014	Dec 2013	Sep 2013	June 2013	Mar 2013
Number of properties	63	63	63	63	63
Occupancy	90.0%	90.6%	90.8%	90.2%	89.8%
Rent roll	£47.4m	£46.2m	£45.4m	£44.7m	£43.7m
Rent per sq. ft.	£15.28	£14.72	£14.44	£14.21	£14.08



## COMPLETED PROJECTS

We have completed seven refurbishments over the last 18 months at a total cost of £27m providing some 120,000 sq. ft. of upgraded space and 90,000 sq. ft. of new space. This has delivered a £2.6m uplift in rent roll in the year to £5.9m at March 2014 as detailed in table 2.

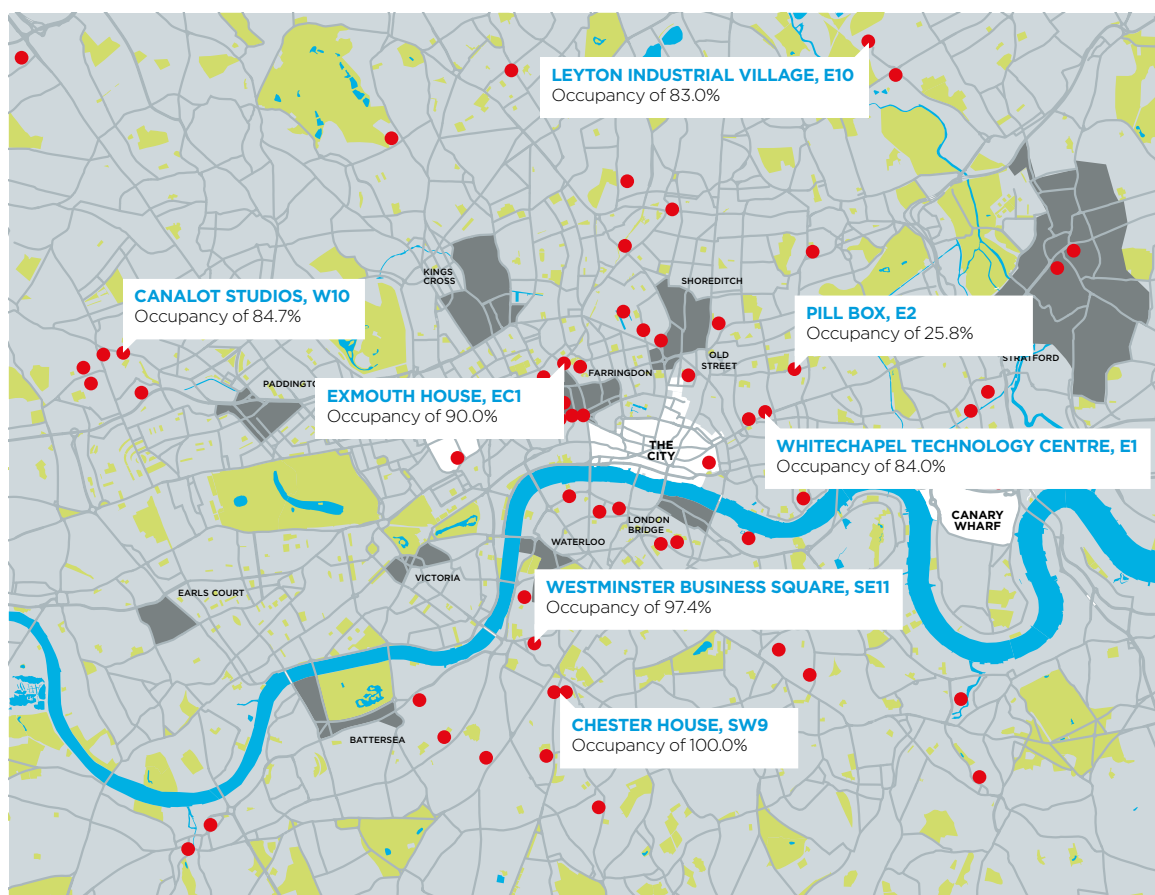
The most recent project completed was the 50,000 sq. ft. refurbishment of Pill Box, E2. This was an 18 month project which completed in February 2014 at a total cost of £8.7m. Letting progress to date at

Pill Box has been well ahead of our expectations in terms of both demand and pricing. Occupancy reached 32% by the end of April 2014 at an average rent per sq. ft. of £26 compared to our initial expectation of £22.

Assuming all these completed schemes were at 90% occupancy (although some are already higher) the rent roll at current estimated rents would be £7.2m, a further uplift of £1.3m on the rent roll at March 2014.

Table 2:

	Rent uplift in year	March 2014 occupancy
Canalot Studios (Completed September 2012)	£0.5m	84.7%
Chester House, Kennington Park (Completed April 2013)	£0.4m	100.0%
Leyton Industrial Village Phase 1 (Completed April 2013)	£0.3m	83.0%
Whitechapel Technology Centre (Completed April 2013)	£0.2m	84.0%
Exmouth House (Completed September 2013)	£0.8m	90.0%
Westminster Business Square Phase 1 (Completed September 2013)	£0.1m	97.4%
Pill Box (Completed February 2014)	£0.3m	25.8%
<b>Total</b>	<b>£2.6m</b>	<b>80.8%</b>



## BUSINESS REVIEW

### CONTINUED

#### TOTAL PORTFOLIO

Overall occupancy was 85.8% at March 2014 (March 2013: 87.0%). Total rent roll has increased over the year by £5.6m (10.6%) to £58.3m (March 2013: £52.7m) as detailed below:

	£m
Rent roll at 31 March 2013	52.7
Like-for-like portfolio	3.7
Completed projects	2.6
Refurbishments and redevelopments	(0.7)
Acquisition	1.1
Disposals	(1.1)
<b>Rent roll at 31 March 2014</b>	<b>58.3</b>

Rent roll growth from the like-for-like portfolio and completed projects of £6.3m in total was offset by a loss of rent of £0.7m from refurbishment and redevelopment projects. The majority of the rent reduction was at The Biscuit Factory (part) and The Faircharm where we are running down occupancy to achieve vacant possession ahead of redevelopment. The acquisition of Verulam House ('60 Gray's Inn Road') in November 2013 has added £1.1m to the rent roll; offset by a similar loss of rent of £1.1m from four non-core disposals completed in the year.

Total contracted rent roll, which includes stepped rents and rent free periods, was £1.9m more than the cash rent roll at £60.2m. Of this uplift in rent 63% (£1.2m) is expected to convert to cash rent roll over the next year.



**PILL BOX, E2**

#### ENQUIRIES AND LETTINGS

Our enquiries are an important indicator of the health of demand in London from new and growing companies looking for business space. Enquiry levels over the year have been consistently high at around 1,000 per month (excluding the seasonal dip in December) reflecting the robust strength of customer demand.

Lettings are running at an average of 85 per month (2013: 84 per month). Lettings in the final quarter of the year increased to an average of 103 per month, which included 37 deals at Pill Box following its opening in February 2014. Continued high levels of enquiries and lettings are being seen in the first quarter of the current financial year.

	Quarter Ended			
Average number per month	<b>March 2014</b>	Dec 2013	Sept 2013	June 2013
Enquiries	<b>1,292</b>	917	1,010	1,033
Lettings	<b>103</b>	80	84	74

#### PROFIT PERFORMANCE

Adjusted Trading Profit after Interest for the year is £20.5m, up 14.5% compared to the prior year. This excludes the exceptional finance costs of £1.9m associated with the refinancing of debt facilities completed in July 2013.

£m	<b>31 March 2014</b>	31 March 2013
Net rental income – underlying	<b>50.0</b>	45.6
Net rental income – disposals	<b>0.3</b>	1.5
Joint venture income	<b>1.1</b>	1.1
Administrative expenses – underlying	<b>(9.9)</b>	(9.2)
Administrative expenses – share related incentives	<b>(2.5)</b>	(1.8)
Net finance costs (excluding exceptional finance costs)	<b>(18.5)</b>	(19.3)
Adjusted Trading Profit after Interest	<b>20.5</b>	17.9

Total rent roll

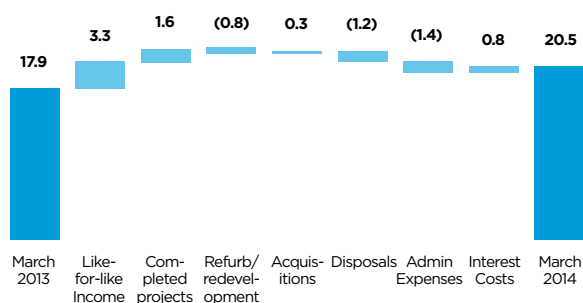
**£58.3m**

Trading profit

**+14.5%**



### TRADING PROFIT AFTER INTEREST



Underlying net rental income, excluding disposals was up £4.4m (9.6%) for the year at £50.0m. This reflects income growth of £3.3m (9%) at like-for-like properties and growth of £1.6m from completed refurbishments. This growth is partly offset by a reduction of £0.8m in income from properties undergoing refurbishment and redevelopment. The acquisition of 60 Gray's Inn Road in November 2013 has contributed £0.3m to underlying net rental income in the year.

The reduction in net rental income from disposals of £1.2m relates to four non-core property disposals made during the current year and the five disposals made in the prior year.

Joint venture (JV) income represents our 20.1% share of net rental income from the properties in the BlackRock Workspace JV. The portfolio comprised of 14 properties with a rent roll of £6.4m at March 2014.

Underlying administrative expenses have increased by £0.7m (8%) in the year due to an increase in head office headcount by six to support the growth of the business and salary increases averaging 3%.

Share related incentive costs have increased by £0.7m (39%) due to higher than expected vesting levels as a result of the strong share price performance.

Net finance costs, excluding exceptional costs, have reduced by £0.8m year on year. The average level of debt (excluding cash) over the year was £332m (2013: £338m) and average interest cost excluding amortisation costs was 5.3% (2013: 5.0%). The running cost of debt at April 2014 was 5.1%.

Profit before tax has increased by 230% (£176.1m) in the year to £252.5m.

£m	31 March 2014	31 March 2013
Adjusted Trading Profit after Interest	20.5	17.9
Exceptional finance costs	(1.9)	-
Change in fair value of investment properties	221.9	59.0
Other Items	12.0	(0.5)
Profit before tax	252.5	76.4
Adjusted underlying earnings per share	13.9p	12.2p
EPRA earnings per share	7.9p	12.2p

The exceptional finance costs of £1.9m relate to the write off of unamortised costs on bank facilities that have now been refinanced.

The change in fair value of investment properties of £221.9m reflects the movement in the total CBRE valuation in the year of £228.4m, but excludes the movement in overage of £4.2m (reported within other income), the movement in cash received on part disposals of £1.5m and the revaluation gain from the disposal of Pensbury of £0.8m in the second half of the year (both of which are reported within profit/(loss) on disposal of investment properties).

Other items include a £4.2m increase in the valuation of expected overage at our redevelopments, a £2.2m increase in the fair value of our derivative financial instruments, profit on sale of investment properties of £1.6m and our share of the increase in valuation and property disposal profits relating to the BlackRock Workspace JV of £4.0m.

Adjusted underlying diluted earnings per share, based on the Adjusted Trading Profit after Interest is up 14% to 13.9 pence (2013: 12.2 pence). EPRA earnings per share of 7.9 pence is a reduction of 35% from the prior year. This is due to the inclusion in the EPRA defined EPS calculation of the Glebe proceeds share liability of £11.0m and the increase in expected overage on redevelopments of £4.2m.

### DIVIDEND

The Board has proposed a final dividend of 7.09 pence per share, (2013: 6.45 pence) which will be paid on 1 August 2014 to shareholders on the register at 11 July 2014. This dividend will be paid as a normal dividend (non-PID). The total dividend for the year is 10.63 pence, a 10% increase on the prior year (2013: 9.67 pence), which is covered 1.3 times by underlying earnings per share.

## BUSINESS REVIEW

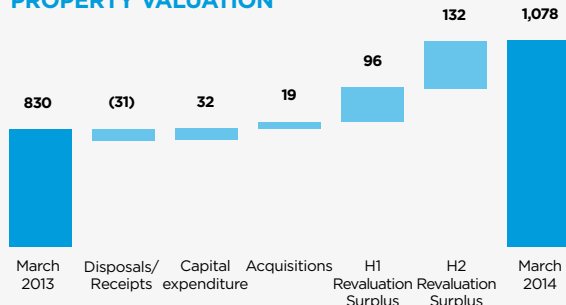
### CONTINUED

#### PROPERTY VALUATION

At 31 March 2014 the wholly owned portfolio was independently valued by CBRE at £1,078m, an underlying increase of 27% (£228m) in the year, with an increase of 14% (£132m) in the second half of the year. The main movements in the valuation and metrics over the year are set out below:

	£m
Valuation at 31 March 2013	830
Revaluation surpluses:	
6 Months to September 2013	96
6 Months to March 2014	132
Capital expenditure	32
Acquisitions	19
Property Disposals	(12)
Capital Receipts	(19)
<b>Valuation at 31 March 2014</b>	<b>1,078</b>

#### PROPERTY VALUATION



	31 March 2014	31 March 2013
Total Portfolio		
Net Initial Yield	<b>6.2%</b>	6.9%
Equivalent Yield	<b>7.3%</b>	8.1%
Capital Value per sq. ft.	<b>£240</b>	£177

Set out below is a summary of the valuation by property type:

At March 2014	No. of properties	Revaluation surplus	Valuation
Like-for-like*	62	£130m	£692m
Redevelopments	9	£73m	£206m
Refurbishments	8	£25m	£154m
Acquisitions/Other	4	£0m	£26m
<b>Total</b>	<b>83</b>	<b>£228m</b>	<b>£1,078m</b>

\* Excludes Poplar Business Park which has been transferred to the redevelopment category.

The £130m (23%) increase in value of the like-for-like properties came from an uplift in rental pricing (representing around 40% of the uplift) and a tightening in valuation yields (representing around 60% of the uplift). Looking at these in turn:

- We have achieved strong growth in rent roll and pricing levels, particularly at our office properties, with rent per sq. ft. up 8.5% to £15.25 and estimated rental value (ERV) per sq. ft. up 12.3% to £16.13.
- Net initial yield has tightened from 7.3% to 6.4% in the year (with the equivalent yield moving from 8.1% to 7.2%) reflecting the strength of demand and the investment we have made in upgrading the quality of our properties (£9m capital expenditure in the year). The capital value per sq. ft. of the like-for-like portfolio is £205 (March 2013: £164).

The most significant uplifts in value of like-for-like properties are detailed below, with the top eight properties representing 55% of the total uplift:

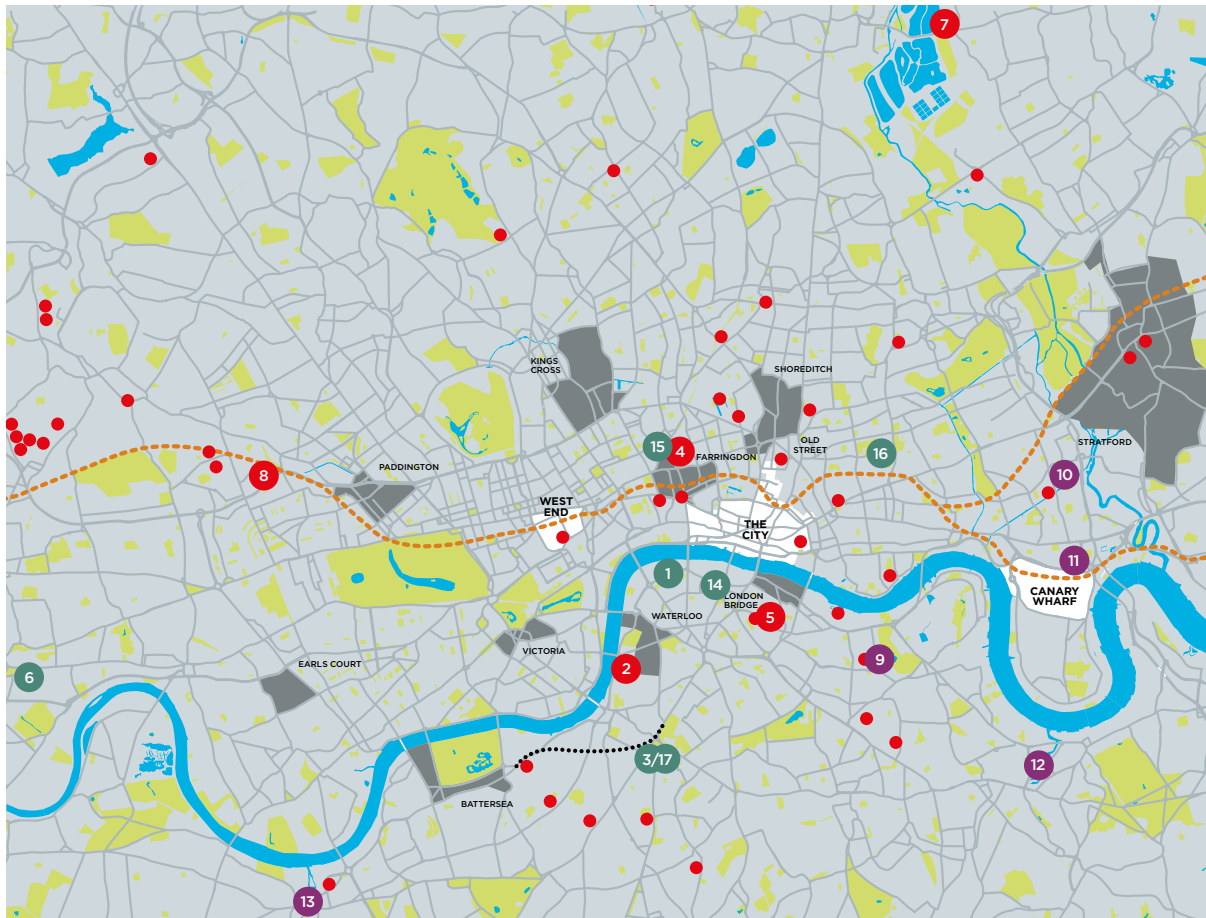
Like-for-Like	Uplift in Year	Rent Roll Growth	March 2014 Net Initial Yield
<b>Map reference</b>			
1. Enterprise House, SE1	40%	11%	5.4%
2. Southbank House, SE1	40%	9%	6.1%
3. Kennington Park, SW9	35%	4%	6.2%
4. Clerkenwell Workshops, EC1	34%	16%	6.3%
5. The Leathermarket, SE1	26%	9%	6.5%
6. Barley Mow Centre, W4	22%	22%	7.1%
7. Uplands Business Park, E17	22%	4%	7.0%
8. Westbourne Studios, W10	20%	2%	6.6%

The uplift in the value of our redevelopment properties of £73m reflects the good progress we have made in securing residential planning consents and the strength of demand from residential developers for the consented schemes. £51m (70%) of the uplift in the year is from schemes that have been contracted for sale to residential developers, these properties representing £149m (72%) of the total redevelopment valuation.

The most notable uplifts in value are set out below:

Redevelopment	Uplift in Year	March 2014 Valuation
<b>Map reference</b>		
9. The Biscuit Factory (part), SE16	£31m	<b>£58m</b>
10. Bow Enterprise Park, E3	£12m	<b>£24m</b>
11. Poplar Business Park, E14	£11m	<b>£32m</b>
12. The Faircharm, SE8	£7m	<b>£16m</b>
13. The Filaments, SW18	£5m	<b>£24m</b>
Other (4 properties)	£7m	<b>£52m</b>
	<b>£73m</b>	<b>£206m</b>





Refurbishment properties saw an underlying uplift in value of £25m with capital expenditure of £20m incurred in the year. We are benefiting from the substantial investment we are making in repositioning and expanding the amount of space at these properties in locations where there is increasingly strong demand. This demand has been reflected in higher expected rents and tighter valuation yields. Of the total valuation of refurbishments £101m (66%) relates to the value of the seven completed schemes. A summary of the most significant uplifts is set out below:

- Workspace property
- Redevelopments
- Refurbishments
- Crossrail
- Northern Line Extension

Refurbishment	Uplift in Year	March 2014 Valuation
<b>Map reference</b>		
14. Metal Box Factory, SE1	£7m	<b>£37m</b>
15. Exmouth House, EC1	£7m	<b>£27m</b>
16. Pill Box, E2	£5m	<b>£16m</b>
17. Chester House, Kennington Park, SW9	£5m	<b>£16m</b>
Other (4 Properties)	£1m	<b>£58m</b>
	£25m	<b>£154m</b>



**Related information:**  
Property listing p.121

## BUSINESS REVIEW

### CONTINUED

#### ACQUISITIONS

In November 2013 we acquired 60 Gray's Inn Road, WC1 for £18.1m at a net initial yield of 4.3% off an average rent of £26 per sq. ft. This prominent office building offers 42,000 sq. ft. of net lettable space and complements our existing cluster of buildings in the Holborn/Clerkenwell area.

In April 2014 we acquired 12-13 Greville Street, EC1N for £2.3m. This building is adjacent to our existing property at 14 Greville Street and we are now progressing with a planning application for a new business centre on the combined site which will benefit greatly from the opening of the new Crossrail station at Farringdon.

In May 2014 we completed on the purchase of Vestry Street Studios, N1 for £12.6m at a net initial yield of 4.1% off an average rent of £23 per sq. ft. This Shoreditch warehouse of 23,000 sq. ft. complements our cluster of buildings in the Old Street/Shoreditch area.

#### DISPOSALS

During the year we realised £12.4m from the disposal of four non-core properties at a profit of £1.6m compared

to book value at 31 March 2013, at a net initial yield of 7.6%. The non-core properties represent generally good quality but small properties, primarily industrial estates, where the opportunity for Workspace to add premium operational or brand value is limited. The total value of non-core properties at March 2014 was £53m (March 2013: £56m).

#### REFURBISHMENT ACTIVITY

We have invested £20m of capital expenditure on our refurbishment programme over the year. Four projects have been completed at Exmouth House, Pill Box, and the first phases at Leyton Industrial Village and Westminster Business Square. The level of capital expenditure is expected to increase in 2014/15 as we progress with the next phase of our pipeline, as detailed in table 1.

The total estimated cost for current projects is £74m, of which £13m had been incurred to the end of March 2014. A total of 200,000 sq. ft. of new space and 173,000 sq. ft. of upgraded space will be delivered from these projects. Once these schemes are completed and have reached 90% occupancy the rent roll would be £14.8m at current estimated rents, an uplift of £6.7m on the rent roll at March 2014.

#### REDEVELOPMENT ACTIVITY

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



**METAL BOX FACTORY, SE1**

Table 1:

	Project cost	New Space (sq. ft.)	Upgraded Space (sq. ft.)	Expected Completion
<b>Completing 2014/15</b>				
Metal Box Factory, SE1	£16m	20,000	82,000	Sept 2014
Leyton Industrial Village (Phase 2), E10	£2m	21,000	-	May 2014
Bounds Green Industrial Estate, N11	£2m	15,000	-	Dec 2014
Enterprise House, SE1	£3m	-	61,000	Jan 2015
<b>Completing post 2014/15</b>				
Hatton Square Business Centre, EC1	£21m	64,000	-	Oct 2016
Barley Mow Centre, W4	£7m	20,000	-	Feb 2016
Linton House, SE1	£8m	16,000	30,000	Oct 2015
Westminster Business Square (Phase 2), SE11	£15m	44,000	-	Dec 2015
	<b>£74m</b>	<b>200,000</b>	<b>173,000</b>	

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

- Obtaining four mixed use planning consents at The Biscuit Factory (May 2013), The Faircharm Phase 1 (May 2013), Poplar Business Park (September 2013), and The Filaments Phase 2 (April 2014) for a total of 1,417 residential units.
- Agreeing the sale of five redevelopment schemes at Bow Enterprise Park Phase 1 (April 2013), The Biscuit Factory - part (October 2013), Lombard House car park (December 2013), Bow Enterprise Park Phase 2 (April 2014) and The Faircharm Phase 1 (May 2014) for a total of £84m in cash and the return of 112,000 sq. ft. of new business space (plus overage).

An overall summary of the redevelopment programme is set out in table 2. It excludes a number of properties where we are in active discussions with the relevant local authorities for potential mixed use redevelopment but do not yet have planning consent.

In total we will receive £95m of cash from the redevelopment schemes that we have contracted for sale. The timing of cash receipts is in many cases dependent on when we obtain vacant possession or is paid on a staged basis. £17m was received during the last year, £42m is expected to be received in the current financial year and the balance over the following two financial years.

We will also receive 286,000 sq. ft. of new space on the contracted for sale schemes where we would expect to achieve rent roll of £5.4m, assuming 90% occupancy and current estimated rents. We expect to receive 114,000 sq. ft. of this space in the current financial year and the balance during 2015 to 2016. Current rent roll at these properties at March 2014 prior to redevelopment is £1.8m which will fall to £nil during redevelopment.

In a number of the sales we have overage clauses that entitle Workspace to additional payments if private residential sales exceed certain pre-agreed price levels. As at March 2014 the expected cash proceeds from overage was valued by CBRE at £5.8m.

## CASH FLOW

The Group generates strong operating cash flow in line with trading profit. We continue to see good levels of cash collection with bad debts remaining low at £0.3m (March 2013: £0.4m).

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

	£m
Net cash from operations	26
Dividends paid	(14)
Capital expenditure	(30)
Property Acquisitions	(19)
Property disposals/capital receipts	29
Investment in joint ventures	2
Settlement and re-couponing of financial derivatives	(9)
Release of secured bank facility accounts	7
Refinancing costs	(3)
Net movement in year	(11)
Net debt at 31 March 2013	(327)
<b>Net debt at 31 March 2014</b>	<b>(338)</b>

## KEY PERFORMANCE INDICATORS (KPIs)

The financial and non-financial KPIs that are used to monitor the business are referenced throughout this business review. These are summarised in the table on page 120.

Table 2:

Table 2:	Developer	Residential Units	Workspace receive			
			Cash	New Space	Expected Delivery	Overage
Contracted for sale						
The Filaments (Phase 1), SW18	Mount Anvil	209	-	53,000	Nov 2014	✓
ScreenWorks, N5	Taylor Wimpey	72	£5m	61,000	May 2014	✓
Bow Enterprise Park (Phase 1), E3	Peabody	267	£11m	10,000	Dec 2015	✓
Grand Union Centre, W10	Taylor Wimpey	145	£6m	60,000	Feb 2016	✓
Bow Enterprise Park (Phase 2), E3	Peabody	160	£11m	3,000	Dec 2016	-
The Biscuit Factory (part), SE16	Grosvenor	800	£51m	47,000	Oct 2016	✓
The Faircharm, SE8	L&Q	148	£10m	52,000	Jun 2016	-
Lombard House car park, CRO	Hexagon	22	£1m	-	-	-
		1,823	£95m	286,000		
Pipeline (with planning)						
Poplar Business Park, E14	-	392	-	70,000	-	-
The Filaments (Phase 2), SW18	-	77	-	18,000	-	-
Bow Enterprise Park (Phase 3), E3	-	130	-	38,000	-	-
		599	-	126,000		



## BUSINESS REVIEW

### CONTINUED

#### FINANCING

During the year we successfully completed the refinancing of all our debt facilities to ensure diversity and flexibility of funding arrangements. The refinancing has achieved the following:

- A diversification of our sources of funding, moving away from a reliance on the bank debt market which now only represents some 20% of our drawn debt facilities.
- All facilities are now provided on an unsecured basis, giving us significant flexibility in effectively managing the property portfolio and allowing us to react quickly to asset management opportunities.
- An extended maturity profile, the weighted average maturity is just under seven years.
- Stability of our interest rate cost over the medium term, some 75% of our facilities are fixed or hedged for four years reducing to 35% at nine years.

At 31 March 2014 the Group had £410m of committed facilities with an average period to maturity of 6.8 years and the earliest maturity in June 2018. Details are set out below:

	Facility	Maturity
Private Placement notes	£148.5m	June 2023
Private Placement notes	£9m	June 2020
UK Fund	£45m	June 2022/2023
Retail Bond	£57.5m	October 2019
Bank debt	£150m	June 2018
<b>Total</b>	<b>£410m</b>	
<b>Undrawn facilities (including cash)</b>	<b>£72m</b>	

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

At 31 March 2014 overall loan to value was 31% giving us good headroom on all of bank, placement notes and bond covenants.

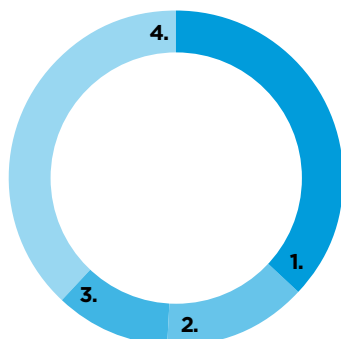
#### NET ASSETS

Net assets increased in the year from £500m to £726m with the main contributor being the £228m increase in the value of our investment portfolio. EPRA net asset value per share at 31 March 2014 was £4.96 (2013: £3.48), an increase of 43% in the year. The main movements in net asset value per share are set out below:

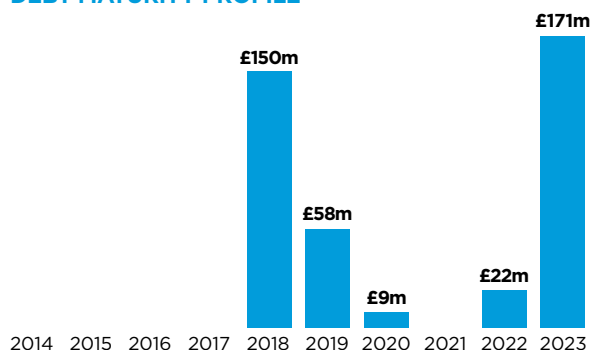
EPRA NAV per share	£
At 31 March 2013	3.48
Property valuation surplus	1.50
Trading Profit after Interest	0.14
Dividends paid in year	(0.10)
Glebe proceeds share liability	(0.07)
Other	0.01
<b>At 31 March 2014</b>	<b>4.96</b>

#### FACILITIES BY TYPE

1. Bank Debt (37%)
2. Retail Bond (14%)
3. UK Funds (11%)
4. Private Placement (38%)



#### DEBT MATURITY PROFILE



### GLEBE PROCEEDS SHARE AGREEMENT

Workspace entered into a proceeds share agreement as part of acquiring full control of the former Glebe joint venture (JV) in December 2009. The proceeds share agreement provides for the former lenders to the Glebe JV to share in net proceeds from disposals of properties within the JV once Workspace has received back its priority return which at March 2014 stands at £92m. For net cash proceeds up to £170m the former lender's share is 50%, from £170m to £200m it is 30% and nil thereafter. The maximum payable under this agreement is therefore £48m. All disposals are at the option of Workspace.

The valuation of the Glebe portfolio has increased by £53m over the year to £217m at 31 March 2014. The majority of the increase has come from the uplift in valuation of The Biscuit Factory, SE16 where we obtained a residential planning consent in May 2013 on the northern part of the site.

The portfolio comprises a mix of properties, some have residential redevelopment potential which we will sell and others, primarily business centres, which we have no current intentions to sell. The valuation at 31 March 2014 of the properties that have consent for residential redevelopment or where planning for redevelopment is well advanced and where we consider it probable that they will be sold for cash in due course is £107m. Total estimated proceeds, including the cash already received from residential disposals of £14m, are £121m (March 2013: £83m).

The significant increase in estimated proceeds from disposals gives rise to a potential payment under the proceeds share agreement. Net proceeds after deducting allowable sales costs are now estimated at £114m (March 2013: £79m). The excess of net proceeds over the priority return to Workspace of £92m is shared between Workspace and the former

lenders to the JV in accordance with the proceeds share agreement. We have accordingly recognised a liability of £11m (March 2013: £nil) representing 50% of the surplus in excess of £92m.

If we were to sell all the properties in the Glebe portfolio, including the business centre assets that we have no current intention to sell, the payment under the proceeds share agreement would reach the maximum payable under the agreement of £48m (March 2013: £32m) compared to the amount we have recognised of £11m. The increase of £37m would reduce the EPRA NAV per share reported at March 2014 by 25 pence to £4.71 (March 2013: 22 pence to £3.26).

### BLACKROCK WORKSPACE PROPERTY TRUST (BLACKROCK JV)

We have a 20.1% interest in the BlackRock JV for which we also act as property manager receiving management and performance fees. It has continued to perform well during the year with rent roll growth of £0.3m (5%) (excluding disposals) to £6.4m in the year and occupancy at 87.7%. The property valuation has increased by 17% (excluding capital expenditure and disposals) to £104.0m at 31 March 2014.

During the year Cam Road, Stratford was sold in April 2013 for £7.6m at an uplift of £0.6m on the March 2013 valuation and in October 2013 the JV sold Rudolf Place, SW8 for £4.9m, £1.6m higher than the March 2013 valuation. We also gained planning consent for a mixed use development at Toplin House, SW9 for an eleven unit residential development and a 3,000 sq. ft. roof extension to the main building.

In May 2014 Windmill Place, UB2 was sold for £2.5m, an uplift of £0.7m to March 2014 valuation.



**THE BISCUIT FACTORY, SE16**



**6 LLOYDS AVENUE, EC3N**

## BUSINESS REVIEW

### CONTINUED

#### KEY PROPERTY STATISTICS

	Quarter ending 31 March 2014	Quarter ending 31 December 2013	Quarter ending 30 September 2013	Quarter ending 30 June 2013	Quarter ending 31 March 2013
<b>Workspace Group Portfolio</b>					
Property valuation	£1,078m	–	£921m	–	£830m
Number of estates	83	83	83	84	86
Lettable floorspace (million sq. ft.) <sup>†</sup>	4.5	4.6	4.6	4.6	4.7
Number of lettable units	4,653	4,543	4,539	4,543	4,626
ERV	£75.4m	–	£68.9m	–	£67.4m
Cash rent roll of occupied units	£58.3m	£56.7m	£54.1m	£53.1m	£52.7m
Average rent per sq. ft.	£15.12	£14.11	£13.58	£13.26	£12.98
Overall occupancy	85.8%	87.1%	86.8%	86.9%	87.0%
Like-for-like lettable floor space (million sq. ft.)	3.5	3.5	3.5	3.5	3.5
Like-for-like cash rent roll	£47.4m	£46.2m	£45.4m	£44.7m	£43.7m
Like-for-like average rent per sq. ft.	£15.28	£14.72	£14.44	£14.21	£14.08
Like-for-like occupancy	90.0%	90.6%	90.8%	90.2%	89.8%
<b>BlackRock Workspace Property Trust</b>					
Property valuation	£104m	£98m	£96m	£92m	£96m
Number of estates	14	14	15	15	16
Lettable floorspace (million sq. ft.) <sup>†</sup>	0.5	0.5	0.5	0.5	0.5
ERV	£8.5m	£8.3m	£8.3m	£8.4m	£8.4m
Cash rent roll of occupied units	£6.4m	£6.4m	£6.5m	£6.3m	£7.0m
Average rent per sq. ft.	£14.66	£14.57	£14.48	£13.96	£14.20
Overall occupancy	87.7%	89.1%	88.5%	88.0%	90.4%
<b>EPRA Performance Measures</b>					
EPRA Earnings per share	7.9p				12.2p
EPRA Net Asset Value per share	£4.96				£3.48
EPRA Net Initial Yield	6.2%				6.9%
EPRA Cost Ratio	33%				32%

<sup>†</sup> Excludes storage space

The strategic report on pages 1 to 36 was approved by the Board of Directors on 3 June 2014 and signed on its behalf by:

**JAMIE HOPKINS**  
CHIEF EXECUTIVE OFFICER

**GRAHAM CLEMETT**  
CHIEF FINANCIAL OFFICER



# GOVERNANCE

## IN THIS SECTION:

- 38 Chairman's overview
- 40 The Board & Executive Committee
- 42 Corporate governance report
- 55 Directors' remuneration report
- 73 Report of the Directors
- 77 Directors' responsibilities

Overview

01-15

Strategy

16-21

Performance

22-36

Governance

37-77

Financial statements

78-119

Shareholder information

120-125

## CHAIRMAN'S OVERVIEW

**We have a strong commitment to conducting business responsibly and maintaining high standards of corporate governance.**

**DANIEL KITCHEN**  
CHAIRMAN



The Board of Workspace is committed to conducting business responsibly and maintaining a high standard of corporate governance in terms of leadership, remuneration matters, accountability, and in our relationship with our shareholders, all as identified by the UK Corporate Governance Code.

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

#### **BOARD APPOINTMENTS AND SUCCESSION**

In order to implement our strategy successfully, the Board monitors and reviews succession planning and development requirements for key executives and senior managers across the Company. In addition, we keep the composition, diversity and the size of the Board under regular review to ensure that we have the right balance of skills and experience and that it remains relevant to the business both today and in the future. We have strengthened our Board over the last two years by welcoming three Non-Executive Directors bringing with them a broad range of business experience across a number of diverse sectors.

As I explained last year, Bernard Cragg will retire from the Board at our AGM on 16 July 2014, having served as a Director since June 2003. I am pleased to confirm that Chris Girling has agreed to take on the roles of both Chairman of the Audit Committee and Senior Independent Director. Bernard has made a significant contribution to the Board's activities over the years; we thank him and wish him well for the future.

In accordance with the UK Corporate Governance Code, all of the Directors have submitted themselves for re-election at the Annual General Meeting. This practice will continue at the Annual General Meeting in 2014.

### CHANGES TO CORPORATE REPORTING

The Board continues to monitor developments in corporate governance and company reporting regulations. The new Strategic Report on pages 1 to 36 includes, amongst other matters, the Group’s strategy, progress and performance for the year. Disclosures in the Governance Report also includes expanded disclosures on the work of the Audit Committee on pages 51 to 54.

The Remuneration Committee has continued its review of Executive Remuneration under the new Chairmanship of Maria Moloney to ensure that the arrangements are aligned with shareholders whilst motivating a successful team. Changes to remuneration reporting in particular are significant and these are fully covered in the Directors’ Remuneration Report on pages 55 to 72 which sets out in detail the Company’s approach to this important area.

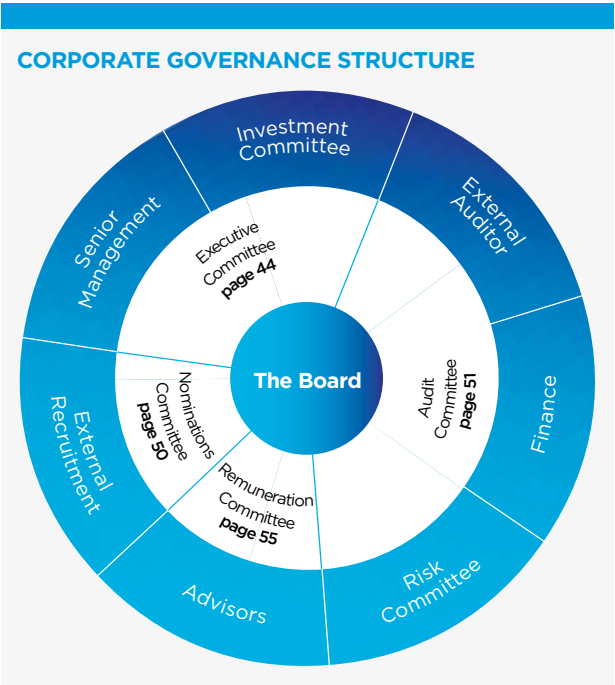
### BOARD AND COMMITTEE PERFORMANCE

During the year we conducted a review of our effectiveness as a Board. This year, I conducted the Board performance evaluation with support from the Company Secretary. The process covered Board, Committee and personal performance and the output was reviewed by the Board. The process confirmed that the Board and its Committees continued to work effectively.

### COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given a high priority by the Board. When the Company announces its annual and half year results, the Chief Executive Officer and Chief Financial Officer make presentations to institutional investors and analysts and hold one-to-one briefings with key shareholders. In addition, I am available to meet with shareholders if they wish to raise any matters separately.

**DANIEL KITCHEN**  
CHAIRMAN





## THE BOARD & EXECUTIVE COMMITTEE



### THE BOARD

#### 1. DANIEL KITCHEN

Non-Executive Chairman

##### COMMITTEE MEMBERSHIPS:

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

##### BACKGROUND AND RELEVANT EXPERIENCE:

Daniel Kitchen was appointed to the Board on 6 June 2011 and subsequently took on the role as Chairman in July 2011. He was previously Deputy Chief Executive at Heron International plc and prior to that was Finance Director at Green Property for eight years. He resigned as Chairman of Key Capital Real Estate Limited in 2014, as a Non-Executive Director of Kingspan Group PLC in May 2012 and as Non-Executive Chairman of Irish Nationwide Building Society in July 2011.

##### CURRENT EXTERNAL APPOINTMENTS:

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

#### 2. JAMIE HOPKINS

Chief Executive Officer

##### BACKGROUND AND RELEVANT EXPERIENCE:

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

##### CURRENT EXTERNAL APPOINTMENTS:

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



#### 3. GRAHAM CLEMETT

Chief Financial Officer

##### BACKGROUND AND RELEVANT EXPERIENCE:

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

#### 4. DAMON RUSSELL

Non-Executive Director

##### COMMITTEE MEMBERSHIPS:

A member of the Remuneration, Audit and Nominations Committees.

##### BACKGROUND AND RELEVANT EXPERIENCE:

Damon is currently Chairman of New Telecom Express Group, an interactive media service provider, and has more than 20 years' experience in the industry. He co-founded the company in 1989 and has been responsible for key client relationships and the business' sales strategy since its inception. Telecom Express was sold to AMV BBDO, part of the Omnicom Group, in 1998. In 2004, Damon led a successful management buyout. He also holds advisory roles for a number of smaller companies in the digital media sector.

#### 5. BERNARD CRAGG

Senior Independent Non-Executive Director

##### COMMITTEE MEMBERSHIPS:

Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees.

##### BACKGROUND AND RELEVANT EXPERIENCE:

Bernard Cragg, a Chartered Accountant, was appointed to the Board in June 2003. He was previously Chairman of Datamonitor PLC and i-mate PLC, and a Non-Executive Director of Bristol & West PLC. He was formerly Group Finance Director and Chief Financial Officer of Carlton Communications PLC and a Non-Executive Director of Arcadia Group PLC.

##### CURRENT EXTERNAL APPOINTMENTS:

He is a Non-Executive Director of Astro Overseas Limited and Astro Malaysia Holdings SDN BHD and the Senior Independent Director of Progressive Digital Media PLC. He is also Deputy Chairman and Senior Independent Non-Executive Director of Alternative Networks PLC.



## 6. MARIA MOLONEY

Non-Executive Director

### COMMITTEE MEMBERSHIPS:

Chairman of the Remuneration Committee, member of the Audit and Nominations Committees.

### BACKGROUND AND RELEVANT EXPERIENCE:

Maria Moloney was appointed to the Board in May 2012. She was previously on the Board of the Belfast Harbour Commissioners, the Industrial Development Board for Northern Ireland, the Northern Ireland Transport Holding Company and Independent Television Commission, London.

### CURRENT EXTERNAL APPOINTMENTS:

Maria, a lawyer, is currently a Non-Executive Director of the Broadcasting Authority of Ireland in Dublin and a Trustee of the Northern Ireland Cancer Centre in Belfast.

## 7. CARMELINA CARFORA

Company Secretary

### BACKGROUND AND RELEVANT EXPERIENCE:

Carmelina Carfora was appointed Company Secretary in March 2010. She was previously Group Company Secretary of Electrocomponents PLC. She has also worked in the construction industry and for a consultancy firm offering company secretarial services.

## 8. CHRIS GIRLING

Non-Executive Director

### COMMITTEE MEMBERSHIPS:

Member of the Audit, Remuneration and Nominations Committees.

### BACKGROUND AND RELEVANT EXPERIENCE:

Chris Girling, a Chartered Accountant, was appointed to the Board in February 2013. He was previously Group Finance Director of Carillion PLC. He retired as a Non-Executive Director of Elementis PLC in July 2013.

### CURRENT EXTERNAL APPOINTMENTS:

Chris is currently a Non-Executive Director and Chairman of the Audit Committee of Keller Group PLC and a Non-Executive Director of Arco Limited.



## EXECUTIVE COMMITTEE

### 9. ANGUS BOAG

Development Director

### BACKGROUND AND RELEVANT EXPERIENCE:

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

### 10. CHRIS PIERONI

Operations Director

### BACKGROUND AND RELEVANT EXPERIENCE:

Chris Pieroni joined the Group as Operations Director in October 2007. Chris is responsible for asset management, marketing, professional services, brand and business development. Prior to joining Workspace, he worked at KPMG specialising in real estate and infrastructure finance. He began his professional career teaching economics at Cambridge University. Chris was a Non-Executive Director of the Group from 2000 until his retirement from the Board in August 2006.

### CURRENT EXTERNAL APPOINTMENT:

Chris was appointed as Chairman of the Business Centre Association in May 2014.

## BOARD COMPOSITION

### 1. DANIEL KITCHEN

Chairman

### Executive Directors

### 2. JAMIE HOPKINS

Chief Executive Officer

### 3. GRAHAM CLEMETT

Chief Financial Officer

### Non-Executive Directors

4. DAMON  
RUSSELL

5. BERNARD  
CRAGG

6. MARIA  
MOLONEY

8. CHRIS  
GIRLING

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE STATEMENT

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

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

### COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

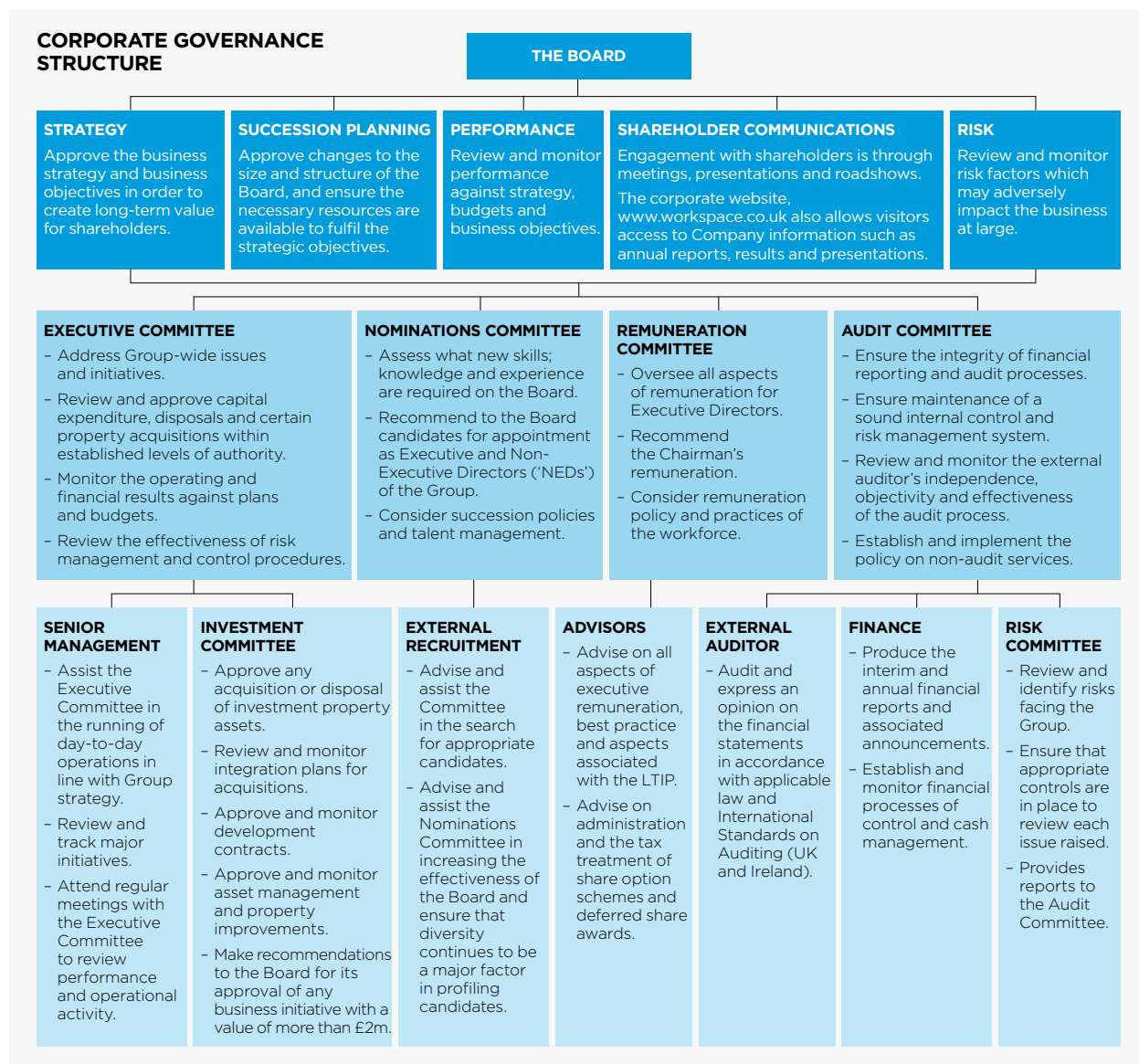
It is the Board's view that the Group has been fully compliant with the Code throughout the year ended 31 March 2014. The application of the principles contained in the Code is described below. Detailed reports on Directors' remuneration and the Audit Committee can be found on pages 55 to 72 and pages 51 to 54.

### CORPORATE GOVERNANCE STRUCTURE

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

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

## LEADERSHIP





## AN EFFECTIVE LEADERSHIP STRUCTURE

### ROLE OF THE BOARD

The Board is collectively responsible for the performance and long-term success of the Company, for its leadership, strategy, control and management. The Board will review and monitor strategic plans and objectives, approval of acquisition of investment properties, disposals, financing arrangements and capital expenditure and of the Group's systems of internal control, governance and risk management.

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

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

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

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

### BOARD ACTIVITIES

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

#### Board activities in 2013/14

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

- Reviewed progress of the strategy and business objectives;
- Monitored trading performance of the business;
- Considered the Group's property valuation;
- Finance matters including budgets, business plans and significant refinancing opportunities. In June 2013, the Company announced the refinancing of its bank debt facilities. All facilities (£410m) are now provided on an unsecured basis with over 60% of funding from non-bank sources;

- Annual and interim results, interim management statements and dividends;
- Approval of redevelopment activity and major developments;
- Significant investment decisions including property acquisitions during the year of £18.1m. In addition, we realised £12.4m from the disposal of four non-core properties;
- Undertaking a review of its own performance and that of its committees, the independence of the Non-Executive Directors and reviewing the governance framework in place;
- Review of risk and the Group's health and safety arrangements;
- Approval of Board appointments and retirements and ensuring adequate succession planning is in place; and
- In September 2013, the Board held its annual Strategy Day which included, amongst other matters, a review of the business plan objectives, a discussion on the economic outlook and consideration given to other growth opportunities.

### BOARD AND COMMITTEE MEETINGS ATTENDANCE

The Board has regular scheduled meetings and met 10 times during the past financial year. Supplementary meetings are also held as and when necessary.

The Directors are expected to attend all meetings of the Board, and of those Committees on which they serve and the Annual General Meeting (AGM), and to devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors. Details of Directors' attendance at each of the Board and Committee meetings during the year ended 31 March 2014 are set out in the table below.

Name	Board (10 meetings)	Audit (3 meetings)	Remuneration (7 meetings)	Nominations (2 meetings)
<b>Chairman</b>				
Daniel Kitchen	10/10	-	7/7	2/2
<b>Executive Directors</b>				
Jamie Hopkins	10/10	-	-	-
Graham Clemett	10/10	-	-	-
<b>Non-Executive Directors</b>				
Bernard Cragg	10/10	3/3	7/7	2/2
John Bywater <sup>1</sup>	4/10	1/3	5/7	1/2
Maria Moloney	10/10	3/3	7/7	2/2
Chris Girling	10/10	3/3	7/7	2/2
Damon Russell <sup>2</sup>	6/10	2/3	3/7	1/2

Notes:

1. John Bywater retired from the Board on 25 July 2013.
2. Damon Russell was appointed to the Board with effect from 29 May 2013, consequently, Mr Russell attended his first Board Meeting on 25 July 2013.

Where Directors are unable to attend meetings, their comments, as appropriate, are provided to the Board or Committee Chairman prior to the meeting.

## CORPORATE GOVERNANCE REPORT

### CONTINUED

#### THE EXECUTIVE COMMITTEE

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

The Committee has met 17 times during the year ended 31 March 2014.

The responsibilities of the Executive Committee members include:

##### Jamie Hopkins, Chief Executive Officer

Strategic management; investor relations; day-to-day operations; acquisitions and disposals; health and safety; staff; equal opportunities; remuneration; and training and development.

##### Graham Clemett, Chief Financial Officer

Finance; treasury; company secretarial; investor relations; and the Group's IT strategy.

##### Chris Pieroni, Operations Director

Portfolio performance; asset management; lettings and marketing; rent reviews; and renewals.

##### Angus Boag, Development Director

Planning consents; development of assets; valuations; disposals; sustainability; and environmental strategy.

#### THE INVESTMENT COMMITTEE

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

## EFFECTIVENESS

#### BOARD COMPOSITION

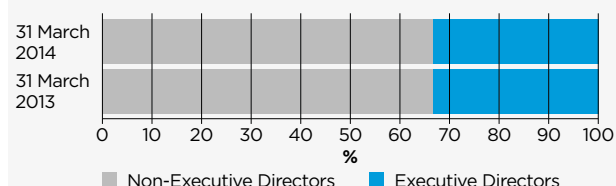
The effectiveness of the Board and its Committees is vital to the success of the Company. The Board considers there to be an appropriate balance between Executive and Non-Executive Directors required to lead the business and safeguard the interest of shareholders. The Board's current composition of a Non-Executive Chairman, two Executive Directors and four Non-Executive Directors meets the requirement of the code for at least half the Board, excluding the Chairman, to be independent Non-Executive Directors. In the Board's view, all of the current Non-Executive Directors are independent and this is explained in more detail on page 45.

The Non-Executive Chairman was considered by the Board to be independent upon his appointment.

Mr Damon Russell was appointed as a Non-Executive Director on 29 May 2013. The biographies of all members of the Board are set out on pages 40 and 41. The Nominations Committee regularly reviews the composition of the Board to ensure that we have an appropriate and diverse mix of skills, experience, independence and knowledge of the Group.

The following table illustrates the balance of Non-Executive Directors to Executive Directors, excluding the Chairman, on the Board during the past year.

#### BALANCE OF NON-EXECUTIVE AND EXECUTIVE DIRECTORS



#### COMMITMENT

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

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

## BACKGROUND AND EXPERIENCE OF THE BOARD

The Board currently has seven Directors that bring considerable and diverse experience which enables them to make a valuable contribution to the Group. Their experience, gained from varied commercial backgrounds, enables them to bring specific insights and make valuable contributions to the Company.

The Board is actively considering diversity and believes this to be an important factor when considering appointments to the Board. As part of the recruitment process, the composition of the Board will be kept under review to ensure the best balance of skills and experience is maintained. Further details on our diversity policy can be found on page 48.

## ROLES OF THE CHAIRMAN, CHIEF EXECUTIVE OFFICER AND SENIOR INDEPENDENT DIRECTOR

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

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

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

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

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

## INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Board has considered the independence of all of the Non-Executive Directors, and in particular that of Bernard Cragg given that his tenure will have reached a threshold at which his independence could be called into question by some shareholders under the criteria set by the UK Corporate Governance Code.

The Board concluded that each of the Non-Executive Directors is considered to be independent of the executive management and free from any business or other relationship which could materially interfere

with the exercise of their independent judgement. All Non-Executive Directors act in a robustly independent manner and bring constructive challenge to Board discussions and independent decision-making to their Board and Committee duties.

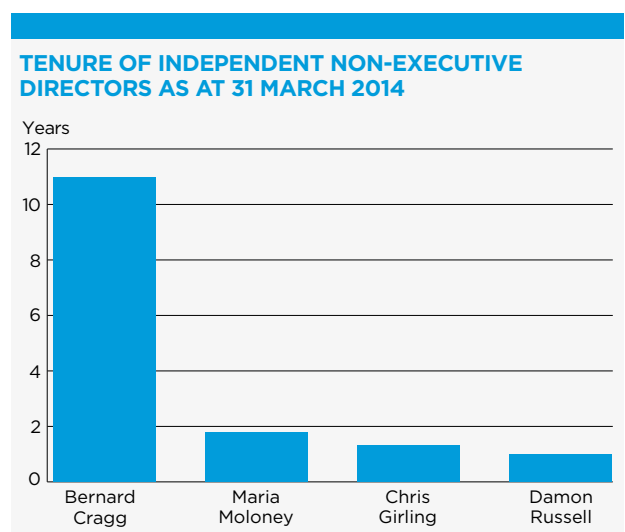
The Board believes that no long-standing relationship which may be deemed to compromise independence has been formed with any of the Executive Directors or senior executives at Workspace. Furthermore, the longest-standing professional relationship between Bernard Cragg and any existing Executive Directors is no more than seven years.

The Board is committed to actively refresh its membership and that of its committees in line with its succession planning process which has been evident during the last 12 months with the appointment of Damon Russell as a Non-Executive Director in May 2013.

As explained last year, Bernard Cragg will retire as a Board Director at the Annual General Meeting in 2014. Chris Girling will succeed Bernard Cragg as Chairman of the Audit Committee at the conclusion of the Annual General Meeting on 16 July 2014 given his background, knowledge and in-depth experience within finance which are essential in order to perform the role of Chair of the Audit Committee. At the same time, Chris will also assume the role of Senior Independent Director.

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

The tenure of independent Non-Executive Directors as at 31 March 2014 is set out in the chart below.



Bernard Cragg will not stand for re-election at the 2014 AGM.



## CORPORATE GOVERNANCE REPORT

### CONTINUED

#### INDUCTION, TRAINING AND DEVELOPMENT

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

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

#### COMPANY SECRETARY

Carmelina Carfora is the Company Secretary to the Board of Workspace. Her biography can be found on page 41. Carmelina is responsible for ensuring good information flows within the Board and its committees and between senior management and Non-Executive Directors. She is also responsible for advising the Board, on corporate governance matters and ensures that Board procedures are followed.

#### BOARD PERFORMANCE EVALUATION

The Board recognises the benefit of annual evaluation, enabling it to improve its effectiveness and focus and that of its Committees and Directors.

For 2011/12, the annual evaluation of the Board and Committee performance was facilitated externally through an independent external consultancy.

This year's questionnaires were sent to Board members covering the Board, its Directors and Committees.

The questionnaires covered such issues as detailed in the diagram below:

#### BOARD AND COMMITTEE EVALUATION



The responses to the questionnaires were collated independently by the Company Secretary who prepared reports for the Company Chairman and the Chairman of each Committee. These reports were discussed at the relevant Committee meetings and the Board discussed the results at its meeting in April 2014.

The results of this year's evaluation were constructive and positive. The themes noted for further action are detailed below together with the progress achieved during the year for those actions identified as part of the Board evaluation conducted in 2012/13.

**2012/13 BOARD EVALUATION**

<b>Actions</b>	<b>Progress during the year under review</b>
<b>Continued focus on testing and development of strategy.</b>	<ul style="list-style-type: none"> <li>- Annual Board strategy day was held.</li> <li>- Actions from the strategy day were formally recorded in a plan which is monitored and updated by the Board.</li> </ul>
<b>Ongoing review of Board composition, succession planning and implementation.</b>	<ul style="list-style-type: none"> <li>- One new Non-Executive Director, Damon Russell, was appointed to the Board during the year under review.</li> </ul>
<b>Board updates on both potential and impending legal and regulatory changes across areas of the Group's operations.</b>	<ul style="list-style-type: none"> <li>- During the year, Directors received updates at the Board and Committee meetings on external corporate governance and other regulatory changes likely to impact the Company. In particular, the Directors considered changes to the remuneration reporting requirements and corporate reporting changes.</li> <li>- Updates were also provided by the Company Secretary on impending regulatory changes.</li> </ul>

**2013/14 BOARD EVALUATION**

<b>Actions</b>
<b>Continue to develop succession planning.</b>
<b>Conscious of changing legislation, dedicated updates and presentations to continue during the course of the year.</b>
<b>With the assistance of the Company Secretary, specific needs and interests of Directors to be considered as part of the Board Development Programme.</b>
<b>Further site visits will be arranged for Directors during the course of the year.</b>

The review includes the assessment of individual Directors' performance, which in the case of the Executive Directors is undertaken as part of the wider performance appraisal process applied to staff across the Group.

The Directors concluded that following the Board effectiveness evaluation for the year under review, the Board and its Committees operate effectively and that each Director continues to contribute effectively and demonstrates commitment to the role.

**CHAIRMAN'S EVALUATION**

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

## CORPORATE GOVERNANCE REPORT

### CONTINUED

#### RE-ELECTION OF DIRECTORS

The Articles of Association of the Group require that Directors should submit themselves for election at the first opportunity after their appointment and thereafter for re-election at least every three years. However, at the 2011 Annual General Meeting the Group had adopted the requirements of the UK Corporate Governance Code (June 2010) in relation to Directors' appointments and in particular the annual re-election of all Directors. Therefore, in accordance with provision B.7.1 of the UK Corporate Governance Code, all the Directors will retire at the Annual General Meeting, and being eligible, offer themselves up for re-election.

The Board considers that all of the Directors have the necessary skills and experience needed to effectively lead the business. In addition, the Non-Executive Directors are considered to bring independent objectivity in order to safeguard and promote the interest of shareholders.

The Board has considered the outcome of the Board effectiveness review as well as the performance of each individual Director, including how they operate as a collective in fulfilling their duties on the Board or as members of the Board's Committees. The Board has accepted the recommendations provided by the Nominations Committee and is of the opinion that the Directors seeking re-election at the Annual General Meeting have continued to give effective counsel and commitment to the Company and accordingly should be reappointed by the Group's shareholders at the upcoming Annual General Meeting.

Mr Hopkins and Mr Clemett have service contracts and details can be found on page 61.

None of the Non-Executive Directors have service contracts.

Daniel Kitchen's first term of appointment as Non-Executive Chairman is due to expire on 6 June 2014. Following a review of his performance, the Nominations Committee recommended that his appointment should be extended for a further three-year term. This recommendation was agreed by the Board. The appointment of Daniel Kitchen may be terminated by either him or the Company giving six months' notice in writing.

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

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

Biographies for the Directors can be found on pages 40 and 41.

## DIVERSITY

Workspace employs enthusiastic, committed and well-trained people, whose diversity reflects that of London itself. The Board is fully committed to an active Equal Opportunities Policy from recruitment and selection, through training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. Workspace has a good record of promoting and appointing women to senior positions. The employee gender profile is fairly evenly split with a total of 46% female and 54% male employees.

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

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



## TAKEOVER DIRECTIVE

Share capital structures are included in the Directors' Report on page 75.

## GOING CONCERN

Going Concern disclosures are included in the Directors' Report on page 74.

## RELATIONS WITH SHAREHOLDERS

Communication with shareholders is given a high priority and the Company undertakes regular dialogue with major shareholders and fund managers.

In October 2013, an investor and analyst event was held which highlighted Workspace's targeted in-house marketing approach and how active asset management and real time market information enables the Company to deliver superior performance and shareholder value.

Executive Directors are the Company's principal representatives with investors, analysts, fund managers, press and other interested parties. Discussions with institutional shareholders are held on a range of issues throughout the year affecting the Group's performance, which include meetings following the announcements of the annual and interim results.

Other ad hoc meetings, presentations and site visits are arranged for shareholders throughout the year in the UK, Europe and the United States.

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

The Annual Report and Accounts is sent to all shareholders who wish to receive a copy. It is also available in the investor section of the Company's website [www.workspace.co.uk](http://www.workspace.co.uk), which additionally contains up-to-date information on the Group's activities and published financial results and presentations.

## ANNUAL GENERAL MEETING

The Annual General Meeting provides the Board with an opportunity to communicate with, and answer questions from, private and institutional shareholders and the whole Board is available after the meeting, in particular, for shareholders to meet new Directors. Details of the resolutions to be proposed at the Annual General Meeting on 16 July 2014 can be found in the Notice of Annual General Meeting which is available at [www.workspace.co.uk](http://www.workspace.co.uk) and is despatched to shareholders who have requested a hard copy of the documentation from the Company.

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

A copy of the Annual Report and Accounts is sent to shareholders and is also available on the Group's website, which additionally contains up-to-date information on the Group's activities and published financial information.

## BOARD COMMITTEES

The Board has a number of standing committees, namely the Remuneration, Audit, and Nominations Committees, to which specific responsibilities have been delegated and for which written terms of reference have been agreed.

The terms of reference for the Nominations, Audit and Remuneration Committees are available for inspection on the Company's website at [www.workspace.co.uk](http://www.workspace.co.uk).

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

The Company Secretary is secretary to each Committee.

The activity of each Committee is described on pages 50 to 72.

## CORPORATE GOVERNANCE REPORT

### CONTINUED

#### NOMINATIONS COMMITTEE REPORT



**DANIEL KITCHEN**

Chairman of the Nominations Committee

Members of the Committee

- Bernard Cragg
- Maria Moloney
- Chris Girling
- Damon Russell

For full biographies see pages 40 to 41.

## We continue to look for the right capabilities and competencies for the future.

During the year the Nominations Committee continued to consider Board composition and succession planning. It is planned that Bernard Cragg will retire from the Board at the conclusion of the 2014 Annual General Meeting. I am very pleased to confirm that Chris Girling has agreed to take on the roles of Chairman of the Audit Committee and Senior Independent Director following the Annual General Meeting.

The Nominations Committee will continue to review its skills, experience, independence and knowledge of Board members and this will be reflected in the Committee's recommendations to the Board on any future appointments.

#### **DANIEL KITCHEN**

CHAIRMAN OF THE NOMINATIONS COMMITTEE  
3 June 2014

The Nominations Committee has responsibility for making recommendations to the Board on Board and Committee composition, for developing succession plans for both Executive and Non-Executive Directors, and for making recommendations to the Board on Board appointments.

The Committee periodically assesses what new skills, knowledge and experience are required on the Board and, if necessary, the balance of independence. If appropriate, a candidate profile is recommended which is then used to brief recruitment consultants appointed by the Committee to undertake the selection process. Initial meetings are generally held by the Company Chairman with prospective candidates, and a shortlist of individuals is then selected by the Chairman, with assistance from the recruitment consultants, to meet with other Nominations Committee members and the Executive Directors. The Nominations Committee then meets and decides which candidate, if any, will be recommended to join the Board.

Diversity has been addressed on page 48.

During the year, the Nominations Committee was chaired by the Company Chairman, Daniel Kitchen and comprised all of the Non-Executive Directors as listed above. The Nominations Committee met twice during the year and attendance at these meetings is shown in the table on page 43.

Daniel Kitchen does not Chair the Committee when it is considering matters relating to his position. In these circumstances, the Senior Independent Director acts as Chairman of the Committee.

The full terms of reference of the Nominations Committee are available for inspection on the Company's website at [www.workspace.co.uk](http://www.workspace.co.uk).

#### **Matters considered by the Committee during the year**

- Discussed Board composition and determined the ongoing skills and experience required on the Board;
- Prepared candidate specifications for potential Non-Executive Director candidates;
- External search agents, Spencer Stuart, were engaged to assist in finding a new Non-Executive Director;
- The Committee met with a number of candidates;
- Recommended to the Board the appointment of Damon Russell as Non-Executive Director;
- Conducted the performance review of the Chairman;
- Recommended to the Board that the Chairman's appointment be extended for a further three-year term from 6 June 2014.

## AUDIT COMMITTEE REPORT



### BERNARD CRAGG BSC ACA

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

#### Members of the Committee

- Maria Moloney
- Chris Girling
- Damon Russell

For full biographies see pages 40 to 41.

This is my final report as Chairman of the Audit Committee as I will step down as a Non-Executive Director following the Annual General Meeting in July 2014. Chris Girling, a fellow Non-Executive Director and a current member of the Committee will succeed me as Chairman. Chris has served as Group Finance Director of Carillion PLC and is currently Chairman of the Audit Committee of Keller PLC and so has the required experience to fulfil the role.

During the year under review the Audit Committee considered a number of topics, the most significant of which are described below. A description of the work and information about the other significant issues that the Committee considered during the year can be found on page 52.

### BERNARD CRAGG

CHAIRMAN OF THE AUDIT COMMITTEE  
3 June 2014

The Audit Committee ensures the integrity of financial reporting and audit processes and the maintenance of a sound internal control and risk management system, details of which are described on pages 53 and 54. The Committee's main role and responsibilities are set out in its terms of reference and are available on the Company's website at [www.workspace.co.uk](http://www.workspace.co.uk).

The Audit Committee comprises all the Non-Executive Directors, except the Chairman, and is chaired by Bernard Cragg. During the year, Damon Russell joined the Committee. The Group audit partner from the external auditor attends the Audit Committee Meeting at least twice a year.

The Board is satisfied that both Bernard Cragg and Chris Girling have the required level of relevant financial and accounting experience required by the provisions of the Code, having previously held chief financial officer positions in public companies. Currently both Bernard and Chris, who are Chartered Accountants, also hold various positions with public companies.

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

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

### COMMITTEE MEETINGS

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

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

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

### MAIN ACTIVITIES DURING THE YEAR

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

- the interim and annual financial statements and matters raised by management and the external auditors;
- the appropriateness of the Group's accounting policies and practices;
- the full and half year valuations and the external valuation process;
- the review of the Group's system of internal controls and risk management; health and safety update;
- representation letters to the external auditors;
- the strategic risks for the Group and emerging risks;
- Corporate reporting updates and approach to the 2014 Annual Report;
- the Group's compliance with REIT legislation;
- the Company's approach to compliance with legislation and regulations, including arrangements for staff to raise concerns in confidence;
- the performance relationship with the external auditor, the external audit process, the audit and non-audit fee and independence;
- the need and use for an internal audit function;
- the review of fraud risk; and
- the terms of reference of the Audit Committee.



## CORPORATE GOVERNANCE REPORT

### CONTINUED

#### SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE

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

Matter considered	Action taken by the Committee
<p><b>Valuation of the investment property portfolio</b></p> <p>The valuation of the investment property portfolio is inherently subjective, requiring significant judgement. The outcome is significant for the Group in terms of its investment decisions, results and remuneration.</p>	<p>The valuation is conducted externally by independent valuers. The valuers presented the year-end valuation to the Audit Committee. The Audit Committee reviewed the methodology and outcomes of the valuation, challenging the key assumptions and judgements. The valuers proposed significant increases in the values, particularly in relation to properties where developments have progressed and active management has increased current rents. These values were discussed in detail by the Audit Committee in consideration of the current market outlook and the stage of progress on significant developments. The objectivity and independence of the valuers is monitored by the Audit Committee. PwC also met with the valuers and presented their views on the valuation to the Committee. Based on the above, the Committee was satisfied that the methodology, assumptions and judgements used by the valuers were appropriate and that the valuations were suitable for inclusion in the financial statements.</p>
<p><b>Accounting for the Glebe proceeds share agreement</b></p>	<p>The Group has decided to change its policy for the Glebe proceeds share agreement ('proceeds share'). This is now accounted for as an equity instrument under IAS 32 representing a non-controlling interest (NCI) in the assets of Workspace Glebe Limited; previously it was accounted for as a contingent liability under IAS 37. IFRS does not deal explicitly with agreements of this nature, and, consequently, this is a judgemental area. Therefore, in determining an appropriate policy, the Group analysed the key features of the proceeds share in the context of relevant accounting pronouncements weighing the importance of each feature in faithfully representing the overall commercial effect and economic substance. Details of the proceeds share and implications of the change in policy can be found in note 20 to the financial statements and in the accounting policies.</p> <p>In measuring the amount attributable to NCI, the Group takes into account the likelihood that a property will be sold and that a payment may be made. On this basis, the Group attributes amounts to NCI when it considers there is a legal or constructive obligation to sell the relevant properties. No amounts are attributed to NCI in relation to properties that the Group has no intention of selling.</p> <p>The Group is in discussions with the Financial Reporting Council (FRC) regarding the accounting for the Glebe Proceeds share agreement and has yet to agree with the FRC how this non-controlling interest should be measured.</p> <p>The Audit Committee has considered the accounting treatment of the proceeds share agreement including the questions raised by the FRC. It believes that the Group's measurement of the amount attributable to NCI best reflects the commercial objectives and economic substance of the proceeds share. In particular that no amounts should be attributed to NCI for proceeds that are highly unlikely to arise.</p> <p>The maximum amount that would be payable if all the properties were sold would be £48m (31 March 2013: £32m). This would increase the attributed amounts at 31 March 2014 by £37m (31 March 2013: £32m) with a net impact of reducing EPRA NAV per share by 25p (31 March 2013: 22p).</p>

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

## INTERNAL AUDIT

Due to its size and structure, the Group does not have an internal audit function, a matter which is kept under review by the Audit Committee. However, management instructs the undertaking of a programme of financial, operational and health and safety internal audits at its estates. These are carried out by qualified senior Head Office personnel on a rotational basis. All findings are reported to the Risk Committee with any significant findings reported to the Audit Committee.

## AUDIT TENDERING

The comply-or-explain provision in the UK Corporate Governance Code applies to the Company for the first time this year. However, in the light of the recent agreement of the European proposals in this area and the UK Competition Commission's final report, the FRC has indicated that it will consult on withdrawing the provision during 2016.

The relevant European Directive will become applicable in the UK in June 2016, subject to an implementation exercise by the UK regulators. PwC has been Workspace's auditor since 1988, which means that the EU's transitional rules would prevent their reappointment from six years after June 2014. The UK Competition Commission had previously proposed mandatory audit tenders at least every ten years with different transitional rules, but has delayed its implementation programme to consider fully the implications of the EU Directive on its proposals.

The current PwC audit partner has completed five years in the role and will be replaced by a new partner for next year's audit. Subject to the outcome of the annual assessment of audit quality and auditor independence continuing to be satisfactory, it is currently expected that we would look to rotate PwC within the next five years when the current regulatory uncertainty is resolved. A resolution to reappoint them for the 2015 audit will therefore be proposed at the AGM.

## NON-AUDIT SERVICES

The Audit Committee terms of reference establish a process for monitoring and approving the nature and the level of related fees for non-audit services (e.g. accounting, tax or due diligence work) paid to the Group external auditors. The process requires prior approval by the Audit Committee Chairman for non-audit work with a cost exceeding £50,000.

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

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

Committee may challenge and in some instances refuse proposals in respect of non-audit work to be performed by the external auditor.

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

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

The Audit Committee specifically will not allow the auditors to:

- Do anything that is a management responsibility (e.g. such as setting performance targets or determining employees' actual compensation).
- Provide accounting or book-keeping services.
- Prepare financial statement disclosure items.

### 2. A self-interest threat – where a financial or other interest (of an individual or PwC) will inappropriately influence an individual's judgement or behaviour.

The Audit Committee will specifically perform the following:

- If the external auditor is to be considered for the provision of non-audit services, their scope of work and fees must be approved in advance by the Chief Financial Officer and the Committee Secretary and, in the case of fees in excess of £50,000 for a single project, by the Audit Committee (or if approval is required before the next meeting, by the Audit Committee Chairman). For larger assignments in excess of £100,000 this would involve a competitive tender process unless there are compelling commercial or timescale reasons to use the external auditor or another specific accountancy firm.
- It does not accept significant contingent fee arrangements with the external auditors.

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

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

### 4. A familiarity threat – this is where, because of a too long or too close a relationship, the external auditor's independence is affected.

- The Audit Committee will prohibit the hiring of former employees of the external auditor associated with the Group's audit into management roles with significant influence within the Group within two years following their association with the audit, unless the Chairman of the Audit Committee gives prior consent. Annually, the Audit Committee will be advised of any new hires caught by this policy. However, there have been no instances of this occurring. In addition, PwC will rotate their lead audit partner every five years.
- The Audit Committee will monitor on an ongoing basis the relationship with the external auditor to ensure its continuing independence, objectivity and effectiveness.

## CORPORATE GOVERNANCE REPORT

### CONTINUED

#### AUDIT FEES

Fees paid to PwC can be found in note 2 on page 90.

#### FINANCIAL REPORTING

The Audit Committee considers all financial information published in the annual and half year financial statements and considers accounting policies adopted by the Group, presentation and disclosure of the financial information.

The Directors are responsible for preparing the Annual Report. At the request of the Board, the Committee considered whether the 2014 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess Workspace's performance, business model and strategy. It was satisfied that, taken as a whole, the 2014 Annual Report is fair, balanced and understandable and included the necessary information. It confirmed this to the Board, whose statement in this regard is set out in the Directors' Responsibility Statement on page 77.

#### INTERNAL CONTROL AND RISK MANAGEMENT

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

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

The other key elements of the Group's system of internal control include:

- a comprehensive system of financial reporting;
- an organisational and management Board structure with clearly defined levels of authority and division of responsibilities;
- a Risk Committee, which is chaired by the Chief Executive Officer and is attended by representatives from senior management and operational staff. The Risk Committee formally reports to the Audit Committee twice a year; and
- a programme of site audit visits, covering a significant proportion of the sites each year. Although the Group does not have a dedicated internal audit function, an operational, finance and health and safety audit are carried out at the estates by qualified Head Office personnel. The results of the audits are reported to and reviewed by the Risk and Audit Committees and appropriate action taken as required.

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

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

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

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

Further information on the Group's risks is detailed on pages 18 to 21.

#### WHISTLEBLOWING

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

#### CODE OF CONDUCT

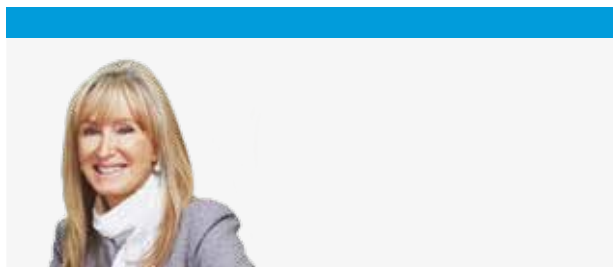
The Group has a Code of Conduct which explains how employees are expected to fulfil their responsibilities by acting in the best interests of the Group. This includes compliance with laws and regulations; acting fairly in dealing with customers, suppliers and other stakeholders; treating people with respect and operating within a control framework.

#### RISK COMMITTEE

The Committee is chaired by the Chief Executive Officer and comprises the Operations Director, Company Secretary and Head of Finance. Meetings of the Committee are attended by employees from across the business. The role of the Risk Committee is to:

- Promote the application of the risk management framework;
- Agree an annual internal control review programme;
- Consider the results of reviews and implementation of recommendations.

## DIRECTORS' REMUNERATION REPORT

**MARIA MALONEY**

Chairman of the Remuneration Committee

Members of the Committee

- Bernard Cragg
- Chris Girling
- Damon Russell

For full biographies see pages 40 to 41.

**The Company's long-term strategy is to attract, motivate and retain high-performing leaders and to ensure that they are focused on the delivery of business priorities within a framework closely aligned with shareholder interests.**

**CHAIRMAN'S STATEMENT**

On behalf of the Board, I am pleased to introduce our 2014 Remuneration Report, for which we are seeking your support at our AGM in July 2014.

This is my first report to shareholders as Chairman of the Committee, having taken over from John Bywater in July 2013. I would like to take this opportunity to thank John for his considerable contribution to the Committee and also to welcome Damon Russell to the Committee.

In common with many Remuneration Committees, we recognise that executive remuneration continues to be an area of focus for shareholders and the wider public and we are supportive of the Government's drive to increase the simplification and transparency of executive remuneration reporting and to provide shareholders with greater understanding and influence over future policy.

We present the report in line with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, to complement the considerable number of changes which we introduced in the 2013 report to comply with BIS requirements.

In 2013, we undertook a consultation with major shareholders on modifications to long-term incentive arrangements aimed at:

- enhanced performance measurement;
- extended time horizons for long-term incentives through the introduction of a holding period with claw-back provisions on vested LTIP awards; and
- increased shareholding guidelines for Executive Directors with a minimum time horizon to achieve them.

At the July 2013 AGM, 99% of the votes cast were in favour of the Remuneration Report.

The Committee believes that the structure of remuneration, which is unchanged for the year commencing 1 April 2014:

- is transparent and well aligned with shareholder interests;
- reinforces the Company's strategy; and
- is helping to deliver strong results for shareholders.

We continue to monitor its impact carefully.

The Company's long-term strategy is to attract, motivate and retain high-performing leaders and to ensure that they are focused on the delivery of business priorities within a framework closely aligned with shareholder interests.

Consequently, the key objective for the Remuneration Committee, as in previous years, is to ensure that the executive team are appropriately incentivised and that the remuneration arrangements are fully aligned with the Company's strategy to provide sustainable long-term returns to shareholders.



## DIRECTORS' REMUNERATION REPORT

### CONTINUED

Workspace has continued to deliver attractive returns for shareholders as shown by the progress against strategic and financial measures summarised in the table below:

ACTUAL PERFORMANCE OF STRATEGIC AND FINANCIAL MEASURES	
2014	2013
<b>76%</b> <b>Total Shareholder Return</b>	<b>51.1%</b> <b>Total Shareholder Return</b>
<b>+15%</b> <b>Trading Profit after interest (adjusted)</b> Up 14.5% to £20.5m	<b>+12%</b> <b>Trading Profit after interest (adjusted)</b> Up 12% to £17.9m
<b>+43%</b> <b>Net Asset Value per share</b> Up 43% to £4.96	<b>+13%</b> <b>Net Asset Value per share</b> Up 13% to £3.48
<b>Capital Return of 35% vs 14% for IPD quarterly Universe</b>	<b>Capital Return of 14% vs 3% for IPD quarterly Universe</b>
<b>+10%</b> <b>Dividend per share for full year</b> Up 10% to 10.63p	<b>+10%</b> <b>Dividend per share for full year</b> Up 10% to 9.67p
<b>78%</b> <b>Customer Satisfaction</b>	<b>82%</b> <b>Customer Satisfaction</b>

Overall, we believe that our remuneration strategy provides appropriate incentives to foster a strong performance culture, positioning pay competitively, whilst doing the right thing for our shareholders.

We aim to ensure that the remuneration arrangements throughout the business incentivise a clear focus on both short and long-term financial performance as well as the key strategic objectives, whilst driving and developing a successful business.

The Committee also monitors the remuneration of employees below Board level when determining remuneration for Executive Directors.

Linking pay to Company performance is fundamental to the remit of the Committee and we believe that we provide a strong and independent direction on policy.

Our aim is to ensure that superior awards are only paid for exceptional performance with a substantial proportion of remuneration payable in the form of performance-related pay. Incentives for Directors will only pay out when stretching performance targets have been achieved.

It is the policy of the Remuneration Committee to consult with shareholders prior to making any significant changes to the Remuneration Policy.

Against this background the Committee:

- Redesigned the Directors' Remuneration Report in line with the new regulations.
- Conducted a review of Executive Director salaries and agreed increases of 2.5% with effect from 1 April 2014. The average increase provided to employees was 3.2%.
- Reviewed and agreed bonus outcomes for 2013/14. The Group outcome was rated around Stretch performance and bonuses were 117.3% of salary.
- Reviewed and increased the Chairman's fee to £135,000 with effect from 1 April 2014.

Details of the decisions are set out in the report below structured as:

1. The Directors' Remuneration Policy Report (pages 57 to 62) which sets out the components of pay, how they are linked to business strategy, and the framework for assessing performance for the Executive Directors. We propose that the policy will apply from the 2014 AGM (16 July 2014) subject to obtaining shareholder approval at the AGM; and
2. The Directors' Annual Report on Remuneration. This section sets out details of how our remuneration policy was implemented for the year ended 31 March 2014 and how we intend for the policy to apply for the year ended 31 March 2015.

Mindful of the increasing length of Remuneration Reports, we have aimed to be concise without compromising on transparency. I hope it is clear and easy to understand and we welcome any feedback or comments.

The Committee believes that its remuneration policy has been successful in incentivising management to deliver value for shareholders and therefore hopes to receive your support at the AGM.

I would like to thank my fellow Committee members for their support on these critical issues of the business.

#### DR MARIA V MOLONEY

CHAIRMAN OF THE REMUNERATION COMMITTEE  
3 June 2014

#### COMPLIANCE STATEMENT

This Remuneration Report has been prepared on behalf of the Board by the Remuneration Committee ('the Committee') in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Committee adopts the principles of good governance as set out in the UK Corporate Governance Code and complies with the UKLA Listing Code. The first part of this report, which is not subject to audit, sets out the Company's remuneration policy. The second part, the Annual Report on Remuneration, provides information on how the policy was implemented during the year and how Workspace intends to implement the policy in 2014/15, and the sections subject to audit are highlighted accordingly.

## 1. POLICY REPORT

This section provides Workspace's remuneration policy for Executive and Non-Executive Directors which is intended to apply from 16 July 2014, the date of the 2014 AGM, subject to shareholder approval at the 2014 AGM.

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

Remuneration packages are designed to attract, retain and motivate directors of the highest calibre who have the experience, skills and talent to manage and develop the business successfully. A significant part of executive

remuneration is variable and is determined by the Group's success and directly links reward with Group and individual performance. The Committee strives to ensure that shareholders' interests are served by creating an appropriate balance between fixed and performance-related pay. A considerable part of the reward package is linked to share price performance, is delivered in shares that have to be retained until minimum shareholding requirements have been met, and requires executives to invest their own funds in Company shares.

The policy aims to incorporate a level of flexibility and discretion which allows the Committee, in accordance with its reviews, to manage and determine Directors' remuneration over the life of the policy. Once approved, this policy will continue to apply until a revised policy receives shareholder approval and becomes applicable.

### WORKSPACE'S REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

Purpose and link to strategy	Operation	Opportunity	Performance metrics
<b>Base salary</b> To reflect market value of the role and an individual's experience, performance and contribution.	Reviewed on an annual basis, with any increases normally taking effect from 1 April. The Committee reviews base salaries with reference to: <ul style="list-style-type: none"> <li>the individual's role, performance and experience;</li> <li>business performance and the external economic environment;</li> <li>salary levels for similar roles at relevant comparators; and</li> <li>salary increases across the Group.</li> </ul> Payable in cash.	Base salary increases are applied in line with the outcome of the review. There is no prescribed maximum. Salary increases for Executive Directors will not normally exceed those of the wider workforce on an annualised basis over the term of this policy. Increases may be above this level if there is an increase in the scale, scope, market comparability or responsibilities of the role. Where increases are awarded in excess of the wider employee population, the Committee will provide an explanation in the relevant year's Annual Report on Remuneration. Latest salaries are set out on page 65.	Both Company and individual performance are considerations in setting Executive Director base salaries.
<b>Pension</b> To provide cost-effective retirement benefits.	Executives participate in a defined contribution pension scheme or may receive a cash allowance in lieu of pension contribution.	Up to 16.5% of salary. This may be exceeded in exceptional circumstances (e.g. recruitment).	Not performance related.
<b>Benefits</b> To provide market competitive benefits.	Benefits typically include car allowance, private health insurance, and death in service cover. Where appropriate, other benefits may be offered including, but not limited to, allowances for relocation. Executives are also eligible to participate in all-employee share plans, currently SAYE and Share Incentive Plan, on the same basis as other employees.	Benefits may vary by role and individual circumstance and are reviewed periodically.	Not performance related.

## DIRECTORS' REMUNERATION REPORT

### CONTINUED

Purpose and link to strategy	Operation	Opportunity	Performance metrics
<b>Annual Bonus</b> To reinforce and reward delivery of annual strategic business priorities, based on a scorecard of KPIs relating to both Group and individual performance. Bonus deferral and LTIP investment provide further alignment with shareholder interests.	<p>KPIs and weightings are reviewed prior to the start of the year to ensure they remain appropriate and reinforce the business strategy. Stretching targets are set.</p> <p>At the end of the year the Committee determines the extent to which these targets were achieved.</p> <p>The Committee may vary the mix of cash and deferred bonus shares from year to year. The minimum deferral requirement is normally 25% of bonus earned. The Committee retains the discretion to mandate deferral of a percentage of bonus earned (which will normally vest after two years) or allow Executives to make an equivalent investment in the LTIP.</p> <p>Dividends may accrue on deferred bonus shares and be paid on those shares which vest.</p> <p>Awards under the bonus are non-pensionable.</p>	<p>The maximum bonus potential for Executive Directors is 120% of salary p.a.</p> <p>For Threshold performance, the bonus opportunity is typically up to 20% of maximum.</p> <p>In the event there is no bonus for Group performance, the Committee has discretion to award a bonus of up to 20% of salary for exceptional individual performance.</p>	<p>Performance is assessed against Group and individual performance. Group performance represents the majority of the total bonus opportunity.</p> <p>KPIs selected and their respective weightings may vary from year to year to reflect the Company's strategic priorities.</p> <p>The Group performance measures for 2014 annual bonuses were:</p> <ul style="list-style-type: none"> <li>– Trading profit before tax;</li> <li>– Capital return from the portfolio versus a defined comparator index compiled by IPD; and</li> <li>– Customer satisfaction.</li> </ul> <p>The Committee has the flexibility to select alternative or additional Group performance measures over the life of the policy to ensure that the annual bonus is aligned to the Company's strategic priorities. Any changes will be disclosed and explained in the Annual Report on Remuneration.</p> <p>In exceptional circumstances, the Committee has the ability to exercise discretion to override the formulaic bonus outcome within the limits of the plan where it believes the outcome is not truly reflective of performance and to ensure fairness to both shareholders and participants.</p> <p>Further details of performance measures, weightings and targets for the financial year under review are provided in the Annual Report on Remuneration on page 66.</p>
<b>LTIP</b> To reinforce delivery of sustained long-term sector out-performance; and to align the interests of participants with those of shareholders.	<p>The Committee may grant annual awards of performance shares and matching shares (subject to participant investment).</p> <p>Awards<sup>1</sup> may be in the form of nominal priced options, conditional shares or jointly held shares<sup>2</sup>, which normally vest after three years, subject to performance conditions.</p> <p>The performance period is normally three years and runs from the start of the financial year in which the awards are granted.</p> <p>From 2013 LTIP awards, inclusive, 100% of net vested shares are subject to a further holding period during which clawback provisions apply. The holding period is normally at least one year.</p> <p>LTIP awards subject to the holding period may be reduced in circumstances where the Company becomes aware of a material misstatement of the Company's financial accounts for any financial year during the performance period or a participant's gross misconduct.</p> <p>The award levels and performance conditions are reviewed in advance of grant by the Remuneration Committee to ensure they remain appropriate.</p> <p>Dividends may accrue on LTIP awards and be paid on those shares which vest.</p> <p>Non-pensionable.</p>	<p>Plan provides for annual awards of:</p> <ul style="list-style-type: none"> <li>– performance shares of up to 100% of salary (200% in exceptional circumstances); and</li> <li>– matching share awards of up to 2 for 1 on investments in Workspace shares of up to 50% of net salary.</li> </ul> <p>The maximum matching share award that may be granted to the Executive Directors is 100% of their annual basic salary. The Company awards matching shares in respect of an amount equivalent to two times the grossed up (for income tax and National Insurance) amount invested by the participant.</p> <p>Threshold performance typically warrants 20% vesting.</p>	<p>Awards usually vest after three years, subject to Company performance and continued employment.</p> <p>Performance measures and weightings are reviewed in advance of grant to ensure they remain appropriate.</p> <p>Performance measures for 2014 LTIP awards are relative Net Asset Value (NAV) growth (1/3), relative TSR (1/3) and absolute TSR (1/3).</p> <p>Over the life of this policy, NAV growth and TSR will be retained as performance measures.</p> <p>The Committee has the flexibility to vary the weightings and the balance between relative and absolute performance.</p> <p>The Committee would consult major shareholders before making any significant changes.</p> <p>For LTIP awards to vest on TSR, the Remuneration Committee must be satisfied that the Company's recorded TSR outcome is a genuine reflection of the underlying business performance of the Company over the performance period. Where absolute TSR is used, it is subject to a relative TSR underpin.</p> <p>Further details of performance measures, weightings and targets for awards made during the financial year under review are provided in the Annual Report on Remuneration on pages 67 to 68.</p>

#### Notes:

1. LTIP: Awards will be satisfied by either newly issued shares or shares purchased in the market and any use of newly issued shares will be subject to dilution limits contained in the Scheme rules.
2. Jointly held LTIP awards: The Company may offer participants the opportunity to structure their LTIP awards so that they acquire shares jointly with the Company's Employee Share Ownership Trust ('ESOT'), with the effect that the growth in value of the shares creates a capital gain. Individuals are required to pay appropriate income tax and National Insurance as part of their upfront acquisition. If the awards vest, the participants keep their part-interest in the shares and the ESOT also transfers its part-interest to the participant at that stage, so that they receive the full value of the shares as intended under the terms of the Plan. This structure is intended to provide savings for the Company and participants.

**NOTES TO THE POLICY TABLE****RATIONALE FOR PERFORMANCE MEASURES**

Annual bonus KPIs are reviewed annually to ensure these reinforce the Company's strategic business priorities for the year. For the LTIP, the Committee has selected TSR and NAV to provide a balanced portfolio of measures which are well aligned with shareholder interests. The comparator group for relative TSR and relative NAV for recent cycles has been the FTSE 350 Real Estate Companies. The Committee has discretion to review the comparator group if any of the constituent companies are affected by corporate events such as mergers and acquisitions. Ahead of each performance cycle, the Committee also reviews and may change the comparator group to ensure it remains appropriate.

Performance targets applying to the annual bonus and LTIP are reviewed annually, based on a number of internal and external reference points (e.g. internal forecasts, external expectations, etc).

Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given performance period.

The Committee has discretion to adjust the performance conditions during the performance period in exceptional circumstances, provided the new conditions are no tougher or easier to achieve than the original conditions.

**SHAREHOLDING GUIDELINES**

To encourage long-term share ownership and support alignment with shareholders, Executive Directors are encouraged to build and hold Workspace shares equivalent to 150% of salary in normal circumstances within five years of appointment.

**EXISTING AWARDS**

Executive Directors are eligible to receive payment for awards made prior to the approval and implementation of the remuneration policy detailed in this report.

**REMUNERATION POLICY FOR OTHER EMPLOYEES**

The Group's wider people policies are reported separately on page 74. Following probationary periods, all staff in the Company are eligible to participate in the Company's bonus scheme, SAYE, SIP, pension scheme, life assurance arrangements and medical insurance benefits. All members of the Executive Committee and some senior staff are eligible to participate in the Company's LTIP. Some senior executives are also required to adhere to the Company's shareholding guidelines.

**REMUNERATION POLICY FOR THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS**

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

Purpose and link to strategy	Operation	Opportunity	Performance metrics
<b>Fees</b> To reflect the time commitment in performing the duties and responsibilities of the role.	Annual fee for the Chairman. Annual base fee for the Non-Executive Directors. Additional fees are paid to Non-Executive Directors for additional responsibilities such as chairing a Board Committee. Fees are reviewed from time to time, taking into account time commitment, responsibilities and fees paid by companies of a similar size and complexity. Payable in cash.	Fee increases are applied in line with the outcome of the review.	Not applicable.

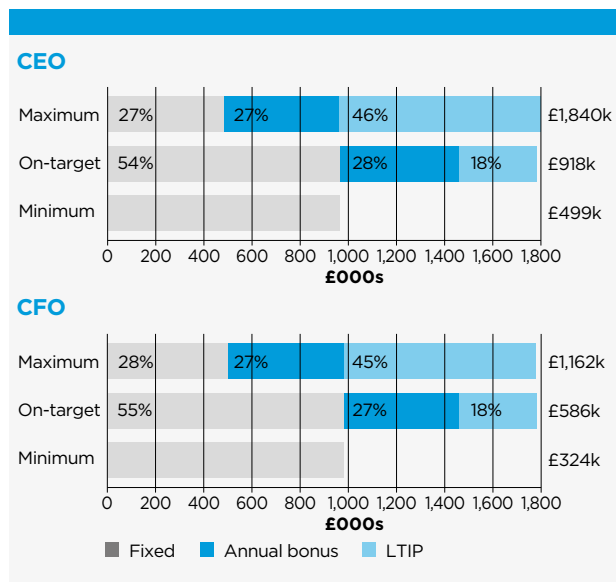


## DIRECTORS' REMUNERATION REPORT

### CONTINUED

#### PAY SCENARIO CHARTS

The graphs below provide estimates of the potential future reward opportunity for each of the two current Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On Target' and 'Maximum'.



Potential reward opportunities illustrated above are based on Workspace's remuneration policy, applied to the latest known base salaries and incentive opportunities.

For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for 2014/15.

For the LTIP, the award opportunities are based on those LTIP awards which are expected to be granted in 2014. It should be noted that LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant and, for awards granted in 2014, a holding period applies to net vested shares of 1 year. The projected value of LTIP amounts excludes the impact of share price movement.

In illustrating potential reward opportunities the following assumptions have been made:

Component	'Minimum'	'On-target'	'Maximum'
Base salary	Latest known salary		
Fixed	Pension	Contribution rate applied to latest known salary	
	Other benefits	Benefits as provided in the single figure table on page 64	
Annual Bonus	No bonus payable	Target bonus (50% of max)	Maximum bonus
LTIP	No LTIP vesting	Assumes full take-up of investment opportunity, and Threshold vesting (20% of max)	Maximum vesting

#### APPROACH TO RECRUITMENT REMUNERATION

In the cases of hiring or appointing a new Executive Director from outside the Company, the Committee may make use of all existing components of remuneration, as follows:

Component	Approach	Maximum annual grant value
Base salary	The base salaries of new appointees will be determined by reference to the individual's role and responsibilities, experience and skills, relevant market data, internal relativities and their current basic salary.	Not applicable.
Pension	New appointees will be eligible to participate in the Group's defined contribution pension plan or receive a cash alternative.	
Benefits	New appointees will be eligible to receive benefits in line with the policy.	
Annual bonus	The structure described in the policy table will normally apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year served.	Up to 120% of salary p.a.
LTIP	New appointees will be eligible for awards under the LTIP which will normally be on the same terms as other executives, as described in the policy table.	Performance shares of up to 200% of salary (100% normal maximum). Matching share awards <sup>1</sup> of up to 100% of salary.

Note:

1. Subject to similar investment requirement as for other executives.

In determining the appropriate remuneration structure and levels for a new Executive Director, the Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that the pay arrangements are in the best interests of Workspace and its shareholders.

Different performance measures may be set initially for the annual bonus and LTIP award, taking into account the responsibilities of the individual, and the point in the financial year that they joined, and subject to the rules of the plan. The rationale will be clearly explained.

The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, i.e. over and above the approach outlined in the table above, and may exercise the discretion available under Listing Rule 9.4.2 R<sup>1</sup> if necessary to do so. In doing so, the Committee

will seek to do no more than match the fair value of the awards forfeited, taking account of performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining.

The approach in cases of appointing a new Executive Director by way of internal promotion will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements.

In the case of appointing a new Non-Executive Director, the Committee will follow the policy as set out in the table on page 59. A base fee and any additional fees payable for additional services (such as chairing a Board Committee) will be in line with the prevailing fee schedule.

## SERVICE CONTRACTS

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

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

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

Name	Date of original appointment (date of reappointment)	Unexpired term as at 31 March 2014	Date of appointment/last reappointment at AGM	Notice period
Daniel Kitchen	6 June 2011 <sup>2</sup>	3 months	2013	6 months
Bernard Cragg	1 June 2003 (1 June 2012)	4 months	2013	6 months
Maria Moloney	22 May 2012	14 months	2013	3 months
Chris Girling	7 February 2013	22 months	2013	3 months
Damon Russell	29 May 2013	26 months	2013	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.

## Notes:

1. Listing Rule 9.4.2 R allows UK-listed companies to grant long-term share-based awards in exceptional circumstances, without prior shareholder approval. The Committee has limited exceptional circumstances to the recruitment of an individual to buy out outstanding awards.
2. On 30 April 2014 and on the recommendation of the Nominations Committee, the Board agreed to renew Mr Kitchen's letter of appointment, extending his tenure for a further three-year term from 6 June 2014.

## DIRECTORS' REMUNERATION REPORT

### CONTINUED

#### EXIT PAYMENT POLICY

Payments in lieu of notice are limited to the Director's basic salary for the unexpired portion of the notice period. The Committee will aim to minimise the level of payments to that Director, having regard to all circumstances, including the Company's contractual obligations to the Director, the reason for departure, and the Company's policy on mitigation. In the event of termination of any Director, the Company reserves the right to make phased payments which are paid in monthly instalments and subject to mitigation.

Where a Director may be entitled to pursue a claim against the Company in respect of his/her statutory employment rights or any other claim arising from the employment or its termination, the Committee will be entitled to negotiate settlement terms with the Director that the Committee considers to be reasonable in the circumstances and is in the best interests of the Company, and to enter into a settlement agreement with the Director. The Committee has discretion to pay a Director's legal fees in relation to any settlement agreement.

In the event that a participant ceases to be an employee of Workspace, treatment of outstanding awards under the Group's incentive plans will be determined based on the relevant plan rules.

Incentive Plan	Treatment of awards
LTIP	<ul style="list-style-type: none"> <li>Under the LTIP, unvested LTIP shares (Performance and Matching) normally lapse unless the individual is considered a 'good leaver'<sup>1</sup>, in which case awards are normally tested for performance over the full performance period and pro-rated for time based on the proportion of the vesting period served, with Committee discretion to treat otherwise. Vested LTIP awards which are subject to an additional holding period will typically be retained and released at the end of the holding period, although the Committee has the discretion to allow earlier release.</li> <li>In the event of a change of control, LTIP awards would normally be pro-rated for time and performance to the effective date of change of control, in line with best practice.</li> </ul>
Deferred Bonus Plan	<ul style="list-style-type: none"> <li>Under the deferred bonus plan, unvested deferred bonus shares will normally lapse on leaving unless the individual is considered a 'good leaver'<sup>1</sup>, in which case awards normally continue and are released at the usual time, although the Committee has the discretion to allow earlier release.</li> </ul>
Annual Bonus Plan	<ul style="list-style-type: none"> <li>Under the annual bonus plan, leavers during the plan year normally lose any entitlement to bonus unless the individual is considered a 'good leaver'<sup>1</sup>. Good leavers are eligible for an award to the extent that performance conditions have been satisfied and pro-rated for the proportion of the financial year served, with Committee discretion to treat otherwise.</li> </ul>

1. A good leaver is defined as an employee who ceases to hold Employment during the plan year by reason of: injury, ill-health or disability proved to the satisfaction of the Committee; redundancy; retirement with the agreement of the Group Company by which he is employed; the Participant's Employing Company ceasing to be a Group Company; the business or part of the business to which the Participant's Employment relates being transferred to a person who is not a Group Company; or any other reason which the Committee in its absolute discretion so permits.

#### EXTERNAL APPOINTMENTS

It is the Board's policy to allow Executive Directors to take up one Non-Executive position on the Boards of other companies, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director.

#### CONSIDERATION OF CONDITIONS ELSEWHERE IN THE COMPANY

In making remuneration decisions, the Committee considers the pay and employment conditions elsewhere in the Group. In particular, the Committee considers the range of base pay increases across the Company as a factor in determining the base salary increases for Executives.

The Remuneration Committee does not specifically consult with employees over the effectiveness and appropriateness of the remuneration policy and framework, although as members of the Board, the Committee members receive updates from the Executives on their discussions and consultations with employees. The Committee also monitors information with regard to bonus payments and share awards made to the management of the Group.

#### CONSIDERATION OF SHAREHOLDER VIEWS

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

As foreshadowed in last year's Remuneration Report, following consultation with shareholders in early 2013, the Committee implemented some modifications for LTIP awards from 2013 onwards aimed at providing improved performance measurement, extended time horizons and increased alignment with shareholder interests. We were pleased to receive strong support from shareholders on the 2013 Remuneration Report with a 99.3% vote in favour. No further changes have been made to the policy for 2014.

## 2. THE DIRECTORS' ANNUAL REPORT ON REMUNERATION

The following section provides details of how the remuneration policy was implemented during the year and how the Committee intends to implement policy in 2014/15. Disclosure also details outstanding awards to Directors.

### REMUNERATION COMMITTEE MEMBERSHIP IN 2013/14

The Committee met formally on seven occasions during the year under review. The Committee also met informally on several occasions. John Bywater chaired the Committee until his retirement on 25 July 2013, when Maria Moloney became Chairman. Attendance by individual Committee members at meetings is detailed below.

Committee member	Member throughout 2013/14	Number of meetings attended
Daniel Kitchen	Yes	7
Bernard Cragg	Yes	7
Maria Moloney	Yes	7
Chris Girling	Yes	7
Damon Russell <sup>1</sup>	No	3
John Bywater <sup>2</sup>	No	5

Notes:

1. Damon Russell was appointed as a Director on 29 May 2013.
2. John Bywater retired as a Director on 25 July 2013.

During the year, the Committee sought internal support from the CEO and CFO whose attendance at Committee meetings was by invitation from the Chairman, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers. The Company Secretary attended each meeting as Secretary to the Committee. No Director was present for any discussions that related directly to their own remuneration.

### AGENDA DURING 2014

During the course of the year, the Remuneration Committee was engaged with a number of matters, including:

- Approval of the Directors' Remuneration Report for 2013/14 and review of the outcome of AGM voting for the report;
- Annual review of all Executive Directors' remuneration arrangements. Salaries and total remuneration were benchmarked against a comparator group of other UK-listed property companies and companies of similar market capitalisation;
- Review of annual bonus outcomes for 2013/14 and approval of the performance conditions for 2014/15 annual bonuses;
- Review of share plan performance measures;
- Review and approval of awards under the LTIP, taking into account the total value of all awards under this Plan;

- Review of the Chairman's fees;
- Review of macro-economic conditions, regulatory developments and legislative changes;
- Review of developments in Corporate Governance, guidance from institutional shareholders and their representative bodies and the Large and Medium-sized (Accounts and Reports) (Amendments) Regulations 2013;
- Review of Committee Performance in 2013/14; and
- The tender of Remuneration Advisor services undertaken in October 2013.

### ADVISERS

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

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

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

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

	Kepler Associates <sup>1</sup>	Grant Thornton	Slaughter and May LLP
Remuneration Committee support	£55,600	£52,256	£4,000

Note:

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



## DIRECTORS' REMUNERATION REPORT

### CONTINUED

#### SUMMARY OF SHAREHOLDER VOTING AT THE 2013 AGM

The table below shows the results of the advisory vote on the 2012/13 Remuneration Report at the 2013 AGM on 25 July 2013. It is the Remuneration Committee's policy to consult with major shareholders prior to any major changes to its Executive Director remuneration structure.

	Total number of votes	% of votes cast
For (including discretionary)	92,214,653	99.26%
Against	684,139	0.74%
<b>Total votes cast (excluding withheld votes)</b>	<b>92,898,792</b>	<b>99.99%</b>
Votes withheld <sup>1</sup>	2,381	0.01%
<b>Total votes cast (including withheld votes)</b>	<b>92,901,173</b>	<b>100%</b>

Note:

1. A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

#### SINGLE FIGURE OF EXECUTIVE DIRECTOR TOTAL REMUNERATION (AUDITED)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 March 2014 and the prior year:

	Jamie Hopkins		Graham Clemett	
	2014 £000	2013 £000	2014 £000	2013 £000
Salary	<b>408.8</b>	400.0	<b>255.5</b>	250.0
Benefits <sup>1</sup>	<b>17.3</b>	17.1	<b>18.7</b>	18.1
Annual bonus <sup>2</sup>	<b>479.5</b>	480.0	<b>299.7</b>	300.0
LTIP <sup>3</sup>	<b>n/a</b>	n/a	<b>835.2</b>	984.6
Other – SAYE, SIP <sup>4</sup>	<b>n/a</b>	3.2	<b>n/a</b>	3.2
Pension	<b>61.3</b>	60.0	<b>42.2</b>	41.2
<b>Total</b>	<b>966.9</b>	<b>960.3</b>	<b>1,451.3</b>	<b>1,597.1</b>

Notes:

1. Benefits: Taxable value of benefits received in the year by Executives includes Company mobile phone, a car allowance, private health insurance and death in service cover.
2. Annual bonus: This is the total bonus earned in respect of performance during the relevant year. For 2014 (and 2013), the Committee set a minimum deferral requirement of 25% of the bonus earned. For 2014, this deferral was equivalent to £119,880 for Jamie Hopkins and £74,925 for Graham Clement. For 2013, this was equivalent to £120,000 for Jamie Hopkins and £75,000 for Graham Clemett. Further details of annual bonus awards for 2014 can be found in the Annual Report on Remuneration on pages 65 and 66.
3. LTIP: The 2014 figure for Mr Clemett, includes the value of 2011 LTIP shares that vested on performance to 31 March 2014. 100% of the 2011 LTIP award vested. The share price is the trailing three-month average share price to 31 March 2014 of 565.2 pence. This will be reported in the 2015 Remuneration Report based on the share price on date of vesting. The value of LTIP awards vesting is higher than the value shown in the pay scenario charts on page 60 due to the impact of share price appreciation between grant and vesting. Further details of the 2011 LTIP awards vesting can be found in the Annual Report on Remuneration on page 68. The 2013 figure for Mr Clemett includes, the value of 2010 LTIP awards at vesting which has been calculated using the mid-market closing share price at vesting on 12 November 2013 of £5.08. These awards vested in November 2013 as the Company had remained in an extended closed period. 98.9% of the 2010 LTIP grant vested on performance to 31 March 2013.
4. Each Executive Director was awarded 4,663 SAYE options on 30 July 2012 and 292 SIP shares on 26 March 2013. The value of the SAYE options is the embedded value at grant, based on an exercise price set at 80% of the market value of a share at the invitation date of £2.41 and SIP shares are valued using a share price on date of award of £3.42.

#### EXTERNAL APPOINTMENTS

The Board's policy on external appointments is detailed on pages 60 and 61. No such positions were taken and so no such fees were paid during the financial year.

## SINGLE FIGURE OF NON-EXECUTIVE DIRECTOR REMUNERATION AND NON-EXECUTIVE DIRECTOR FEES (AUDITED)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2014 and the prior year:

Non-Executive Director	Daniel Kitchen		Bernard Cragg		Maria Moloney		Chris Girling		Damon Russell <sup>1</sup>		John Bywater <sup>2</sup>	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Base fee	125.0	125.0	40.0	40.0	40.0	34.6	40.0	5.8	33.8	-	13.3	40.0
Additional fees	-	-	5.0	5.0	3.3	-	-	-	-	-	1.7	5.0
<b>Total</b>	<b>125.0</b>	<b>125.0</b>	<b>45.0</b>	<b>45.0</b>	<b>43.3</b>	<b>34.6</b>	<b>40.0</b>	<b>5.8</b>	<b>33.8</b>	<b>-</b>	<b>15.0</b>	<b>45.0</b>

Notes:

1. Damon Russell was appointed to the Board on 29 May 2013.
2. John Bywater retired as a Director on 25 July 2013.

Remuneration comprises an annual fee for acting as Chairman or Non-Executive Director of the Company. Additional fees are paid to Non-Executive Directors in respect of service as Chairman of the Audit and Remuneration Committee. The Chairman and Non-Executive Directors are not eligible for bonuses, retirement benefits or to participate in any share scheme operated by the Company.

During the year the Committee reviewed the Chairman's fee in light of the time commitment and fees payable at comparator companies and increased this to £135,000 effective from 1 April 2014 (2013: £125,000).

With effect from 1 April 2014 the Non-Executive Directors receive a base fee of £45,000 (2013: £40,000) with an additional fee for the Audit and Remuneration Committee Chairs of £10,000 (2013: £5,000).

The fees for Non-Executive Directors were previously increased in 2008.

### BASE SALARY AND PENSION

In line with Policy, the Committee reviews base salaries annually with any changes normally taking effect from 1 April. In April 2014, the Committee reviewed the base salary of the CEO and the CFO and considered a range of factors including the external economic environment, individual performance, experience and rates of salary for similar jobs in companies of a similar sector and size, and salary increases across the Company. Following its review, the Committee increased Executive salaries by 2.5%. The average salary increase across the Group was 3.2%. As of 1 April 2014, the CEO will therefore receive a salary of £419,000 and the CFO will receive a salary of £261,900.

The next salary review date for Executives will be 1 April 2015.

For the year under review, the CEO and CFO received an employer's pension contribution equal to 15% and 16.5% of basic salary respectively, which is made to a defined contribution (money purchase) scheme.

From April 2014, no further pension contributions will be made to Mr Clemett, but he will receive instead an equivalent cash allowance of 16.5% per annum in lieu of pension.

### ANNUAL BONUS SCHEME (AUDITED)

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

For 2013/14, the maximum bonus potential for the Executive Directors was set at 120% of basic annual salary. The Committee sets a minimum deferral or investment each year into Workspace shares; for 2013/14 the Committee set a minimum deferral requirement of 25% of the bonus earned.

The preferred mechanism for meeting this deferral requirement is participant investment in the LTIP. However, the Committee retains the discretion to mandate deferral of 25% of bonus earned (which will vest after two years, subject to continued employment) or allow executives to make an equivalent investment in the LTIP. For 2013/14 the Committee allowed Executives to make an equivalent investment in the LTIP.

The performance measures, targets and outcomes for 2013/14 Executive Director annual bonuses are shown overleaf. Against each measure the bonus starts to be paid on the achievement of a threshold performance, increasing on a straight line basis until stretch performance is achieved, at which point the full bonus potential for that measure is earned.

## DIRECTORS' REMUNERATION REPORT

### CONTINUED

#### THE PERFORMANCE MEASURES, TARGETS AND OUTCOMES FOR 2013/14

Measure	Weighting	Measure	Threshold <sup>1</sup>	Stretch <sup>1</sup>	Actual performance	Performance achieved (% of bonus earned)	
						Jamie Hopkins	Graham Clemett
Corporate	50%	Trading profit before tax (% growth on prior year)	6%	12%	14.5%	50%	50%
	30%	Capital Return from portfolio versus a defined comparator Benchmark compiled by IPD	Benchmark	Benchmark +2%	Benchmark +18.3%	30%	30%
	10%	Customer satisfaction	70%	80%	78%	8.2%	8.2%
Personal		Corporate performance bonus may be adjusted by a factor in the range of 0.67 to 1.33 (with factors greater than 1.0 reflecting superior performance)	Subject to Committee assessment		See commentary below	1.33	1.33
Annual bonus (% of salary)	120%					117.3%	117.3%

Note:

1. Bonus is payable on a straight line basis, from 0% at Threshold to 100% at Stretch.

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

Objective	Result
<b>Financial and Corporate</b>	
- Deliver Budget;	✓ Budget exceeded by 7%;
- Broaden Portfolio Profile;	✓ Trading profit after interest up 14.5% to £20.5m;
	✓ Outperformed IPD quarterly Universe by 21% and outperformed the comparator Benchmark by 18.3%;
	✓ Property Valuation up 27% to £1,078m;
	✓ Dividend up 10% to 10.63p per share;
- Diversify funding.	✓ Net Asset Value up 43% to £4.96 per share;
	✓ Total Shareholder Return for the year of 76%;
	✓ Fully unsecured, diversified lending pool and extended maturity profile.
<b>Operational</b>	
- Deliver marketing plan;	✓ Strong customer demand and pricing increases;
- Deliver new and refurbished buildings;	✓ All delivered on time with strong lettings momentum;
- Increase brand awareness and customer service;	✓ Roll out of new centre staff operating model;
- Accelerate change of use planning applications.	✓ Four mixed-use consents achieved and five schemes sold.
<b>Investment</b>	
- Complementary acquisitions;	✓ Three acquisitions completed in strategic London locations for £33m;
- Non-core disposals;	✓ Four properties sold for £12m;
- Grow alternative income streams.	✓ Initiatives including Club Workspace, technology offering and design services continue to develop.

Following consideration of the above, the Committee awarded Jamie Hopkins and Graham Clemett a bonus of £479,522 and £299,701 respectively. 25% of earned bonuses will be invested in the LTIP.

## 2014/15 ANNUAL BONUS FRAMEWORK

The framework for 2014/15 is unchanged from 2013/14. The Committee intends to disclose incentive targets retrospectively at the time that bonuses are paid provided that they are not considered to be commercially sensitive at that time.

### LTIP AWARDS (AUDITED)

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

Vesting of performance shares and matching shares is based 1/3, 1/3, 1/3 on three-year relative NAV growth, relative TSR and absolute TSR. Relative performance is measured against the constituents of the FTSE 350 Real Estate Index. In addition, for any shares to vest on TSR, the Committee must satisfy itself that the recorded TSR is a genuine reflection of the underlying business performance of Workspace. Net vested LTIP shares are required to be held for a one-year holding period before the shares can be sold. Clawback provisions apply during the holding period in the event of a material misstatement of the Company's financial statements for any financial year during the Performance Period or a participant's gross misconduct.

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

	One-third		One-third		One-third	
Performance condition	Growth in Net Asset Value relative to companies in the FTSE 350 Real Estate Index		TSR (share price growth plus reinvested dividends) relative to companies in the FTSE 350 Real Estate Index		Absolute TSR <sup>1</sup>	
Level of performance	Company's percentile rank	% of award vesting <sup>2</sup>	Company's percentile rank	% of award vesting <sup>2</sup>	Company's performance	% of award vesting <sup>2</sup>
Threshold	51st percentile	20%	51st percentile	20%	8% p.a.	20%
Maximum	75th percentile	100%	75th percentile	100%	17% p.a.	100%

Notes:

- For any shares to vest on absolute TSR, the Company's TSR must exceed the median TSR of the comparator group over the performance period.
- There is straight-line vesting between the 'Threshold' and 'Maximum' performance levels.

The following awards were granted during the year under the LTIP.

	Date of grant	Market price at date of award <sup>2</sup>	Performance share award			Matching share award <sup>1</sup>		
			Number of shares	Face value £	% of salary	Number of shares	Face value £	% of salary
CEO	26 June 2013	£4.0497	100,945	£408,800	100%	74,079	£300,000	73%
CFO	26 June 2013	£4.0497	63,091	£255,500	100%	63,091	£255,500	100%

Notes:

- Matching share awards of up to 100% of salary. Actual awards to the Executive Directors reflected their investments.
- The share price for calculating the levels of awards was £4.0497, the average mid-market closing price over the three dealing days to 14 June 2013.

### 2014 LTIP AWARDS

The Committee intends to grant 2014 LTIP awards following the release of the Company's preliminary results announcement with performance conditions unchanged from those for the 2013 LTIP awards, and the anticipated maximum opportunity for awards is detailed below.

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



## DIRECTORS' REMUNERATION REPORT

### CONTINUED

#### RECAP OF PERFORMANCE CONDITIONS FOR EXISTING LTIP AWARDS

	One-third		One-third		One-third	
Performance condition	Growth in Net Asset Value relative to companies in the FTSE 350 Real Estate Index		TSR (share price growth plus reinvested dividends) relative to companies in the FTSE 350 Real Estate Index		Absolute TSR <sup>1</sup>	
Level of performance	Company's percentile rank	% of award vesting	Company's percentile rank	% of award vesting	Company's performance	% of award vesting
<b>Awards made in 2011, 2012<sup>1,2,3</sup></b>						
<b>Threshold</b>	51st percentile	20%	Median	20%	11% p.a.	20%
<b>Maximum</b>	75th percentile	100%	Median + 7.5% p.a.	100%	20% p.a.	100%

Notes:

- For any shares to vest on absolute TSR, the Company's TSR must exceed the median TSR of the comparator group by +1.5% p.a. over the performance period.
- There is straight-line vesting between the 'Threshold' and 'Maximum' performance levels.
- As described in prior years' remuneration reports, the 2012 Matching Share award for the CEO may vest subject to the achievement of an absolute TSR underpin of 4% p.a.

#### LTIP VESTING OUTCOME IN 2013/14 (AUDITED)

The three-year performance period of 2011 LTIP awards ended on 31 March 2014.

Over the three years from 1 April 2011 to 31 March 2014, Workspace's three-year NAV growth of 21.7% p.a. was 100th percentile against the FTSE 350 Real Estate which warranted 100% of this element vesting (equivalent to 33.3% of LTIP shares awarded). Workspace's three-year TSR outperformed the median TSR of the FTSE 350 Real Estate by 17.2% p.a. which warranted 100% of this element vesting (equivalent to 33.3% of LTIP shares awarded). Workspace's three-year absolute TSR of 36.7% p.a. warranted 100% of the absolute TSR element vesting (equivalent to 33.3% of LTIP shares awarded).

The Committee considered this together with the underlying business performance of Workspace, and concluded that 100% of the 2011 LTIP shares awarded to Executives would vest. These awards are due to vest on 3 August 2014.

	Interests held <sup>1</sup>	Vesting %	Number of shares vesting	Date vesting	Value <sup>2</sup>
CEO	NIL	N/A	NIL	N/A	N/A
CFO	147,764	100%	147,764	3 August 2014	£835,162

Notes:

- Comprises 73,882 performance award shares and 73,882 matching award shares for the CFO.
- The value is calculated as the number of shares vesting multiplied by the average three-month share price to 31 March 2014 of 565.2 pence. These awards will be reported in the 2015 Remuneration Report based on the share price on date of vesting.

#### SHARE INCENTIVE PLAN (SIP)

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

51,800 ordinary shares were purchased by the Company on the market to grant the free shares and these are held in a UK resident trust. The free shares are to be held in the Trust for a minimum period of three years before they can be withdrawn by the employees.

#### JOINTLY HELD LTIP AWARDS

In 2009 the Company offered participants the opportunity to restructure their 2009 LTIP awards and future awards so that they acquired shares jointly with the Company's Employee Share Ownership Trust ('ESOT'), with the effect that the growth in value of the shares creates a capital gain. Individuals were required to pay appropriate income tax and National Insurance as part of their upfront acquisition. If the awards vest, the participants keep their part-interest in the shares and the ESOT also transfers its part-interest to the participant at that stage, so that they receive the full value of the shares as intended under the terms of the Plan. This restructuring has generated ongoing savings for the Company and participants.

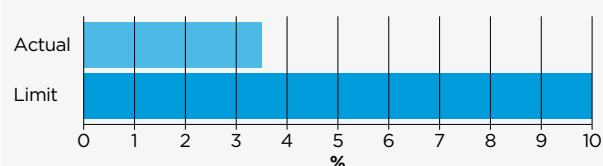
For the 2009 and 2010 awards Graham Clemett accepted the joint ownership awards as part of his total awards, taking half of his awards as joint ownership awards, with the remainder in the original conditional shares structure. For the 2011, 2012 and 2013 awards the Executive Directors did not participate in joint ownership awards. It is also intended that the Executive Directors will not participate in joint ownership awards for the 2014 LTIP awards.

## SHARE-BASED AWARDS AND DILUTION

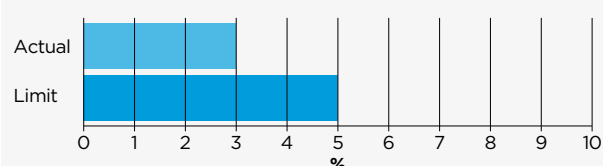
The Company's share schemes are funded through a combination of shares purchased in the market and new-issue shares, as appropriate. The Company monitors the number of shares issued under these schemes and their impact on dilution limits. The Company's usage of shares compared to the relevant dilution limits set by the Association of British Insurers (ABI) in respect of all shares plans (10% in any rolling ten-year period) and executive share plans (5% in any rolling ten-year period) as at 31 March 2014 is detailed below.

As of 31 March 2014, around 5.1m (3.5%) and 4.4m (3.0%) 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



## PAYMENTS FOR LOSS OF OFFICE (AUDITED)

There were no payments for loss of office during the year.

## PAYMENTS TO PAST DIRECTORS (AUDITED)

Harry Platt retired from office as Chief Executive on 31 March 2012. As disclosed in last year's Remuneration Report, he retained an interest in the 2011 LTIP grant after pro-rating for time of 37,485 performance shares and 37,485 matching shares. The vesting of these

shares was subject to the same performance conditions as for other Executives which are set out on page 68. Based on performance to 31 March 2014, 100% of these shares will vest (corresponding to 74,970 shares in August 2014. The value is estimated at £423,730 based on the trailing three-month average share price on 31 March 2014 of 565.2 pence.

## SHARE OWNERSHIP AND SHARE INTERESTS (AUDITED)

The Committee has adopted guidelines for Executive Directors and other senior Executives to encourage substantial long-term share ownership. In 2013, the Remuneration Committee agreed that shareholding guidelines would be increased to 150% of salary to be achieved within five years of appointment from 1 April 2013. The CEO and CFO meet these requirements.

The table below shows the interests of the Directors and connected persons in shares. There have been no changes in the interests in the period between 31 March 2014 and 3 June 2014.

	31 March 2014	31 March 2013
<b>Chairman</b>		
Daniel Kitchen <sup>1</sup>	<b>37,500</b>	37,500
<b>Executive Directors</b>		
Jamie Hopkins	<b>137,757</b>	117,706
Graham Clemett	<b>106,657</b>	120,823
<b>Non-Executive Directors</b>		
John Bywater	<b>3,899<sup>2</sup></b>	3,899
Bernard Cragg	<b>66,590</b>	66,590
Maria Moloney	<b>Nil</b>	Nil
Chris Girling	<b>Nil</b>	Nil
Damon Russell	<b>Nil</b>	Nil

Notes:

1. Daniel Kitchen acquired 1,000 6% sterling Bonds on 2 October 2012 at a price of £100 per Bond.
2. The interest in shares for Mr Bywater is at the date of his retirement on 25 July 2013.

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

Executive Director	Type	Owned or vested outright	Unvested and subject to deferral <sup>2</sup>	Subject to performance <sup>3</sup>	Total
Graham Clemett	Shares	106,657	148,056	324,350	579,063
	Nil cost options	Nil	Nil	Nil	Nil
	Market value options <sup>1</sup>	Nil	4,663	Nil	4,663
Jamie Hopkins	Shares	137,757	292	451,666	589,715
	Nil-cost options	Nil	Nil	Nil	Nil
	Market value options <sup>1</sup>	Nil	4,663	Nil	4,663

Notes:

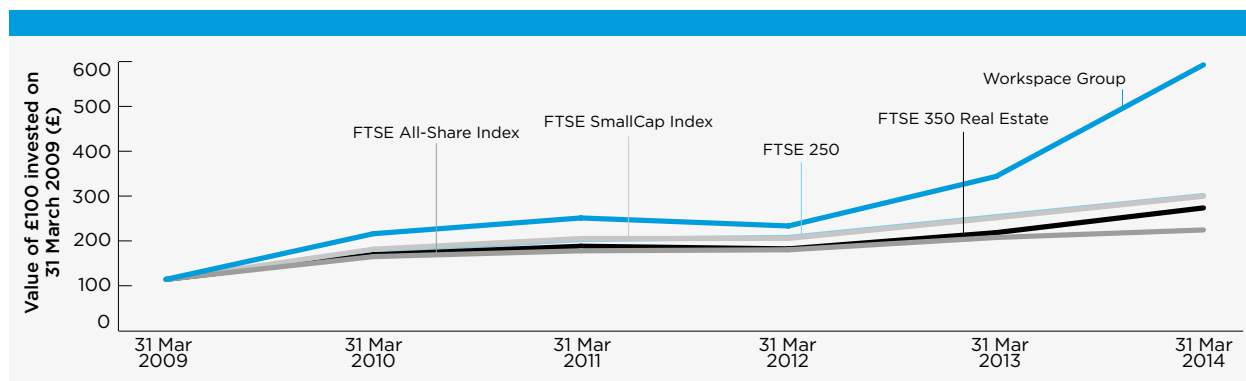
1. Market value options include SAYE options outstanding and not yet matured as at 31 March 2014. The exercise price of these was set at 80% of the market value of a share at the invitation date.
2. For Graham Clemett, the interest in shares of 148,056 consists of 147,764 LTIP awards granted in 2011 which are no longer subject to performance but are due to vest on 3 August 2014 and 292 SIP shares granted in March 2013. Similarly, for Mr Hopkins, the interest in shares of 292 consists of the SIP shares granted in March 2013.
3. The interest in shares of 324,350 for Graham Clemett, and the interest in shares of 451,666 for Jamie Hopkins consist of the total LTIP awards made in 2012 and 2013, details of which can be found on page 71 of this Report.

## DIRECTORS' REMUNERATION REPORT

### CONTINUED

#### FIVE-YEAR TSR PERFORMANCE REVIEW AND CEO SINGLE FIGURE

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



#### CEO SINGLE FIGURE OF TOTAL REMUNERATION

	2010 £000s	2011 £000s	2012 £000s	2013 £000s	2014 £000s
<b>CEO single figure of total remuneration (£000)</b>					
Jamie Hopkins <sup>1</sup>			27.4	960.3	<b>966.9</b>
Harry Platt <sup>2</sup>	573.7	748.7	1,359.6	-	<b>-</b>
<b>Annual bonus pay-out</b>					
Jamie Hopkins (% of maximum opportunity)	-	-	-	100%	<b>97.8%</b>
£000				480.0	<b>479.5</b>
Harry Platt (% of maximum opportunity)	41.7%	85.5%	75%	-	<b>-</b>
£000	165.3	339.4	303.7	-	<b>-</b>
<b>LTIP vesting</b>					
Jamie Hopkins (% of maximum opportunity)	-	-	-	-	<b>-</b>
£000	-	-	-	-	<b>-</b>
Harry Platt (% of maximum opportunity)	0%	0%	66.5%	-	<b>-</b>
£000	-	-	642.9	-	<b>-</b>

Notes:

1. Mr Hopkins was appointed as an Executive Director on 12 March 2012.
2. Mr Platt retired as an Executive Director of the Company on 31 March 2012.

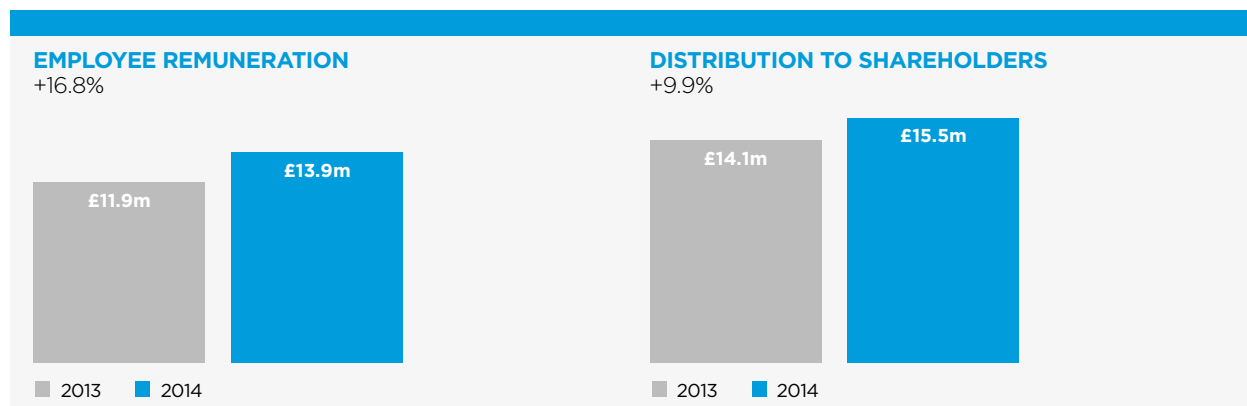
#### PERCENTAGE CHANGE IN CEO REMUNERATION

The table below shows the percentage change in CEO remuneration, comprising salary, taxable benefits and annual bonus, and comparable data for the average of employees within the Company. The comparator group is based on all employees (excluding the CEO), normalised for joiners and leavers during the year. The average number of people employed by the Group during the year was 182, the majority of whom are involved in property management. All employees are eligible for consideration of an annual bonus.

	CEO		All other employees	
	2014	2013	% change	% change
Executive Director				
Salary	<b>£408.8k</b>	£400.0k	2.2%	3.3%
Taxable benefits	<b>£17.3k</b>	£17.1k	1.2%	3.3%
Annual variable	<b>£479.5k</b>	£480.0k	-0.1%	6.1%
<b>Total</b>	<b>£905.6k</b>	£897.1k	0.9%	3.8%

## RELATIVE IMPORTANCE OF SPEND ON PAY

The chart below shows the Company's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ending 31 March 2013 and ending 31 March 2014.



## SUPPLEMENTARY INFORMATION ON DIRECTORS' REMUNERATION

### LONG-TERM EQUITY INCENTIVE PLAN 2008

Details of current awards outstanding to the Executive Directors are as follows:

	At 1 April 2013			Lapsed during the year		Vested during the year			At 31 March 2014		
	Performance	Invested	Matching	Performance	Matching	Performance	Invested	Matching	Performance	Invested	Matching
<b>Jamie Hopkins</b>											
19/11/2012	164,117	112,525	112,525	-	-	-	-	-	164,117	112,525	112,525
26/06/2013	-	-	-	-	-	-	-	-	100,945	19,631	74,079
<b>Graham Clemett</b>											
06/07/2010	98,057	23,282	98,057	(1,143)	(1,144)	(96,914)	(23,282)	(96,913)	-	-	-
03/08/2011	73,882	17,732	73,882	-	-	-	-	-	73,882	17,732	73,882
18/06/2012	99,084	23,780	99,084	-	-	-	-	-	99,084	23,780	99,084
26/06/2013	-	-	-	-	-	-	-	-	63,091	16,719	63,091
<b>Harry Platt</b>											
06/07/2010	99,502	35,438	99,502	(1,161)	(1,162)	(98,341)	(35,438)	(98,340)	-	-	-
03/08/2011	37,485	26,989	37,485	-	-	-	-	-	37,485	26,989	37,485

#### Notes:

- Awards will vest subject to the satisfaction of performance conditions detailed on pages 67 and 68 over the three-year performance period.
- Performance Awards made to the Executive Directors: Awards in July 2010 were in respect of 90% of annual salary based on a share price at date of award of 20.58 pence; awards in July 2011 were in respect of 90% of annual salary based on a share price at date of award of 27 pence; In June 2012 in respect of 90% of annual salary for Mr Clemett based on a share price at date of award of £2.2708 and in November 2012 in respect of 125% of gross salary for Mr Hopkins based on a share price of £3.0466. In June 2013, awards were in respect of 100% of salary based on a share price at date of award of £4.0497.
- Matching Awards were granted to participants who purchased Invested Shares or who used shares acquired during and since the Rights Issue as Invested Shares. In 2010, and 2011, Executive Directors received matching share awards of 90% of salary (subject to investing an amount equal to 45% of their net annual basic salary in Invested Shares). In 2012, Mr Clemett received a matching share award of 90% of salary; Mr Hopkins received a Matching Share Award of 112,525 (subject to overall cap of 1x salary at grant) in November 2012 based on a share price of £3.0466 which may vest subject to the achievement of an absolute TSR underpin of 4% p.a. In 2013, matching shares were up to 100% of salary for Mr Clemett and 73% of salary for Mr Hopkins.
- 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 69 of this Report.
- For the 2010 awards, the Executive Directors elected to convert part of the awards into a combination of interest in shares beneficially held, and linked options over the same total value.
- The LTIP awards granted in July 2010 vested in November 2013 as the Company had been in an extended closed period.



## DIRECTORS' REMUNERATION REPORT

### CONTINUED

#### SHARE OPTIONS

The following table shows, for the Directors who served during the year, the interests in outstanding awards under the HMRC-approved Savings Related Share Option Plan and SIP Awards.

Director	At 01/04/2013	Granted during the year	Lapsed during the year	Exercised in year	At 31/03/2014	Exercise price	Normal exercise date	
							From	To
<b>Jamie Hopkins</b>	4,663	–	–	–	4,663	£1.93	01.09.2015	01.03.2016
	292	–	–	–	292		22.03.2016	–
<b>Graham Clemett</b>	4,663	–	–	–	4,663	£1.93	01.09.2015	01.03.2016
	292	–	–	–	292		22.03.2016	–

There have been no changes in Directors' interests over options in the period between the balance sheet date and 3 June 2014.

#### NIL COST OPTIONS

The table below summarises the change in Director interests in nil cost options during the year.

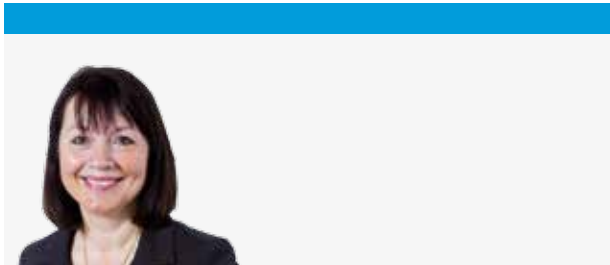
Pursuant to the Workspace Long Term Equity Incentive Plan 2008, share awards (conditional on three separate performance conditions for a period of three years from grant) were made to the Directors on 12 June 2009. Prior to the vesting date, 12 June 2012, these were converted to nil cost options to ease administration.

As part of the bonus arrangements, share awards (conditional on continuous employment for a period of two years from grant) were made to Mr Clemett on 12 June 2009. Prior to the vesting date, 12 June 2011, these were converted into nil cost options.

Director	At 01/04/2013	Granted during the year	Lapsed during the year	Exercised in year	At 31/03/2014	Exercise price	Normal exercise date	
							From	To
<b>Graham Clemett</b>	209,789 <sup>1</sup>	–	–	(209,789)	–		12.06.2012	12.06.2017
	17,080 <sup>1</sup>	–	–	(17,080)	–		12.06.2011	12.06.2019
<b>Total</b>	226,869	–	–	(226,869)	–			

1. Mr Clemett exercised 17,080 nil cost options on 26 June 2013 at a price of £3.945 and 209,789 nil cost options on 27 June 2013 at a price of £3.885787.

## REPORT OF THE DIRECTORS



**CARMELINA CARFORA**  
Company Secretary

The Directors present their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2014.

### PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Group is engaged in property investment in the form of letting of business space to new and growing companies located in London. At 31 March 2014 the Company had eleven active subsidiaries, six of which are property investment companies owning properties in Greater London. The other five companies include: Workspace Management Limited which acts as manager for all the Group's property investment companies and the BlackRock Workspace Property Trust; Workspace 16 (Jersey) Limited which invests in the BlackRock Workspace Property Trust and LI Property Services Limited which procures insurance on behalf of the Group. Workspace Holdings Limited and Workspace Glebe Limited are intermediate holding companies. A full list of the Company's trading subsidiaries appears on page 111.

Significant events which occurred during the year are detailed in the Chairman's introduction on page 9, the Chief Executive Officer's strategic review on page 10 and the Business Review on pages 26 to 36.

### BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Group's 2014 Strategic Report, on pages 1 to 36 includes a review of the business of the Group during the financial year and at the year-end together with a description of its strategy and prospects and an analysis using key performance indicators.

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

Chairman's introduction	Page 09
Chief Executive Officer's strategic review	Page 10
Business model	Page 14
Strategy	Page 16
Principal business risks	Page 18
Corporate social responsibility	Page 22
Business Review	Page 26

### DIRECTORS

With the exception of Mr Russell who was appointed as a Director on 29 May 2013 and John Bywater who retired as a Director on 25 July 2013, the Directors of the Company all held office throughout the year. The current Directors and their biographies can be found on pages 40 and 41. Details of the Directors' shareholdings and options over shares are provided on pages 69 to 72.

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

### DIRECTORS' INDEMNITIES AND INSURANCE

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

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

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

## REPORT OF THE DIRECTORS

### CONTINUED

#### DIRECTORS' CONFLICT OF INTEREST

No Director had, during the year, any beneficial interest in any contract significant to the Company's business, other than a contract of employment.

The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with Workspace Group PLC, they are required to notify the Board in writing or at the next Board Meeting.

#### CORPORATE GOVERNANCE

The Company and the Group are committed to high standards of corporate governance, details of which are given in the Chairman's overview and Corporate Governance Report on pages 38 to 54 and in the Directors' Remuneration Report on pages 55 to 72.

#### PROFIT AND DIVIDENDS

The Group's profit after tax for the year attributable to shareholders amounted to £241.4m (2013: £76.4m).

The interim dividend of 3.54 pence (2013: 3.22 pence) was paid in February 2014 and the Board is proposing to recommend the payment of a final dividend of 7.09 pence (2013: 6.45 pence) per share to be paid on 1 August 2014 to shareholders whose names are on the Register of Members at the close of business on 11 July 2014. This makes a total dividend of 10.63 pence (2013: 9.67 pence) for the year.

#### GOING CONCERN

The Group's activities, strategy and performance are explained in the Strategic Report on pages 1 to 36.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 81 to 112.

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

#### EMPLOYEES

The Group values highly the commitment of its employees and has maintained its practice of communicating business developments to them in a variety of formats. The Group's employees are kept informed of its activities and performance through a series of Director-led staff briefings at key points during the year and the circulation of corporate announcements and other relevant information to staff which are supplemented by updates on the intranet. These briefings also serve as an informal forum for employees to ask questions about the Company.

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

Share Schemes are a long-established and successful part of our total reward package, encouraging and supporting employee share ownership. In particular, all employees are invited to participate in the Company's Savings Related Share Option Scheme (SAYE).

The Company is committed to an active Equal Opportunities Policy from recruitment and selection, through training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Company is responsive to the needs of its employees, customers and the community at large. We are an organisation which uses everyone's talents and abilities, where diversity is valued.

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

The Company encourages the continuous development and training of its employees and the provisions of equal opportunities for the training and career development of all employees.

The Group provides retirement benefits for the majority of its employees. Details of the Group pension arrangements are set out in note 28 on page 111.

## SHARE CAPITAL AND CONTROL

Full details of share options and awards under the terms of the Company's share incentive plans can be found on pages 106 to 110.

Other relevant requirements from the takeover directive are included elsewhere in the Report of the Directors, the Corporate Governance Report, the Directors' Remuneration Report and the notes to the Group and Company financial statements. There are no agreements in place between the Group and its employees or Directors for compensation for loss of office or employment that occur because of a takeover bid.

As at 31 March 2014, the Company's issued share capital comprised of a single class of 145,616,695 ordinary shares of £1.00 each. Details of the Company's issued share capital are set out on page 105.

## SUBSTANTIAL SHAREHOLDINGS IN THE COMPANY

As at 31 March 2014 the following interests in voting rights over the issued share capital of the Company had been notified.

Shareholder	Number of shares	Percentage held
Mr S N Roditi	39,203,258	26.92%
BlackRock Inc	15,496,402	10.64%
Standard Life Investments	11,199,830	7.69%
NBIM	5,875,352	4.03%
Old Mutual Global Investors	5,393,255	3.70%
Invesco Perpetual	5,351,794	3.68%
Legal & General Investment Management	5,237,165	3.60%
F&C Asset Management plc	5,016,561	3.45%

As at 21 May 2014 the following interests in voting rights over the issued share capital of the Company had been notified.

Shareholder	Number of shares	Percentage held
Mr S N Roditi	39,203,258	26.92%
BlackRock Inc	14,515,673	9.97%
Standard Life Investments	11,737,829	8.06%
NBIM	5,835,604	4.01%
Old Mutual Global Investors	7,056,400	4.85%
Invesco Perpetual	4,855,903	3.33%
Legal & General Investment Management	5,245,078	3.60%
F&C Asset Management plc	4,568,783	3.14%
Aberdeen Asset Management	4,823,746	3.31%
Principal Global Investors	4,584,477	3.15%

\* Mr Roditi's shareholding is held via a number of different trusts and legal entities.

## HEALTH AND SAFETY

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

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

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

## FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies of the Company are set out in note 17 to the financial statements and in the Corporate Governance section of this report on pages 38 to 54.

## DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are each aware there is no relevant information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## INDEPENDENT AUDITORS

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



## REPORT OF THE DIRECTORS

### CONTINUED

#### GREENHOUSE GAS (GHG) EMISSIONS REPORTING METHODOLOGY

This year we have followed the 2013 UK Government environmental reporting guidance to account for all emissions related to our activities.

Greenhouse gas emissions are reported using the parameters listed below.

Scope 1 Emissions – Direct Emissions	Scope 2 Emissions – Indirect Emissions
<b>On-site Fuel Combustion:</b> any gas or oil used on our sites, typically for heating purposes.	<b>Purchased Electricity:</b> both landlord and tenant emissions where we procure electricity and make an onward sale to our customers who use the electricity in the course of their business activities.
<b>Fugitive Emissions:</b> refrigerant leaks from owned air-conditioning (RAC) equipment.	Emissions from vacant units have been omitted from data collection as they are considered to be immaterial.
<b>Company Vehicles:</b> fuel combustion and refrigerant leakage.	

Our reported emissions data is provided in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e). This has been consolidated using the financial control approach and includes both the BlackRock and Enterprise House joint ventures; we have reported joint venture emissions as a proportion of our equity share.

The chosen methodology for reporting uses ISO 14064-1:2006 guidelines for quantification and reporting of emissions. Calculations are based upon a 5% materiality threshold.

#### EMISSIONS DATA

Below compares our emissions data for 2013/14 to our 2012/13 baseline data.

Comparison of total emissions (tCO <sub>2</sub> e)		
	2012/13	2013/14
Total emissions	15,528.0	<b>15,083.2</b>

#### Breakdown of carbon emissions by source (tCO<sub>2</sub>e)

Source of Emissions	2012/13	2013/14	Difference
<b>Scope 1 (Direct Emissions)</b>			
<b>Workspace</b>			
Gas	3,947.0	<b>3,456.0</b>	-491.0
Fugitive Emissions	169.1	<b>215.5</b>	46.4
Vehicle Emissions	2.2	<b>2.0</b>	-0.2
<b>Joint Venture</b>			
Gas	60.3	<b>63.8</b>	3.5
Heating Oil	30.9	<b>28.8</b>	-2.1
Fugitive Emissions	1.3	<b>2.0</b>	0.7
<b>Scope 2 (Indirect Emissions)</b>			
<b>Workspace</b>			
Purchased Electricity	11,104.9	<b>11,102.5</b>	-2.4
<b>Joint Venture</b>			
Purchased Electricity	212.3	<b>212.6</b>	0.3
<b>Total</b>	<b>15,528.0</b>	<b>15,083.2</b>	<b>-444.8</b>

Overall GHG emissions across the portfolio have decreased by 2.9% this financial year. On a like-for-like basis energy consumption, which accounts for approximately 98% of our total carbon emissions has decreased by 3.6%.

This can be mainly attributed to a portfolio-wide improvement of building management systems, and a milder winter.

Several key energy-saving initiatives and the ongoing refurbishment of older inefficient buildings will continue to make an impact in reducing energy consumption.

In order to be in line with other property companies, we have opted to express the amount of greenhouse gas emissions for each square metre of occupied floor space and gross internal area. This is identified as an intensity ratio in the table below:

Intensity Ratio		
	2012/13	2013/14
Occupied space kgCO <sub>2</sub> e/m <sup>2</sup>	1.05	<b>1.03</b>
GIA kgCO <sub>2</sub> e/m <sup>2</sup>	1.09	<b>0.87</b>

Carbon Credentials Ltd has provided assurance on the accuracy, completeness and consistency of the GHG emissions data.

#### 2014 ANNUAL GENERAL MEETING

The 28th Annual General Meeting of the Company will be held at Chester House, Kennington Park, 1-3 Brixton Road, London SW9 6DE on Wednesday 16 July 2014 at 11.00am. The Notice of the Meeting, together with an explanation of the business to be dealt with at the Meeting, is included as a separate document and is also available on the Company's website.

By order of the Board

**CARMELINA CARFORA**  
COMPANY SECRETARY  
3 June 2014

## DIRECTORS' RESPONSIBILITIES

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Standards (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to

ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Having taken all matters considered by the Board and brought to the attention of the Board during the year into account, the Directors consider that the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the current Directors, whose names and functions are detailed on pages 40 to 54 of the Annual Report, confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report on pages 1 to 36 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board on 3 June 2014 by:

**JAMIE HOPKINS**  
CHIEF EXECUTIVE OFFICER

**GRAHAM CLEMETT**  
CHIEF FINANCIAL OFFICER

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC

### REPORT ON THE GROUP FINANCIAL STATEMENTS OUR OPINION

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2014 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

### WHAT WE HAVE AUDITED

The Group financial statements, which are prepared by Workspace Group PLC, comprise:

- the Consolidated Balance Sheet as at 31 March 2014;
- the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Equity and Statement of Cash Flows for the year then ended; and
- the notes to the Group financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

### WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

### OVERVIEW OF OUR AUDIT APPROACH MATERIALITY

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £11.2 million. This represents 1% of total assets, which we consider an appropriate benchmark for an investment property company. We set a specific materiality level of £1.9 million for the audit of net rental income, finance costs, administrative expenses and the related working capital balances.

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

### OVERVIEW OF THE SCOPE OF OUR AUDIT

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

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

In establishing the overall approach to the group audit, we determined the type of work that we needed to perform to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

### AREAS OF PARTICULAR AUDIT FOCUS

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 51 to 54.

Area of focus	How the scope of our audit addressed the area of focus
<b>Potential misstatement of property valuations</b> We focused on this area because of the magnitude of the investment property balance and because the assumptions used in determining the fair values of investment properties involve significant judgement and complexities.	We assessed the competence, capabilities and objectivity of management's third party valuers and the scope of their work through discussions with the valuers, verifying their qualifications and reviewing the terms of their engagement. We assessed the control environment of the Group, including controls within the entity over the valuer's work. We tested the data inputs of the investment property valuation including rental income, acquisitions and capital expenditure by agreeing them back to supporting documentation to assess the reliability, completeness and accuracy of the underlying data in the valuation model. We held discussions with management's third party valuers to understand and assess the assumptions underlying the valuation calculations and the rationale behind all significant movements over the year. We tested the valuation performed by the external valuers by checking the reasonableness of the assumptions used in the calculations, including tenure and tenancy of the properties, prevailing market yields and comparable market transactions. We also compared the valuations to our independently formed market expectations and challenged any differences identified. We focused, in particular, on the development properties whose valuations are, by nature, more judgemental.
<b>Accounting for Glebe proceeds sharing agreement</b> We focused on this area because this is the first year in which attributable profits have been recognised under the agreement and the accounting policy has changed in the year. The directors and the Audit Committee considered alternative accounting treatments for the attributable profits. The directors needed to exercise judgement in the selection of the accounting policy used to determine the profit attributable to the non-controlling interest recognised under the agreement.	We assessed the accounting treatment of the Glebe proceeds sharing agreement by reference to the appropriate accounting standards. In particular, we: read the contract and considered its legal, commercial and economic substance; met with the directors and the Audit Committee to understand their basis for selecting the accounting treatment; and formed an independent view, considering alternative accounting treatments and compared that to the Audit Committee's. We tested the application of the accounting policy by: agreeing the methodology used in calculating the split of proceeds to the signed agreement with HBOS; agreeing the inputs to the calculation to supporting documentation, including the signed agreements with HBOS; and testing that the proceeds sharing agreement has been applied to all properties that the Group had a legal or constructive obligation at the year end to sell.

Area of focus	How the scope of our audit addressed the area of focus
<b>Fraud in revenue recognition</b> ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results. We focused on the existence of the recognition of rental income and service charge revenue, because these revenue streams are high in quantity and low in value. Therefore they are systematic and homogenous. Manipulation would be most likely to occur through creating fictitious revenue journals.	As the foundation of the evidence we obtained regarding the revenue recognised during the year, we evaluated the relevant IT systems and tested the internal controls over the accuracy and timing of revenue recognised in the financial statements. We tested a sample of revenue transactions back to original lease agreements and cash received to assess the existence of revenue. We also tested journal entries posted to revenue accounts to identify and investigate unusual or irregular items.
<b>Risk of management override of internal controls</b> ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to 'whistle-blow' inappropriate actions, and interviewed senior management. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the directors that may represent a risk of material misstatement due to fraud. We also tested journal entries.

## GOING CONCERN

Under the Listing Rules we are required to review the directors' statement, set out on page 74, in relation to going concern. We have nothing to report having performed our review.

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

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



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC

### CONTINUED

#### OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the information given in the Corporate Governance Report set out on pages 42 to 54 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

#### OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

##### ADEQUACY OF INFORMATION AND EXPLANATIONS RECEIVED

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

##### DIRECTORS' REMUNERATION

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

##### CORPORATE GOVERNANCE STATEMENT

Under the Companies Act 2006, we are required to report to you if, in our opinion a corporate governance statement has not been prepared by the Parent Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Report relating to the Parent Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 77 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 52, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; 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

We have no exceptions to report arising from this responsibility.

#### OTHER INFORMATION IN THE ANNUAL REPORT

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

#### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

##### OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 77, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

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

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

#### OTHER MATTER

We have reported separately on the parent company financial statements of Workspace Group PLC for the year ended 31 March 2014 and on the information in the Directors' Remuneration Report that is described as having been audited.

#### BOWKER ANDREWS (SENIOR STATUTORY AUDITOR)

FOR AND ON BEHALF OF  
PRICEWATERHOUSECOOPERS LLP  
CHARTERED ACCOUNTANTS AND  
STATUTORY AUDITORS  
London  
3 June 2014

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

	Notes	2014 £m	2013 £m
Revenue	1	<b>73.6</b>	69.5
Direct costs	1	<b>(23.3)</b>	(22.4)
<b>Net rental income</b>	1	<b>50.3</b>	47.1
Administrative expenses	2	<b>(12.4)</b>	(11.0)
<b>Trading profit excluding share of joint ventures</b>		<b>37.9</b>	36.1
Profit/(loss) on disposal of investment properties	3(a)	<b>1.6</b>	(2.2)
Other income	3(b)	<b>4.2</b>	-
Change in fair value of investment properties	10	<b>221.9</b>	59.0
<b>Operating profit</b>	2	<b>265.6</b>	92.9
Finance income	4	<b>0.1</b>	0.2
Finance costs	4	<b>(18.6)</b>	(19.5)
Exceptional finance costs	4	<b>(1.9)</b>	-
Total finance costs		<b>(20.5)</b>	(19.5)
Change in fair value of derivative financial instruments	4	<b>2.2</b>	1.1
Gains from share in joint ventures	12	<b>5.1</b>	1.7
<b>Profit before tax</b>		<b>252.5</b>	76.4
Taxation	6	<b>(0.1)</b>	-
<b>Profit for the year after tax</b>		<b>252.4</b>	76.4
Attributable to:			
- Owners of the parent		<b>241.4</b>	76.4
- Non-controlling interests	20	<b>11.0</b>	-
		<b>252.4</b>	76.4
Basic earnings per share (pence)	8	<b>166.8p</b>	53.3p
Diluted earnings per share (pence)	8	<b>163.3p</b>	52.1p

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

	Notes	2014 £m	2013 £m
Profit for the financial year		<b>252.4</b>	76.4
Items that may be classified subsequently to profit or loss:			
Change in fair value of derivative financial instruments (cash flow hedge)	16(f)	<b>(2.9)</b>	-
Total comprehensive income for the year		<b>249.5</b>	76.4
Attributable to:			
- Owners of the parent		<b>238.5</b>	76.4
- Non-controlling interests	20	<b>11.0</b>	-
		<b>249.5</b>	76.4

The notes on pages 85 to 112 form part of these financial statements.

## CONSOLIDATED BALANCE SHEET

### AS AT 31 MARCH

	Notes	2014 £m	2013 £m
<b>Non-current assets</b>			
Investment properties	10	<b>1,068.3</b>	825.9
Intangible assets		<b>0.4</b>	0.5
Property, plant and equipment	11	<b>2.0</b>	1.7
Investment in joint ventures	12	<b>23.1</b>	20.7
Trade and other receivables	13	<b>11.2</b>	6.1
		<b>1,105.0</b>	854.9
<b>Current assets</b>			
Trade and other receivables	13	<b>7.1</b>	13.0
Cash and cash equivalents	14	<b>3.7</b>	11.8
Corporation tax asset		<b>0.3</b>	0.8
		<b>11.1</b>	25.6
<b>Total assets</b>		<b>1,116.1</b>	880.5
<b>Current liabilities</b>			
Derivative financial instruments	16(e) & (f)	<b>-</b>	(11.1)
Trade and other payables	15	<b>(36.0)</b>	(31.3)
		<b>(36.0)</b>	(42.4)
<b>Non-current liabilities</b>			
Borrowings	16(a)	<b>(335.8)</b>	(337.7)
Derivative financial instruments	16(e) & (f)	<b>(7.2)</b>	-
Other non-current liabilities	19	<b>(11.0)</b>	-
		<b>(354.0)</b>	(337.7)
<b>Total liabilities</b>		<b>(390.0)</b>	(380.1)
<b>Net assets</b>		<b>726.1</b>	500.4
<b>Shareholders' equity</b>			
Share capital	21	<b>145.6</b>	144.9
Share premium		<b>58.2</b>	58.8
Investment in own shares	23	<b>(8.9)</b>	(8.9)
Other reserves	22	<b>14.0</b>	15.3
Retained earnings		<b>517.2</b>	290.3
<b>Total shareholders' equity</b>		<b>726.1</b>	500.4
Non-controlling interests	19 & 20	<b>-</b>	-
<b>Total equity</b>		<b>726.1</b>	500.4
EPRA net asset value per share	9	<b>£4.96</b>	£3.48

The notes on pages 85 to 112 form part of these financial statements.

The financial statements on pages 81 to 112 were approved and authorised for issue by the Board of Directors on 3 June 2014 and signed on its behalf by:

**J HOPKINS**  
**G CLEMETT**  
DIRECTORS

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Parent					Total £m	Non- controlling interests £m	Total £m
		Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m			
Balance at 1 April 2012		144.1	59.2	(8.7)	13.9	226.9	435.4	-	435.4
Profit for the year		-	-	-	-	76.4	76.4	-	76.4
Total comprehensive income		-	-	-	-	76.4	76.4	-	76.4
Transactions with owners:									
Share issues	21	0.8	(0.4)	-	-	-	0.4	-	0.4
Own shares purchase	23	-	-	(0.2)	-	-	(0.2)	-	(0.2)
Dividends paid	7	-	-	-	-	(13.0)	(13.0)	-	(13.0)
Share based payments	24	-	-	-	1.4	-	1.4	-	1.4
<b>Balance at 31 March 2013</b>		<b>144.9</b>	<b>58.8</b>	<b>(8.9)</b>	<b>15.3</b>	<b>290.3</b>	<b>500.4</b>	<b>-</b>	<b>500.4</b>
Profit for the year		-	-	-	-	<b>241.4</b>	<b>241.4</b>	<b>11.0</b>	<b>252.4</b>
Change in fair value of derivatives	22	-	-	-	<b>(2.9)</b>	-	<b>(2.9)</b>	-	<b>(2.9)</b>
Total comprehensive income		-	-	-	<b>(2.9)</b>	<b>241.4</b>	<b>238.5</b>	<b>11.0</b>	<b>249.5</b>
Transactions with owners:									
Share issues	21	<b>0.7</b>	<b>(0.6)</b>	-	-	-	<b>0.1</b>	-	<b>0.1</b>
Dividends paid	7	-	-	-	-	<b>(14.5)</b>	<b>(14.5)</b>	-	<b>(14.5)</b>
Distributions	19 & 20	-	-	-	-	-	-	<b>(11.0)</b>	<b>(11.0)</b>
Share based payments	24	-	-	-	<b>1.6</b>	-	<b>1.6</b>	-	<b>1.6</b>
<b>Balance at 31 March 2014</b>		<b>145.6</b>	<b>58.2</b>	<b>(8.9)</b>	<b>14.0</b>	<b>517.2</b>	<b>726.1</b>	<b>-</b>	<b>726.1</b>

The notes on pages 85 to 112 form part of these financial statements.



## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 MARCH

	Notes	2014 £m	2013 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	18	<b>43.0</b>	38.6
Interest received		<b>0.1</b>	0.3
Interest paid		<b>(17.4)</b>	(16.6)
Tax refunded/(paid)		<b>0.4</b>	(0.2)
Net cash inflow from operating activities		<b>26.1</b>	22.1
<b>Cash flows from investing activities</b>			
Purchase of investment properties		<b>(19.2)</b>	-
Capital expenditure on investment properties		<b>(28.9)</b>	(27.3)
Proceeds from disposal of investment properties (net of sale costs)		<b>29.1</b>	16.7
Purchase of intangible assets		<b>(0.1)</b>	(0.3)
Purchase of property, plant and equipment		<b>(0.9)</b>	(1.0)
Net investment in joint ventures	12	<b>1.6</b>	(7.7)
Movement in short-term funding balances with joint ventures		<b>(0.5)</b>	-
Distributions received from joint ventures	12	<b>1.1</b>	0.9
Net cash outflow from investing activities		<b>(17.8)</b>	(18.7)
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary share capital		<b>0.1</b>	0.4
Finance costs for new/amended borrowing facilities		<b>(3.5)</b>	(1.1)
Settlement and re-coupons of derivative financial instruments		<b>(8.5)</b>	(2.1)
Repayment of bank borrowings		<b>(280.0)</b>	(68.0)
Drawdown of bank borrowings		<b>80.0</b>	10.0
Drawdown of other borrowings		<b>202.5</b>	57.5
Payment of priority fee		<b>-</b>	(0.9)
Inflow/(outflow) on bank facility rental income accounts		<b>7.4</b>	(0.7)
Own shares purchase		<b>-</b>	(0.2)
Dividends paid	7	<b>(14.4)</b>	(13.0)
Net cash outflow from financing activities		<b>(16.4)</b>	(18.1)
<b>Net decrease in cash and cash equivalents</b>		<b>(8.1)</b>	(14.7)
Cash and cash equivalents at start of year	18	<b>11.8</b>	26.5
<b>Cash and cash equivalents at end of year</b>	18	<b>3.7</b>	11.8

The notes on pages 85 to 112 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

Workspace Group PLC ('the Company') and its subsidiaries (together 'the Group') are engaged in property investment in the form of letting of business accommodation to new and growing enterprises across London.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK.

The registered number of the Company is 2041612.

### BASIS OF PREPARATION

These financial statements are presented in Sterling, which is the Company's functional currency and the Group's presentation currency and have been prepared on a going concern basis, in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss or equity.

### SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Group's significant accounting policies are stated below. Not all of these accounting policies require management to make subjective or complex judgements. The following is intended to provide an understanding of the significant judgements within the accounting policies that management consider critical because of the assumptions or estimation involved in their application and their impact on the consolidated financial statements.

### INVESTMENT PROPERTY VALUATION

The Group uses the valuation performed by its independent valuers as the fair value of its investment properties. The valuation is based upon the key assumptions of estimated rental values and market based yields. With regard to redevelopments and refurbishments, future development costs and an appropriate discount rate are also used. In determining fair value the valuers make reference to market evidence and recent transaction prices for similar properties.

Details of the valuation methodology and key assumptions are given in note 10. Management consider the significant assumptions to the valuation of investment properties to be estimated rental values and market based yields. Sensitivities on these assumptions are provided in note 10.

### GLEBE PROCEEDS SHARE AGREEMENT

The Group has exercised judgement in considering the amounts attributable to non-controlling interest ('NCI') in relation to the Glebe Proceeds Share Agreement. In measuring the amount attributable to the NCI the Group takes into account the likelihood that a property will be sold and that a payment may be made. On this basis, the Group attributes amounts to NCI when it considers there is a legal or constructive obligation to sell the relevant properties. At this point, the NCI has a demonstrable interest in their portion of the fair value gains to be realised in relation to these properties.

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

### 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 2014. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date control ceases.

Inter company transactions, balances and unrealised gains from intra group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### INVESTMENT PROPERTIES

Investment properties are those properties owned or leased by the Group that are held either to earn rental income or for capital appreciation, or both, and are not occupied by the Company or subsidiaries of the Group.

Investment property is measured initially at cost, including related transaction costs. After initial recognition investment property is held at fair value based on a valuation by an independent professional external valuer at each reporting date. The valuation methods and key assumptions applied are explained in note 10. Changes in fair value of investment property at each reporting date are recorded in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

Assets acquired under finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the net present value of the minimum lease payments. The investment properties acquired under finance leases are subsequently carried at fair value. The corresponding rental obligations, net of finance charges, are included in current and non current borrowings. Each lease payment is allocated between liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement.

Properties are treated as acquired at the point the Group assumes the significant risks and rewards of ownership and are treated as disposed when these are transferred outside of the Group's control. Existing investment properties which undergo redevelopment and refurbishment for continued future use remain in investment property where the purpose of holding the property continues to meet the definition of investment property as defined above.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group, and the cost of each item can be reliably measured. Certain internal staff costs directly attributable to capital/redevelopment projects are capitalised. All other repairs and maintenance costs are charged to the income statement during the period in which they are incurred.

Capitalised interest on refurbishment/redevelopment expenditure is added to the asset's carrying amount. Borrowing costs capitalised are calculated by reference to the actual interest rate payable on borrowings, or if financed out of general borrowings by reference to the average rate payable on funding the assets employed by the Group and applied to the direct expenditure on the property undergoing redevelopment. Interest is capitalised from the date of commencement of the redevelopment activity until the date when substantially all the activities necessary to prepare the asset for its intended use are complete.

Investment properties are recognised as 'assets held for sale' when it is considered highly probable that sale completion will take place.

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. 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). Any profit or loss on disposal 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 income statement in accordance with IAS 40.

Overage is only recognised once an agreement has been signed with a residential developer. Where any aspect of consideration is conditional, the revenue associated with that conditional item is fair valued and included as deferred consideration. The carrying value of overage is assessed at each period end and changes in fair value are taken to other operating income/expense. Cash consideration is recognised as a receivable and classified as current or non-current depending on the agreed payment terms.

### 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 (including motor vehicles) 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 income statement during the period in which they are incurred.

Depreciation is provided using the straight line method to allocate the cost less estimated residual value over the assets' estimated useful lives which range from 4-10 years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at least at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

### JOINT VENTURES

Joint ventures are those entities over which the Group, either directly or indirectly, is in a position to jointly control the financial and operating policies of the entity. Joint ventures are accounted for under the equity method whereby the consolidated financial statements include the Group's investment in and contribution from the joint venture.

### TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at 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 income statement.

Deferred consideration on the disposal of investment properties is included within trade and other receivables. It is fair valued on recognition and at each year end with any movement taken to other operating income/expense.

Other receivables include bank facility rental income accounts from which interest to lenders is paid.

### TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently held at amortised cost.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, restricted cash in the form of tenants' deposits and deposits held on call with banks. Bank overdrafts are included in current liabilities but within cash and cash equivalents for the purpose of the cash flow statement.

### BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, with any difference between the initial amount (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method, except for interest capitalised on redevelopments.

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

### FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity 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 Income Statement. Amounts payable or receivable under such arrangements are included within interest payable or receivable, recognised on an accruals basis. In line with IFRS 13, fair values of financial derivatives are measured at the estimated amount that the Group would receive or pay to terminate the agreement at the balance sheet date, taking into account the current interest expectations and current credit value adjustment of the counterparties.

The Group applies hedge accounting for certain derivatives that are designated and effective as hedges of future cash flows (cash flow hedges). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in note 16. Movements on the hedging reserve in other comprehensive income are shown in note 22.



## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other gains/(losses). Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, to offset the currency movement on borrowings that are hedged at each period end). The gain or loss relating to the effective portion of swaps hedging the currency of borrowings is recognised in the Income Statement.

### SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### INVESTMENT IN OWN SHARES

The Group operates an Employee Share Ownership Trust (ESOT) and a trust for the Share Incentive Plan (SIP). When the Group funds these trusts in order to purchase Company shares, the loan is deducted from shareholders' equity as investment in own shares.

### NON-CONTROLLING INTERESTS

The Group recognises any non-controlling interest ('NCI') in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Where the Group enters into a contract that meets the definition of equity under IAS 32 and also represents an interest in a subsidiary's net assets that is not attributable to the parent, such a contract is accounted for as non-controlling interest. A non-controlling interest is recognised for the Glebe proceeds share agreement (see note 20). Profit or loss and comprehensive income and loss are attributed to non-controlling interest in line with the terms of the relevant contract. In measuring the amount attributable to the non-controlling interest, the Group takes into account the likelihood that a property will be sold and that a payment may be made. On this basis, the Group attributes amounts to NCI when it considers there is a legal or constructive obligation to sell the relevant properties. At this point, the non-controlling interest has a demonstrable interest in their portion of the fair value gains to be realised in relation to these properties. Amounts payable under the agreement are recognised as liabilities when a contractual obligation is established, with the corresponding entry being against the balance of non-controlling interest (that is, through equity). See note 20 for further details.

### 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. Discrete financial information is provided to the chief operating decision maker on a property by property basis, including rental income and direct costs and valuation gains or losses.

### REVENUE RECOGNITION

Revenue comprises rental income, service charges and other sums receivable from the Group's investment properties. Other sums comprise insurance charges, supplies of utilities, premia associated with surrender of tenancies, commissions, fees and other sundry income.

All the Group's properties are leased out under operating leases and are included in investment property in the balance sheet. Rental income from operating leases is recognised in the income statement on a straight line basis over the lease term. Rent received in advance is deferred in the balance sheet and recognised in the period to which it relates to. When the Group provides incentives to its customers the incentives are recognised over the lease term on a straight line basis.

Service charges and other sums receivable from tenants are recognised on an accruals basis by reference to the stage of completion of the relevant service or transactions at the reporting date. These services generally relate to a 12 month period.

### DIRECT COSTS

Direct costs comprise service charge and other costs directly recoverable from tenants and non recoverable costs directly attributable to investment properties and other revenue streams.

### SHARE BASED PAYMENTS

The Group operates a number of share schemes under which the Group receives services from employees as consideration for equity instruments of the Group.

The fair value of the employee services received in exchange for the grant of share awards and options is recognised as an expense over the vesting period.

Fair value is measured by the use of Black-Scholes and Binomial option pricing models. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

## PENSIONS

The Group operates a defined contribution pension scheme. Contributions are charged to the income statement on an accruals basis.

## INCOME TAX

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.

## 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 2014 the Group adopted the following accounting standards and guidance:

Standard or interpretation	Content
Amendment: IAS 1	Financial statement presentation regarding other comprehensive income
Amendment: IAS 34	Interim financial reporting
Amendment: IAS 12	Income taxes on deferred tax
IFRS 13	Fair value measurement
Amendment: IFRS 7	Financial instruments: disclosures, on offsetting financial assets and liabilities.
Annual improvements 2011	Changes to IFRS 1/IAS 16/IAS 32/IAS 34

IFRS 13 'Fair Value Measurement' – This standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The guidance includes enhanced disclosure requirements which are similar to those in IFRS 7, 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones. These disclosures are included in the financial statements.

Amendment: IAS 1 – This amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. This has no significant impact to the Group.

The other standards or guidance had no material impact on the Group's financial statements or resulted in changes to presentation and disclosure only.

- b) The following accounting standards and guidance are not yet effective or not yet endorsed by the EU, and are either not expected to have a significant impact on the Group's financial statements or will result in changes to presentation and disclosure only. They have not been adopted early by the Group:

Standard or interpretation	Content
IFRS 9	Financial instruments: classification and measurement
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosures of interest in other entities
Amendment: IFRS 10, 11 and 12	On transition guidance
IAS 27 (revised)	Separate financial statements
IAS 28 (revised)	Associates and joint ventures
Amendment: IAS 32	Financial instruments: presentation, on offsetting financial assets and liabilities
Amendment: IAS 36	Impairment of assets
Amendment: IAS 39	Financial instruments: recognition and measurement, on novation of derivatives and hedge accounting
Amendment: IFRS 9	Financial instruments: regarding general hedge accounting
Annual improvements 2012	Changes to IFRS 2/IFRS 3/IFRS 8/IFRS 13/IAS 16/IFRS 9/IAS 37/IAS 38/IAS 39
Annual improvements 2013	Changes to IFRS 1/IFRS 3/IFRS 13/IAS 40

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### 1. ANALYSIS OF NET RENTAL INCOME AND SEGMENTAL INFORMATION

	2014			2013		
	Revenue £m	Direct costs £m	Net rental income £m	Revenue £m	Direct costs £m	Net rental income £m
Rental income	55.3	(0.3)	55.0	51.4	(0.2)	51.2
Service charges	14.2	(16.3)	(2.1)	14.1	(16.0)	(1.9)
Empty rates and other non recoverables	0.4	(3.8)	(3.4)	0.4	(3.4)	(3.0)
Services, fees, commissions and sundry income	3.7	(2.9)	0.8	3.6	(2.8)	0.8
	73.6	(23.3)	50.3	69.5	(22.4)	47.1

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

#### 2. OPERATING PROFIT

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

	2014 £m	2013 £m
Depreciation <sup>1</sup>	0.6	0.4
Staff costs (including share based costs) <sup>1</sup> (see note 5)	13.9	11.9
Repairs and maintenance expenditure on investment properties	3.3	3.3
Trade receivables impairment (see note 13)	0.2	0.3
Amortisation of intangibles	0.2	0.1
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.

#### Auditors' remuneration:

##### Services provided by the Company's auditors and its associates

	2014 £000	2013 £000
<b>Audit fees:</b>		
Audit of parent company and consolidated financial statements	136	129
Audit of subsidiary financial statements	30	29
	166	158
<b>Fees for other services:</b>		
Audit related assurance services	34	33
Corporate reporting work on Retail Bond issue	-	30
Tax advisory, tax compliance and legal services	69	78
Other services	39	31
	142	172

	2014 £m	2013 £m
<b>Total administrative expenses are analysed below:</b>		
Staff costs	6.6	6.0
Cash settled share based costs	0.9	0.4
Equity settled share based costs	1.6	1.4
Other	3.3	3.2
	12.4	11.0

**3(A). PROFIT/(LOSS) ON DISPOSAL OF INVESTMENT PROPERTIES**

	2014 £m	2013 £m
Proceeds from sale of investment properties (net of sale costs)	<b>30.6</b>	19.6
Book value at time of sale (note 10)	<b>(29.0)</b>	(21.7)
	<b>1.6</b>	(2.1)
Unrealised profit on sale of properties to joint ventures	<b>-</b>	(0.1)
Pre-tax profit/(loss) on sale	<b>1.6</b>	(2.2)

£2.9m (2013: £6.2m) of the proceeds for the year were in the form of deferred consideration, of which £2.9m is outstanding at 31 March 2014 (31 March 2013: £2.9m) and is included in the Consolidated Balance Sheet under non-current and current trade and other receivables.

**3(B). OTHER INCOME**

	2014 £m	2013 £m
Change in fair value of deferred consideration	<b>4.2</b>	-

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

**4. FINANCE INCOME AND COSTS**

	2014 £m	2013 £m
Interest income on bank deposits	<b>0.1</b>	0.2
<b>Finance income</b>	<b>0.1</b>	0.2
Interest payable on bank loans and overdrafts	<b>(6.3)</b>	(16.3)
Interest payable on other borrowings	<b>(11.8)</b>	(1.6)
Amortisation of issue costs of borrowings	<b>(1.1)</b>	(2.0)
Interest payable on finance leases	<b>(0.2)</b>	(0.2)
Interest capitalised on property refurbishments (note 10)	<b>0.8</b>	0.6
Foreign exchange gains on financing activities	<b>4.3</b>	-
Cash flow hedge - transfer from equity	<b>(4.3)</b>	-
<b>Finance costs - underlying</b>	<b>(18.6)</b>	(19.5)
Issue costs written off on re-financing	<b>(1.9)</b>	-
<b>Total finance costs</b>	<b>(20.5)</b>	(19.5)
Change in fair value of financial instruments through the income statement	<b>2.2</b>	1.1
<b>Net finance costs</b>	<b>(18.2)</b>	(18.2)



## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### 5. EMPLOYEES AND DIRECTORS

<b>Staff costs for the Group during the year were:</b>	<b>2014 £m</b>	<b>2013 £m</b>
Wages and salaries	<b>9.7</b>	8.6
Social security costs	<b>1.1</b>	1.0
Other pension costs (see note 28)	<b>0.6</b>	0.5
Cash settled share based costs (see note 24)	<b>0.9</b>	0.4
Equity settled share based costs (see note 24)	<b>1.6</b>	1.4
	<b>13.9</b>	11.9

#### **The monthly average number of people (including Executive Directors) employed during the year was:**

	<b>2014 Number</b>	<b>2013 Number</b>
Executive Directors	<b>2</b>	2
Head office staff	<b>74</b>	68
Estates and property management staff	<b>106</b>	100
	<b>182</b>	170

The emoluments and pension benefits of the Executive Directors is determined by the Remuneration Committee of the Board and are set out in detail in the Directors' Remuneration Report on pages 55 to 72. These form part of the financial statements.

#### 6. TAXATION

	<b>2014 £m</b>	<b>2013 £m</b>
<b>Current tax:</b>		
UK corporation tax	<b>-</b>	(0.2)
Adjustments to tax in respect of previous periods	<b>0.1</b>	0.2
Total taxation charge	<b>0.1</b>	-

The tax on the Group's profit for the period differs from the standard applicable corporation tax rate in the UK - 23% (2013: 24%). The differences are explained below:

	<b>2014 £m</b>	<b>2013 £m</b>
Profit on ordinary activities before taxation	<b>252.5</b>	76.4
Adjust gains from share in joint ventures	<b>(5.1)</b>	(1.7)
	<b>247.4</b>	74.7
Tax at standard rate of corporation tax in the UK of 23% (2013: 24%)	<b>56.9</b>	17.9
Effects of:		
REIT exempt income	<b>(4.8)</b>	(2.8)
Changes in fair value not subject to tax as a REIT	<b>(51.6)</b>	(14.4)
Share scheme adjustments	<b>(1.1)</b>	(0.1)
Contaminated land relief	<b>-</b>	(0.3)
Other income	<b>(0.9)</b>	-
Adjustments to tax in respect of previous periods	<b>0.1</b>	0.2
Losses carried forward/(brought forward)	<b>1.5</b>	(0.5)
Total taxation charge	<b>0.1</b>	-

The Group is a Real Estate Investment Trust (REIT). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Group's other income is subject to corporation tax. The Group estimates that as the majority of its future profits will be exempt from tax, it will have a very low tax charge.

The Group currently has £5.3m (2013: £4.2m) of tax losses carried forward calculated at a corporation tax rate of 21% (2013: 23%) which is the rate substantively enacted at the Balance Sheet date. These have not been recognised as an asset as they are unlikely to be utilised in the foreseeable future. A further reduction in the main rate of corporation tax to 20% by 1 April 2015 has been enacted. If the 20% rate had been applied to tax losses at the Balance Sheet date it would have reduced losses by £0.3m.

## 7. DIVIDENDS

	Payment date	Per share	2014 £m	2013 £m
<b>Ordinary dividends paid</b>				
For the year ended 31 March 2012:				
Final dividend	August 2012	5.86p	-	8.4
For the year ended 31 March 2013:				
Interim dividend	February 2013	3.22p	-	4.6
Final dividend	August 2013	6.45p	9.3	-
For the year ended 31 March 2014:				
Interim dividend	February 2014	3.54p	5.2	-
Dividends for the year			14.5	13.0
Timing difference on payment of withholding tax			(0.1)	-
Dividends cash paid			14.4	13.0

In addition the Directors are proposing a final dividend in respect of the financial year ended 31 March 2014 of 7.09 pence per ordinary share which will absorb an estimated £10.3m of revenue reserves and cash. If approved by the shareholders at the AGM, it will be paid on 1 August 2014 to shareholders who are on the register of members on 11 July 2014. The dividend will be paid as a normal distribution (non-PID).

## 8. EARNINGS PER SHARE

	2014 £m	2013 £m
<b>Earnings used for calculating earnings per share:</b>		
Basic and diluted earnings (attributable to owners of the parent)	241.4	76.4
Change in fair value of investment property	(221.9)	(59.0)
Profit/(loss) on disposal of investment properties	(1.6)	2.2
Movement in fair value of derivative financial instruments	(2.2)	(1.1)
Group's share of EPRA adjustments of joint ventures	(4.0)	(0.6)
EPRA adjusted earnings	11.7	17.9
Adjustment for non-recurring items	8.8	-
Adjusted underlying earnings (before tax)	20.5	17.9

Earnings have been adjusted and calculated on a diluted basis to derive an earnings per share measure as defined by the European Public Real Estate Association (EPRA) and an underlying earnings measure with additional company adjustments for non-recurring items. The adjustments are for other income of £4.2m, exceptional finance costs of £1.9m, tax of £0.1m and profit attributable to non-controlling interests of £11.0m.

	2014 Number	2013 Number
<b>Number of shares used for calculating earnings per share:</b>		
Weighted average number of shares (excluding own shares held in trust)	144,705,947	143,404,929
Dilution due to share option schemes	3,122,782	3,351,045
Weighted average number of shares for diluted earnings per share	147,828,729	146,755,974

	2014	2013
<b>In pence:</b>		
Basic earnings per share	166.8p	53.3p
Diluted earnings per share	163.3p	52.1p
EPRA earnings per share <sup>1</sup>	7.9p	12.2p
Adjusted underlying earnings per share <sup>1</sup>	13.9p	12.2p

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

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### 9. NET ASSETS PER SHARE

	2014 £m	2013 £m
<b>Net assets used for calculating net assets per share:</b>		
Net assets at end of year (basic)	<b>726.1</b>	500.4
Derivative financial instruments at fair value	<b>7.2</b>	11.1
EPRA net assets	<b>733.3</b>	511.5

	2014 Number	2013 Number
<b>Number of shares used for calculating net assets per share:</b>		
Shares in issue at year-end	<b>145,616,695</b>	144,936,155
Less own shares held in trust at year-end	<b>(157,846)</b>	(1,270,602)
Number of shares for calculating basic net assets per share	<b>145,458,849</b>	143,665,553
Dilution due to share option schemes	<b>2,526,414</b>	3,448,522
Number of shares for calculating diluted adjusted net assets per share	<b>147,985,263</b>	147,114,075

	2014 £m	2013 £m
EPRA net assets per share	<b>£4.96</b>	£3.48

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

#### 10. INVESTMENT PROPERTIES

	2014 £m	2013 £m
Balance at 1 April	<b>825.9</b>	759.3
Purchase of investment properties	<b>19.0</b>	–
Capital expenditure	<b>29.7</b>	28.7
Capitalised interest on refurbishments (note 4)	<b>0.8</b>	0.6
Disposals during the year	<b>(29.0)</b>	(21.7)
Change in fair value of investment properties	<b>221.9</b>	59.0
Balance at 31 March	<b>1,068.3</b>	825.9

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

Capitalised interest is included at a rate of capitalisation of 5.1% (2013: 5.0%). The total amount of capitalised interest included in investment properties is £5.0m (2013: £4.2m).

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

Investment property includes buildings under finance leases of which the carrying amount is £3.5m (2013: £3.5m). Investment property finance lease commitment details are shown in note 16(g).

#### VALUATION

The Group's investment properties are held at fair value and were revalued at 31 March 2014 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. 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 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 management team and the Board both conduct a detailed review of each property valuation to ensure appropriate assumptions have been applied. Meetings are held with the valuers to review and challenge the valuations, ensuring they have considered all relevant information, and rigorous reviews are performed to ensure valuations are sensible.

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

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

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

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

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

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

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

The reconciliation of the valuation report total to the amount shown in the Consolidated Balance Sheet as non-current assets, investment properties, is as follows:

	2014 £m	2013 £m
Total per CBRE valuation report	1,078.0	829.9
Deferred consideration on sale of property (note 13)	(13.2)	(7.5)
Head leases treated as finance leases under IAS 17	3.5	3.5
Total investment properties per balance sheet	1,068.3	825.9

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 our 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 year.

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### 10. INVESTMENT PROPERTIES continued

The following table summarises the valuation techniques and inputs used in the determination of the property valuation.

#### KEY UNOBSERVABLE INPUTS:

Property Category	Valuation £m	Valuation technique	ERVs – per sq. ft.		Equivalent yields	
			Range	Weighted average	Range	Weighted average
Like-for-like	692	1	£3 – £65	£16	6.0% – 12.7%	7.2%
Refurbishments	154	2	£7 – £47	£25	6.5% – 7.9%	7.1%
Redevelopments	197	2	£5 – £27	£18	6.1% – 9.9%	7.5%
Other	21	1	£8 – £39	£33	6.8% – 15.4%	8.2%
Head leases	4	n/a				
	1,068					

1 = income capitalisation method

2 = residual value method

#### SENSITIVITY ANALYSIS:

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

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+69 / -69	-23 / +25
Refurbishments	+18 / -18	-6 / +6
Redevelopments	+10 / -10	-3 / +3
Other	+3 / -3	-1 / +1

#### 11. PROPERTY, PLANT AND EQUIPMENT

Cost or valuation	Equipment and fixtures £m	Total £m
Balance at 1 April 2012	5.3	5.3
Additions during the year	1.0	1.0
Balance at 31 March 2013	6.3	6.3
Additions during the year	0.9	0.9
<b>Balance at 31 March 2014</b>	<b>7.2</b>	<b>7.2</b>
<b>Accumulated depreciation</b>		
Balance at 1 April 2012	4.2	4.2
Charge for the year	0.4	0.4
Balance at 31 March 2013	4.6	4.6
Charge for the year	0.6	0.6
<b>Balance at 31 March 2014</b>	<b>5.2</b>	<b>5.2</b>
<b>Net book amount at 31 March 2014</b>	<b>2.0</b>	<b>2.0</b>
Net book amount at 31 March 2013	1.7	1.7



## 12. JOINT VENTURES

The Group's investment in joint ventures represents:

	2014 £m	2013 £m
Balance at 1 April	20.7	12.3
Net cash investment	(1.6)	7.7
Unrealised surplus on sale of properties to joint venture	-	(0.1)
Share of gains	5.1	1.7
Distributions received	(1.1)	(0.9)
Balance at 31 March	23.1	20.7

The Group has the following joint ventures:

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

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

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

Generate Studio Limited is engaged in the design and project management of office fit outs and workplace consultancy both for Group properties and third parties.

The Group's share of the joint ventures' assets and liabilities is shown below:

	2014 £m	2013 £m
Investment properties	22.9	20.8
Current assets	1.5	1.2
Current liabilities	(0.8)	(0.8)
Net assets	23.6	21.2
Unrealised surplus on sale of properties to joint venture	(0.5)	(0.5)
Investment in joint venture	23.1	20.7

The Group's share of the joint ventures' revenues and expenses is shown below:

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Revenue	1.9	1.7
Direct costs	(0.6)	(0.5)
Net rental income	1.3	1.2
Administrative expenses	(0.2)	(0.1)
Profit on disposal of investment properties	0.3	-
Change in fair value of investment properties	3.7	0.6
Profit before tax	5.1	1.7
Taxation	-	-
Profit after tax	5.1	1.7

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### 13. TRADE AND OTHER RECEIVABLES

	2014 £m	2013 £m
<b>Non-current trade and other receivables</b>		
Deferred consideration on sale of investment property:		
Balance at 1 April	6.1	4.6
Additions	0.9	1.5
Change in fair value	4.2	–
Balance at 31 March	11.2	6.1

The non-current receivable relates to deferred consideration (cash and overage) arising on the sale of investment properties. The conditional value of the portion of the receivable that relates to overage has been fair valued by CBRE Limited on the basis of residual value as at 31 March 2014, using appropriate discount rates, and will be revalued on a regular basis. This is a Level 3 valuation of a financial asset, as defined by IFRS 13. The methodology and significant assumptions used in the valuation are consistent with those disclosed in note 10. The change in fair value recorded in the income statement was a profit of £4.2m (31 March 2013: £nil) (see note 3 (b)).

	2014 £m	2013 £m
<b>Current trade and other receivables</b>		
Trade receivables	2.3	2.5
Less provision for impairment of receivables	(0.3)	(0.4)
Trade receivables – net	2.0	2.1
Prepayments and accrued income	2.8	2.1
Bank facility rental income accounts	–	7.4
Amounts due from related parties (see note 25)	0.3	–
Deferred consideration on sale of investment property	2.0	1.4
	7.1	13.0

Bank facility rental income accounts were held by the banks as security for interest payments under the terms of our previous bank facilities. These have now been settled following the refinancing in July 2013.

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:

	2014 £m	2013 £m
Balance at 1 April	0.4	0.6
Provision for receivables impairment	0.2	0.3
Receivables written off during the year	(0.3)	(0.5)
Balance at 31 March	0.3	0.4

As at 31 March 2014, the ageing of trade receivables past due but not impaired was as follows:

	Total 2014 £m	Impaired 2014 £m	Not impaired 2014 £m	Total 2013 £m	Impaired 2013 £m	Not impaired 2013 £m
Up to 3 months past due	2.0	(0.1)	1.9	2.1	(0.1)	2.0
3 to 6 months past due	0.1	(0.1)	–	0.1	(0.1)	–
Over 6 months past due	0.2	(0.1)	0.1	0.3	(0.2)	0.1
	2.3	(0.3)	2.0	2.5	(0.4)	2.1

The trade receivables balance is deemed to be all past due as rental payments are due on demand. Trade receivables that are not impaired are expected to be fully recovered as there is no recent history of default or indications that debtors will not meet their obligations. Impaired receivables are provided against based on expected recoverability.

**14. CASH AND CASH EQUIVALENTS**

	2014 £m	2013 £m
Cash at bank and in hand	2.0	10.1
Restricted cash – tenants' deposit deeds	1.7	1.7
	<b>3.7</b>	<b>11.8</b>

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

Bank overdrafts are included within cash and cash equivalents for the purpose of the cash flow statement.

**15. TRADE AND OTHER PAYABLES**

	2014 £m	2013 £m
Trade payables	4.4	2.1
Other tax and social security payable	2.5	1.5
Tenants' deposit deeds (see note 14)	1.7	1.7
Tenants' deposits	10.1	8.7
Accrued expenses	14.3	14.0
Amounts due to related parties (see note 25)	0.3	0.5
Deferred income – rent and service charges	2.7	2.8
	<b>36.0</b>	<b>31.3</b>

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

**16. BORROWINGS****(A) BALANCES**

	2014 £m	2013 £m
<b>Non-current</b>		
Bank loans (unsecured)	78.3	–
6% Retail Bond (unsecured)	56.6	56.4
5.6% Senior US Dollar Notes 2023 (unsecured)	60.4	–
5.53% Senior Notes 2023 (unsecured)	83.7	–
Senior Floating Rate Notes 2020 (unsecured)	9.0	–
Other term loan (unsecured)	44.3	–
Bank loans (secured)	–	277.8
Finance lease obligations	3.5	3.5
	<b>335.8</b>	<b>337.7</b>

On 1 July 2013 the Group refinanced £325m of secured bank debt provided by the RBS and Bayern Clubs. This bank debt was replaced by £352.5m of unsecured debt provided by the issue of £157.5m private placement notes, £45m provided by a UK Fund and £150m of new bank debt.

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### 16. BORROWINGS continued

##### (B) NET DEBT

	2014 £m	2013 £m
Borrowings per (a) above	<b>335.8</b>	337.7
Adjust for:		
Finance leases	<b>(3.5)</b>	(3.5)
Cost of raising finance	<b>3.8</b>	3.3
Foreign exchange gains and hedge adjustment	<b>3.9</b>	-
	<b>340.0</b>	337.5
Cash at bank and in hand (note 14)	<b>(2.0)</b>	(10.1)
Net Debt	<b>338.0</b>	327.4

At 31 March 2014 the Group had £70m (2013: £45m) of undrawn bank facilities and £2m of unrestricted cash (2013: £10m).

##### (C) MATURITY

	2014 £m	2013 £m
Repayable between two years and three years	-	280.0
Repayable between four years and five years	<b>80.0</b>	-
Repayable in five years or more	<b>260.0</b>	57.5
	<b>340.0</b>	337.5
Cost of raising finance	<b>(3.8)</b>	(3.3)
Foreign exchange gains and hedge adjustment	<b>(3.9)</b>	-
	<b>332.3</b>	334.2
Finance leases		
Repayable in five years or more	<b>3.5</b>	3.5
	<b>335.8</b>	337.7

##### (D) INTEREST RATE AND REPAYMENT PROFILE

	Principal at period end £m	Interest rate	Interest payable	Repayable
<b>Current</b>				
Bank overdraft due within one year or on demand	-	Base +2.25%	Variable	On demand
<b>Non-current</b>				
5.6% Senior US Dollar Notes	64.5	5.6%	Half Yearly	June 2023
5.53% Senior Notes	84.0	5.53%	Half Yearly	June 2023
Senior Floating Rate Notes	9.0	LIBOR +3.5%	Half Yearly	June 2020
Other term loan	22.5	LIBOR +3.5%	Quarterly	May 2022
	22.5	LIBOR +3.5%	Quarterly	May 2023
Term loan	50.0	LIBOR +2.5%	Quarterly	June 2018
Revolver loan	30.0	LIBOR +2.3%	Monthly	June 2018
6% Retail Bond	57.5	6%	Half Yearly	October 2019

## (E) DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative financial instruments are held:

	Amount hedged	Rate payable (or cap strike rate) (%)	Term/expiry
Interest rate swap	£95m	1.87%	June 2018
Cash flow hedge – cross currency swap	\$100m/£64.5m	5.66%	June 2023

The interest rate swap is treated as financial instruments at fair value with changes in value dealt with in the income statement during each reporting period.

The Group has entered into a cross currency swap to ensure the US Dollar liability streams generated from the US Dollar Notes are fully hedged into sterling for the life of the transaction. Through entering into the cross currency swap the Group has created a synthetic sterling fixed rate liability totalling £64.5m. This swap has been designated as a cash flow hedge with changes in fair value dealt with in equity.

## (F) FAIR VALUES OF FINANCIAL INSTRUMENTS

	2014 Book Value £m	2014 Fair Value £m	2013 Book Value £m	2013 Fair Value £m
<b>Financial liabilities not at fair value through profit or loss</b>				
Bank loans	78.3	78.3	277.8	277.8
6% Retail Bond	56.6	60.5	56.4	59.0
Private Placement Notes	153.1	153.1	–	–
Other term loan	44.3	44.3	–	–
Finance lease obligations	3.5	3.5	3.5	3.5
	<b>335.8</b>	<b>339.7</b>	337.7	340.3
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial instruments:				
Interest rate swaps	0.5	0.5	11.1	11.1
<b>Financial liabilities at fair value through equity</b>				
Derivative financial instruments:				
Cash flow hedge	6.7	6.7	–	–
	<b>7.2</b>	<b>7.2</b>	11.1	11.1

The fair value of the Retail Bond has been established from the quoted market price at 31 March 2014 and is thus a Level 1 valuation as defined by IFRS 13.

In accordance with IFRS 13 disclosure is required for financial instruments that are carried in the financial statements at fair value. The fair values of all the Group's financial derivatives have been determined by reference to market prices and discounted expected cash flows at prevailing interest rates and are Level 2 valuations. There have been no transfers between levels in the year.

The different levels of valuation hierarchy as defined by IFRS 13 are set out in note 10.

The amount of £11.1m outstanding in 2013 was due in 2015. However, this was classified as current as it was settled on refinancing shortly after the year end.

The total change in fair value of derivative financial instruments recorded in the income statement was a profit of £2.2m (2013: £1.1m). This is net of £8.5m (2013: £2.1m) paid in the year to settle some instruments on refinancing debt.

The total change in fair value of derivative financial instruments recorded in other comprehensive income was a loss of £2.9m (2013: £nil).



## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### 16. BORROWINGS continued

##### (G) FINANCE LEASES

Finance lease liabilities are in respect of leased investment property.

	2014 £m	2013 £m
Minimum lease payments under finance leases fall due as follows:		
Within one year	0.2	0.2
Between two and five years	1.0	0.9
Beyond five years	21.0	21.5
	22.2	22.6
Future finance charges on finance leases	(18.7)	(19.1)
Present value of finance lease liabilities	3.5	3.5

#### 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

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 2014 89% (2013: 79%) 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 or decreased net interest payable and equity by £0.2m (2013: £0.4m).

##### (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 approximately 4,000 tenants over approximately 100 properties. The largest 10 single tenants generate around 6% of net rent roll. As such, the credit risk attributable to individual tenants is low.

The Group's credit risk in relation to tenants is further managed by requiring that tenants provide a deposit equivalent to three month's rent on inception of lease as security against default. Total tenant deposits held are £11.8m (2013: £10.4m). The Group monitors aged debt balances and any potential bad debts every week, the information being reported to the Executive Committee every month as part of the performance monitoring process. The Group's debtor recovery is consistently high and as such is deemed a low risk area.

Deferred consideration on the sale of investment property is contractual and valued regularly by the external valuer based on current and future market factors.

Cash and cash equivalents and financial derivatives are held with major UK high street banks or building societies and strict counterparty limits are operated on deposits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2014 £m	2013 £m
Cash and cash equivalents (note 14)	3.7	11.8
Trade receivables – current (note 13)	2.3	2.5
Deferred consideration – current (note 13)	2.0	1.4
Deferred consideration – non current (note 13)	11.2	6.1
	19.2	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.

To ensure it can effectively manage its liquidity risk, the Group has an overdraft facility of £4m and a revolving loan facility of £100m. At 31 March 2014 headroom excluding overdraft was £70m (31 March 2013: £45m).

Cash flow is monitored formally on a monthly basis as part of internal performance monitoring with regular daily monitoring and forecasting undertaken to manage day-to-day cash flows and any balances which are ring-fenced by lenders. The Board reviews compliance with loan covenants which include agreed interest cover and loan to value ratios, alongside review of available headroom on loan facilities.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities, derivative financial instruments and trade and other payables existing at the balance sheet date. Contracted cash flows are based upon the loan balances and applicable interest rates payable on these at each year end.

	Carrying Amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
<b>31 March 2014</b>						
<b>Financial Liabilities</b>						
Bank loans	80.0	2.3	2.3	2.3	80.8	87.7
6% Retail Bond	57.5	3.5	3.5	3.5	66.1	76.6
Private placement notes	157.5	8.7	8.7	8.7	200.1	226.2
Other term loan	45.0	1.8	1.8	1.8	55.0	60.4
Derivative financial instruments	7.2	1.5	1.5	1.5	2.7	7.2
Finance lease liabilities	3.5	0.2	0.2	0.2	21.6	22.2
Trade and other payables	30.8	30.8	-	-	-	30.8
	381.5	48.8	18.0	18.0	426.3	511.1

	Carrying Amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
<b>31 March 2013</b>						
<b>Financial Liabilities</b>						
Bank loans	280.0	7.9	7.9	281.6	-	297.4
6% Retail Bond	57.5	3.5	3.5	3.5	69.5	80.0
Derivative financial instruments	11.1	5.0	5.0	1.1	-	11.1
Finance lease liabilities	3.5	0.2	0.4	0.5	21.5	22.6
Trade and other payables	27.0	27.0	-	-	-	27.0
	379.1	43.6	16.8	286.7	91.0	438.1

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### (D) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and monitor an appropriate mix of debt and equity financing.

Equity comprises issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. Debt comprises drawings against 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 2014 Group equity was £726.1m (2013: £500.4m), and Group net debt (debt less cash at bank and in hand) was £338.0m (2013: £327.4m). Group gearing at 31 March 2014 was 46% (2013: 65%).

Following the refinancing in the year the Group's borrowings are now all unsecured. The loan to value covenants applicable to these borrowings range between 60% and 75% and compliance is being met comfortably.

#### 18. NOTES TO CASH FLOW STATEMENT

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

	2014 £m	2013 £m
Profit before tax	252.5	76.4
Depreciation	0.6	0.4
Amortisation of intangibles	0.2	0.1
Profit/(loss) on disposal of investment properties	(1.6)	2.2
Other income	(4.2)	–
Net gain from change in fair value of investment property	(221.9)	(59.0)
Equity settled share based payments	1.6	1.4
Change in fair value of financial instruments	(2.2)	(1.1)
Finance income	(0.1)	(0.2)
Finance expense	20.5	19.5
Gains from share in joint ventures	(5.1)	(1.7)
Changes in working capital:		
(Increase) in trade and other receivables	(0.4)	(0.5)
Increase in trade and other payables	3.1	1.1
Cash generated from operations	43.0	38.6

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

	2014 £m	2013 £m
Cash at bank and in hand	2.0	10.1
Restricted cash – tenants' deposit deeds	1.7	1.7
	3.7	11.8

#### 19. OTHER NON-CURRENT LIABILITIES

	2014 £m	2013 £m
Amount payable re proceeds share agreement	11.0	–

See note 20 for details of this payable.

## 20. NON-CONTROLLING INTERESTS

In December 2009 Workspace acquired full control of its former Workspace Glebe joint venture. The purchase was satisfied by a cash payment of £15m and a debt facility of £68m provided by the former lenders to the joint venture, with further amounts potentially payable under a proceeds share agreement.

The proceeds share provides for the former lenders to Workspace Glebe to share in net cash proceeds from disposals from the Glebe property portfolio once Workspace has received its priority return. The priority return at 31 March 2014 is £92m. For proceeds up to £170m the lenders' share is 50%, from £170m up to £200m it is 30% and nil thereafter. The maximum payable under this proceed share is £48m. All disposals are at the option of Workspace and there are no time limits.

The total valuation of the Glebe portfolio at 31 March 2014 was £217m (31 March 2013: £164m). While a number of the assets have residential redevelopment potential a substantial part of the portfolio is comprised of investment properties that Workspace has no current plans to sell. The current value of the properties that have redevelopment potential and management consider probable to be sold for cash is £107m. Total proceeds including cash received to date from disposals of £14m would therefore be £121m (31 March 2013: £83m). It is estimated that net proceeds after costs that would be realised is £114m. On this basis, the Group has a legal or constructive obligation to pay the lenders £11m at 31 March 2014.

We have reviewed and changed our accounting policy for the Glebe proceeds share agreement. Previously, the Group considered the proceeds share agreement as a contingent liability, with a provision under IAS 37 only being recognised if the obligation under the agreement was triggered or it was otherwise considered probable that an outflow of economic benefits would be required. The Group now accounts for the agreement as an equity instrument in accordance with IAS 32 representing a non-controlling interest (NCI).

There is no impact of this change in policy on the prior year. The NCI had an initial fair value on acquisition of £nil with no subsequent attributions of profit or distributions until the current year. The effect in the current year is to recognise a NCI of £11m and a subsequent distribution to the NCI of £11m. This has resulted in a non-current liability of £11m on the balance sheet (see note 19). Under the previous treatment, the Group would have recognised a provision of £11m in the current year with a corresponding entry through other income and expenses. This change in policy has no impact on EPRA NAV.

In the highly unlikely scenario that all properties in the Glebe portfolio were sold, the maximum amount payable under the proceeds share agreement of £48m would be due to the lenders (31 March 2013: £32m). This would be reflected in an increase in the amount attributable to NCI at 31 March 2014 of £37m (31 March 2013: £32m) with a net impact of reducing EPRA NAV per share by 25 pence (31 March 2013: 22 pence).

## 21. SHARE CAPITAL

	2014 Number	2013 Number
Issued: Fully paid ordinary shares of £1 each	145,616,695	144,936,155

	2014 £m	2013 £m
Issued: Fully paid ordinary shares of £1 each	145.6	144.9

### Movements in share capital were as follows:

	2014 Number	2013 Number
Number of shares at 1 April	144,936,155	144,091,418
Issue of shares	680,540	844,737
Number of shares at 31 March	145,616,695	144,936,155

The shares issued during the year were to satisfy the exercise of share options.

	2014 £m	2013 £m
Balance at 1 April	144.9	144.1
Issue of shares	0.7	0.8
Balance at 31 March	145.6	144.9

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### 22. OTHER RESERVES

	Equity settled share based payments £m	Merger reserve £m	Hedging reserve £m	Total £m
Balance at 1 April 2012	5.2	8.7	–	13.9
Share based payments	1.4	–	–	1.4
Balance at 31 March 2013	6.6	8.7	–	15.3
Share based payments	1.6	–	–	1.6
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	(2.9)	(2.9)
<b>Balance at 31 March 2014</b>	<b>8.2</b>	<b>8.7</b>	<b>(2.9)</b>	<b>14.0</b>

The merger reserve was created in 2009 following the raising of equity through a cashbox share placing structure.

#### 23. INVESTMENT IN OWN SHARES

The Company has an Employee Share Ownership Trust (ESOT) to purchase shares in the market for distribution at a later date in accordance with the terms of the Executive Share Option Scheme and Long Term Equity Incentive Plan. The shares are held by an independent trustee and the rights to dividends on the shares have been waived except where the shares are beneficially owned by participants. No shares were purchased for the Trust during the year but 1,109,836 shares were transferred to employees on the exercise of share options. At 31 March 2014 the number of shares held by the Trust totalled 108,966 (2013: 1,218,802). At 31 March 2014 the market value of these shares was £0.6m (2013: £4.2m) compared to a nominal value of £0.1m (2013: £1.2m).

The Company has also established an employee Share Incentive Plan (SIP) which is governed by HMRC rules. 51,800 shares were purchased for the Plan in 2013 at a cost of £0.2m. These are being held in a separate trust.

	2014 £m	2013 £m
Balance at 1 April	8.9	8.7
Acquisition of ordinary shares	–	0.2
Balance at 31 March	8.9	8.9

#### 24. SHARE-BASED PAYMENTS

The Group operates a number of share schemes:

##### I) LONG TERM EQUITY INCENTIVE PLAN (LTIP)

The LTIP scheme is a performance award scheme whereby shares are issued against three Group performance measures which are assessed over the three year vesting period. These are:

- Absolute TSR
- Relative TSR
- Relative NAV

The shares are issued at nil consideration provided the performance conditions are met.

Under the 2013 LTIP scheme 766,728 performance and matching shares were awarded in June 2013 to Directors and senior management (2012 LTIP scheme: 1,163,416).



Details of the movements for the LTIP scheme during the year were as follows:

	LTIP Number
At 1 April 2012	3,864,467
Granted	1,163,416
Exercised	(515,866)
Lapsed	(875,177)
At 31 March 2013	3,636,840
Granted	766,728
Exercised	(1,681,747)
Lapsed	(65,932)
<b>At 31 March 2014</b>	<b>2,655,889</b>

The weighted average share price at the date of exercise of shares exercised during the year was £4.53 (2013: £2.48).

A binomial model was used to determine the fair value of the LTIP grant for the Absolute TSR and Relative TSR elements of the LTIP scheme.

Assumptions used in the model were as follows:

	2014	2013 (Nov 2012)	2013 (June 2012)
Share price at grant	<b>405p</b>	306p	227p
Exercise price	<b>Nil</b>	Nil	Nil
Average expected life (years)	<b>3</b>	3	3
Risk free rate	<b>0.3%</b>	0.5%	0.5%
Expected dividend yield	<b>3%</b>	4%	4%
Average share price volatility	<b>31%</b>	41%	41%
Fair value per option – Absolute TSR element	<b>162p</b>	249p	125p
Fair value per option – Relative TSR element	<b>148p</b>	172p	128p

The relative NAV is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 405 pence. At each balance sheet date, the Directors assess the likelihood of meeting the conditions under this element of the scheme. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity. The assessment at year end was that up to 50% of the relative NAV element will vest.

The expected Workspace share price volatility was determined by taking account of the daily share price movement over a three year period. The respective FTSE 250 Real Estate share price volatility and correlations were also determined over the same period. The average expected term to exercise used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions and historical experience.

The risk free rate has been determined from market yield curves for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant. The expected dividend yield was determined by calculating the present value of expected future dividend payments to expiry.

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### 24. SHARE-BASED PAYMENTS continued

##### II) EMPLOYEE SHARE OPTION SCHEMES

The Group operates a Save As You Earn (SAYE) share option scheme and an Executive Share Option Scheme (ESOS) for which there have been no grants since 2008. Grants under ESOS were normally exercisable between three and ten years from the date of grant and normally granted at the market price ruling at the date of grant.

Grants under the SAYE scheme are normally exercisable after three or five years saving. In accordance with UK practice, the majority of options under the SAYE schemes are granted at a price 20% below the market price ruling at the date of grant.

Details of the movements for the ESOS and SAYE schemes during the year were as follows:

	ESOS		SAYE	
	Number	Weighted exercise price	Number	Weighted exercise price
Options outstanding				
At 1 April 2012	191,171	£11.05	483,601	£1.26
Options granted	–	–	193,992	£1.93
Options exercised	–	–	(328,871)	£1.15
Options lapsed	(139,656)	£10.34	(15,394)	£1.55
At 31 March 2013	51,515	£13.22	333,328	£1.74
Options granted	–	–	66,147	£3.47
Options exercised	–	–	(39,168)	£1.63
Options lapsed	(18,950)	£8.25	(19,720)	£2.31
<b>At 31 March 2014</b>	<b>32,565</b>	<b>£16.12</b>	<b>340,587</b>	<b>£2.06</b>

The exercise of all options, other than those obtained under the Group's SAYE scheme, was dependent upon the Group achieving specified performance targets.

The weighted average share price at the date of exercise for the SAYE options exercised during the year was £4.50 (2013: £2.63).

66,147 SAYE share options were granted in the year (2013: 193,992 shares).

The fair value has been calculated using the Black-Scholes model. Inputs to the model are summarised as follows:

	2014 SAYE 3 year	2014 SAYE 5 year	2013 SAYE 3 year	2013 SAYE 5 year
Weighted average share price at grant	<b>440p</b>	<b>440p</b>	230p	230p
Exercise price	<b>347p</b>	<b>347p</b>	193p	193p
Expected volatility	<b>31%</b>	<b>31%</b>	41%	41%
Average expected life (years)	<b>3</b>	<b>5</b>	3	5
Risk free rate	<b>0.3%</b>	<b>0.3%</b>	0.5%	0.5%
Expected dividend yield	<b>3%</b>	<b>3%</b>	4%	4%
Possibility of ceasing employment before vesting	<b>25%</b>	<b>25%</b>	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:

	2014	2014	2013	2013
	Grant date	Fair value of award	Grant date	Fair value of award
SAYE – 3 year	31 July 2013	118p	30 July 2012	68p
SAYE – 5 year	31 July 2013	124p	30 July 2012	74p

### III) SHARE INCENTIVE PLAN (SIP)

On 22 March 2013 all staff were granted £1,000 worth of shares. These shares are held in trust under an HMRC approved SIP. The shares can be exercised following three years of employment but must be held for a further two years in order to qualify for tax advantages. There were no grants made in the year (2013: 51,800 shares). 2,920 shares were exercised in the year and 6,424 shares lapsed.

### IV) YEAR END SUMMARY

At 31 March 2014 in total there were 3,071,497 (2013: 4,073,483) share awards/options exercisable on the Company's ordinary share capital. These are analysed below:

Date of grant LTIP	Exercise Price	Ordinary shares Number	Vested and exercisable	Exercisable between	
04 August 2011	-	762,587	-	04.08.2014	-
18 June 2012	-	865,229	-	18.06.2015	-
19 November 2012	-	276,642	-	19.11.2015	-
26 June 2013	-	751,431	-	26.06.2016	-
ESOS				Exercisable between	
30 June 2004	£13.16	14,624	14,624	30.06.2007	30.06.2014
17 June 2005	£17.81	9,681	9,681	17.06.2008	17.06.2015
1 September 2005	£19.37	8,260	8,260	01.09.2008	01.09.2015
SAYE				Exercisable between	
21 July 2009	£1.15	69,036	-	01.09.2014	01.03.2015
20 July 2010	£1.66	2,983	-	01.09.2015	01.03.2016
14 December 2011	£1.91	32,314	-	01.02.2015	01.08.2015
30 July 2012	£1.93	154,048	-	01.09.2015	01.03.2016
30 July 2012	£1.93	18,652	-	01.09.2017	01.03.2018
31 July 2013	£3.47	54,910	-	01.09.2016	01.03.2017
31 July 2013	£3.47	8,644	-	01.09.2018	01.03.2019
SIP				Exercisable between	
22 March 2013	-	42,456	-	22.03.2016	22.03.2018
<b>Total</b>		<b>3,071,497</b>	<b>32,565</b>		

The weighted average exercise price for vested and exercisable shares at 31 March 2014 is: LTIP – £nil (2013: £nil), ESOS – £16.12 (2013: £13.22).

The share awards/options outstanding at 31 March 2014 had a weighted average remaining contractual life of: LTIP – 1.5 years (2013: 1.1 years), ESOS – nil years (2013: nil years), SAYE – 1.6 years (2013: 2.2 years), SIP – 2 years (2013: 3 years).

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### 24. SHARE-BASED PAYMENTS continued

##### V) CASH SETTLED SHARE BASED PAYMENTS

National Insurance payments due on the exercise of non-approved ESOS options and shares from the LTIP are considered cash settled share based payments.

The estimated fair value of the National Insurance cash settled share based payments have been calculated using the Black-Scholes model. At each balance sheet date the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement.

##### VI) SHARE BASED PAYMENT CHARGES

The Group recognised a total charge in relation to share based payments as follows:

	2014 £m	2013 £m
Equity settled share based payments	1.6	1.4
Cash settled share based payments	0.9	0.4
	<b>2.5</b>	<b>1.8</b>

The total liability at the end of the period in respect of cash-settled share based schemes was £0.9m (2013: £0.9m).

#### 25. RELATED PARTY TRANSACTIONS

	2014 £m	2013 £m
Transactions year ended 31 March:		
Net investment into joint ventures (note 12)	(1.6)	7.7
Sale of property to joint ventures	-	3.2
Fee income and recharges to joint ventures	0.9	0.9
Distributions received from joint ventures (note 12)	1.1	0.9
Balances with joint ventures at 31 March:		
Amounts receivable from joint ventures (note 13)	0.3	-
Amounts payable to joint ventures (note 15)	(0.3)	(0.5)

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:	2014 £m	2013 £m
Short-term employee benefits	2.9	2.9
Post-employment benefits	0.2	0.2
Share-based payments	1.1	0.7
	<b>4.2</b>	<b>3.8</b>

## 26. CAPITAL COMMITMENTS

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

	2014 £m	2013 £m
Funding of joint venture	3.3	1.7
Purchases, construction or redevelopment of investment property	8.9	18.2

## 27. PRINCIPAL SUBSIDIARY UNDERTAKINGS

Except where indicated otherwise, the Company (incorporated in the UK) wholly owns the following active subsidiary undertakings incorporated and operating in the UK, all of which are consolidated in the Group's financial statements:

Name	Nature of business
Workspace 11 Limited	Property Investment
Workspace 12 Limited*	Property Investment
Workspace 13 Limited	Property Investment
Workspace 14 Limited*	Property Investment
Workspace 15 Limited	Property Investment
Workspace 16 (Jersey) Limited†	Investor in joint venture
Workspace Glebe Limited	Holding Company
Glebe Three Limited*	Property Investment
Workspace Holdings Limited	Holding Company
LI Property Services Limited	Insurance Agents
Workspace Management Limited	Property Management

\* The share capital of these subsidiaries is held by other Group companies.

† Company registered in Jersey.

The Company has taken advantage of the exemption under section 410 of the Companies Act 2006 only to disclose those subsidiary undertakings that principally affect the financial statements.

A full list of subsidiary undertakings at 31 March 2014 will be appended to the Company's next annual return.

## 28. PENSION COMMITMENTS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for this scheme in the year was £0.6m (2013: £0.5m) representing contributions payable by the Group to the fund and is charged through operating profit.

The Group's commitment with regard to pension contributions ranges from 6% to 16.5% of an employee's salary. The pension scheme is open to every employee after three months' qualifying service but from next year will be subject to the new Government auto-enrolment rules. The number of employees in the scheme at the year end was 102 (2013: 91).



## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### 29. OPERATING LEASES

The following future minimum lease payments are due under non-cancellable operating leases:

	2014 £m	2013 £m
<b>Motor vehicles and office equipment:</b>		
Due within one year	0.1	0.1
Due between two and five years	0.1	0.1
	<b>0.2</b>	<b>0.2</b>
<b>Land and buildings:</b>		
Within one year	21.3	21.2
Between two and five years	2.4	1.5
Beyond five years	0.6	0.6
	<b>24.3</b>	<b>23.3</b>

The Group has determined that all tenant leases are operating leases within the meaning of IAS 17. The majority of the Group's tenant leases are granted with a rolling three month tenant break clause. The future minimum non-cancellable rental receipts under operating leases granted to tenants are as above.

#### 30. POST BALANCE SHEET EVENTS

Bow Enterprise Park, E3 – Contracts were exchanged in April 2014 with Peabody Enterprises for the second phase of the redevelopment of this site with consideration comprising £11m in cash and 3,000 sq. ft. of new commercial space.

12/13 Greville Street, London, EC1 – The purchase of this property for a consideration of £2.3m was completed in April 2014.

The Filaments, SW18 – in April 2014 a mixed use planning permission was secured for the second phase of the redevelopment of this estate. This scheme comprises 77 apartments and 18,000 sq. ft. of commercial space. We would expect to receive back a combination of cash and new commercial space (at no cost or risk to the Group) from the sale of the residential component to a residential developer.

The Faircharm, SE8 – contracts were exchanged in May 2014 with London & Quadrant Housing Association for the redevelopment of this estate with consideration comprising £9.5m in cash and 52,000 sq. ft. of new business space.

The Biscuit Factory (part), SE16 – £17.9m of cash was received in May 2014 for the sale of the first phase of the redevelopment to Grosvenor Britain and Ireland.

Vestry Street Studios, N1 – The purchase of this property for a consideration of £12.6m was completed in May 2014.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC (PARENT COMPANY)

### OUR OPINION

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Parent Company's affairs as at 31 March 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

### WHAT WE HAVE AUDITED

The Parent Company financial statements (the "financial statements"), which are prepared by Workspace Group PLC, comprise:

- the Parent Company balance sheet as at 31 March 2014; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

### WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

### OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

#### ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC (PARENT COMPANY) CONTINUED

### DIRECTORS' REMUNERATION

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

### OTHER INFORMATION IN THE ANNUAL REPORT

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

#### OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 77, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

### OTHER MATTER

We have reported separately on the group financial statements of Workspace Group PLC for the year ended 31 March 2014.

### BOWKER ANDREWS (SENIOR STATUTORY AUDITOR)

FOR AND ON BEHALF OF  
PRICEWATERHOUSECOOPERS LLP CHARTERED  
ACCOUNTANTS AND STATUTORY AUDITORS  
London  
3 June 2014

## PARENT COMPANY BALANCE SHEET

### AS AT 31 MARCH

	Notes	2014 £m	2013 £m
<b>Fixed assets</b>			
Investments	C	<b>289.6</b>	268.5
		<b>289.6</b>	268.5
<b>Current assets</b>			
Debtors	D	<b>495.0</b>	207.1
Cash at bank and in hand		<b>0.2</b>	1.2
		<b>495.2</b>	208.3
<b>Creditors: amounts falling due within one year</b>	E	<b>(97.3)</b>	(88.2)
<b>Net current assets</b>		<b>397.9</b>	120.1
<b>Total assets less current liabilities</b>		<b>687.5</b>	388.6
<b>Creditors: amounts falling due after more than one year</b>	F	<b>(350.5)</b>	(56.4)
		<b>337.0</b>	332.2
<b>Capital and reserves</b>			
Called up share capital	G	<b>145.6</b>	144.9
Share premium account	G	<b>58.2</b>	58.8
Investment in own shares	G	<b>(8.9)</b>	(8.9)
Other reserves	G	<b>14.0</b>	15.3
Profit and loss account	G	<b>128.1</b>	122.1
<b>Total shareholders' funds</b>	H	<b>337.0</b>	332.2

The notes on pages 116 to 119 form part of these financial statements.

The financial statements on pages 115 to 119 were approved by the Board of Directors on 3 June 2014 and signed on its behalf by:

**J HOPKINS**  
**G CLEMETT**  
DIRECTORS

Workspace Group PLC  
Registered number 2041612

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### A. ACCOUNTING POLICIES

Although the Group consolidated financial statements are prepared under IFRS as adopted by the EU, the Workspace Group PLC Company financial statements are prepared under UK GAAP. The principal accounting policies of the Company which have been applied consistently throughout the year are set out below:

#### (A) BASIS OF ACCOUNTING

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. FRS 29 Financial Instruments – Disclosure (the UK GAAP equivalent of IFRS 7 Financial Instruments – Disclosure) has been adopted by the Company, but the disclosure requirements are met in note 17 of the Group financial statements.

#### (B) CASH FLOW STATEMENT

The Company has taken advantage of the convention not to produce a cash flow statement as one is prepared for the Group financial statements.

#### (C) INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Interests in subsidiary undertakings are carried in the Company's balance sheet at cost less impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Impairment and reversal of impairment is taken to the profit and loss account.

#### (D) SHARE BASED PAYMENT AND INVESTMENT IN OWN SHARES

Incentives are provided to employees under share option schemes. The Company has established an Employee Share Ownership Trust (ESOT) to satisfy part of its obligation to provide shares when Group employees exercise their options. The Company provides funding to the ESOT to purchase these shares.

The Company has also established an employee Share Incentive Plan (SIP) which is governed by HMRC rules.

The Company itself has no employees. When the Company grants share options to Group employees as part of their remuneration, the expense of the share options is reflected in a subsidiary undertaking, Workspace Management Limited. The Company recognises this as an investment in subsidiary undertakings with a corresponding increase to equity.

The disclosure requirements of FRS 20 Share-based payment are met in note 24 of the Group financial statements.

#### (E) BORROWINGS

Details of borrowings are described in note F to the Parent Company financial statements. Costs associated with the raising of finance are capitalised, amortised over the life of the instrument and charged as part of interest costs.

#### (F) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The accounting policy for derivative financial instruments and hedge accounting, under FRS 26 Financial Instruments – Recognition and Measurement, are the same as those for the Group and are set out on pages 87 and 88. Disclosure requirements are provided in note 16 to the consolidated financial statements.

#### (G) FOREIGN CURRENCY TRANSLATION

The accounting policy for foreign currency translation is the same as that for the Group and is set out on page 87.

### 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 £20.5m (2013: £4.5m).

Auditors' remuneration of £10,000 (2013: £10,000) has been borne by a subsidiary undertaking.

Proposed dividends are disclosed in note 7 to the consolidated financial statements.



## C. INVESTMENTS

	Investment in subsidiary undertakings £m	Investment in joint ventures £m	Total £m
<b>Cost</b>			
Balance at 1 April 2013	311.8	1.6	313.4
Additions in the year	1.6	–	1.6
Balance at 31 March 2014	313.4	1.6	315.0
<b>Impairment</b>			
Balance at 1 April 2013	44.9	–	44.9
Reversal of impairment loss	(19.5)	–	(19.5)
Balance at 31 March 2014	25.4	–	25.4
<b>Net book value at 31 March 2014</b>	<b>288.0</b>	<b>1.6</b>	<b>289.6</b>
Net book value at 31 March 2013	266.9	1.6	268.5

The Directors believe that the carrying value of the investments is supported by their underlying net assets. Due to increasing property values some impairment losses from previous years have been reversed.

Refer to note 27 of the consolidated financial statements for the list of trading subsidiary undertakings.

The Company has a 50% interest in Enterprise House Investments LLP, a partnership incorporated in the UK and a 50% interest in Generate Studio Ltd, a company incorporated in the UK.

## D. DEBTORS

	2014 £m	2013 £m
Amounts owed by subsidiary undertakings	494.7	206.3
Corporation tax asset	0.3	0.8
	<b>495.0</b>	207.1

Amounts owed by subsidiary undertakings are unsecured and repayable on demand. Interest is charged to subsidiary undertakings.

## E. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £m	2013 £m
Amounts owed to subsidiary undertakings	91.8	86.2
Taxation and social security	0.5	0.4
Accruals and deferred income	5.0	1.6
	<b>97.3</b>	88.2

Amounts owed to subsidiary undertakings are unsecured and repayable on demand. Interest is paid to subsidiary undertakings.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### CONTINUED

#### F. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Interest rate	Repayable	2014 £m	2013 £m
Bank Loans	LIBOR+2.3% to 2.5%	June 2018	<b>80.0</b>	–
5.6% Senior US Dollar Notes 2023	5.6%	June 2023	<b>60.6</b>	–
5.53% Senior Notes 2023	5.53%	June 2023	<b>84.0</b>	–
Senior Floating Rate Notes 2020	LIBOR+3.5%	June 2020	<b>9.0</b>	–
Other term loan	LIBOR+3.5%	May 2022 and May 2023	<b>45.0</b>	–
6% Retail Bond	6%	October 2019	<b>57.5</b>	57.5
Total borrowings			<b>336.1</b>	57.5
Less cost of raising finance			<b>(3.8)</b>	(1.1)
Net borrowings			<b>332.3</b>	56.4
Derivative financial instruments			<b>7.2</b>	–
Other creditors <sup>1</sup>			<b>11.0</b>	–
			<b>350.5</b>	56.4

1. Other creditors relate to amounts payable under the Glebe proceeds share agreement. See note 20 of the Group accounts for further details.

All the above borrowings are unsecured.

	2014 £m	2013 £m
Maturity analysis of borrowings:		
Repayable between four and five years	<b>80.0</b>	–
Repayable in five years or more	<b>256.1</b>	57.5
	<b>336.1</b>	57.5

The following derivative financial instruments are held:

	Amount hedged	Rate payable (or cap strike rate) (%)	Term/ expiry	2014 £m	2013 £m
Interest rate swap	£95m	1.87%	June 2018	<b>0.5</b>	–
Cash flow hedge – cross currency swap	\$100m/£64.5m	5.66%	June 2023	<b>6.7</b>	–
				<b>7.2</b>	–

#### G. CAPITAL AND RESERVES

Movements and notes applicable to share capital, share premium account, investment in own shares and share based payment reserve are shown in notes 21 to 24 and in the consolidated statement of changes in equity of the consolidated financial statements.

	Equity settled share based payments £m	Merger Reserve £m	Hedging Reserve £m	Total £m
<b>Other reserves:</b>				
Balance at 1 April 2012	5.2	8.7	–	13.9
Share based payments	1.4	–	–	1.4
Balance at 31 March 2013	6.6	8.7	–	15.3
Share based payments	1.6	–	–	1.6
Change in fair value of derivative financial instruments	–	–	(2.9)	(2.9)
<b>Balance at 31 March 2014</b>	<b>8.2</b>	<b>8.7</b>	<b>(2.9)</b>	<b>14.0</b>
<b>Profit and loss account:</b>				£m
Balance at 1 April 2013				122.1
Profit for the year				20.5
Dividends paid				(14.5)
<b>Balance at 31 March 2014</b>				<b>128.1</b>

**H. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2014 £m	2013 £m
Profit for the financial year	20.5	4.5
Dividends paid	(14.5)	(13.0)
Issue of shares (net of costs)	0.1	0.4
Investment in own shares	-	(0.2)
Share based payments	1.6	1.4
Change in fair value of derivative financial instruments	(2.9)	-
Net movement in shareholders' funds	4.8	(6.9)
Opening shareholders' funds	332.2	339.1
Closing shareholders' funds	337.0	332.2

**I. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption under FRS 8 Related Party Disclosures not to disclose related party transactions with wholly owned subsidiary undertakings.

Related party transactions are the same for the Company as for the Group. For details refer to note 25 of the consolidated financial statements.

## FIVE-YEAR PERFORMANCE

2010 - 2014

	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m	31 March 2011 £m	31 March 2010 £m
Rents receivable	55.3	51.4	50.2	52.0	49.8
Service charges and other income	18.3	18.1	17.1	16.8	16.7
<b>Revenue</b>	<b>73.6</b>	69.5	67.3	68.8	66.5
Profit before interest including share of joint ventures	39.0	37.2	35.1	36.3	35.3
Net interest payable^	(18.5)	(19.3)	(19.1)	(22.1)	(24.5)
<b>Trading profit after interest</b>	<b>20.5</b>	17.9	16.0	14.2	10.8
Profit before taxation	252.5	76.4	48.5	52.8	26.0
Profit after taxation	252.4	76.4	49.0	53.5	24.2
Basic earnings per share*	166.8p	53.3p	36.3p	45.4p	21.8p
Dividends per share*	10.63p	9.67p	8.79p	7.99p	7.27p
Dividends (total)	15.5	13.9	12.6	9.5	8.6
Investment properties	1,068.3	825.9	759.3	713.4	713.2
Other assets less liabilities	(8.4)	2.1	(11.1)	(12.8)	(39.5)
Net borrowings	(333.8)	(327.6)	(312.8)	(366.8)	(386.4)
<b>Net assets</b>	<b>726.1</b>	500.4	435.4	333.8	287.3
Gearing	46%	65%	72%	110%	134%
Gearing on EPRA net assets	46%	64%	70%	106%	125%
Basic NAV per share*	£4.99	£3.48	£3.05	£2.83	£2.43
EPRA NAV per share*	£4.96	£3.48	£3.08	£2.86	£2.59

\* Earnings per share, dividends per share and net assets per share have been restated to reflect adjustment for the Rights Issue, in July 2011 and share consolidation in August 2011.

^ Excludes exceptional items.

## KEY PERFORMANCE INDICATORS

<b>Workspace Group:</b>	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Number of estates <sup>1</sup>	83	86	92	96	105
Lettable floorspace (m sq. ft.) <sup>■1</sup>	4.5	4.7	5.0	5.1	5.5
Number of lettable units <sup>1</sup>	4,653	4,626	4,668	4,856	5,156
Average unit size (sq. ft.) <sup>1</sup>	967	1,011	1,070	1,049	1,067
Rent roll of occupied units <sup>1</sup>	£58.3m	£52.7m	£50.2m	£48.9m	£50.7m
Average rent per sq. ft. <sup>1</sup>	£15.12	£12.98	£11.79	£11.47	£11.22
Overall occupancy <sup>1</sup>	85.8%	87.0%	85.3%	83.6%	81.9%
Enquiries (number)*	12,754	12,440	12,103	11,535	12,109
Lettings (number)*	1,020	1,014	981	1,051	1,203

**BlackRock Workspace Property Trust (BWPT):**

	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Number of estates	14	16	11	8
Lettable floorspace (m sq. ft.) <sup>■</sup>	0.5	0.5	0.4	0.3
Number of lettable units	410	435	313	281
Average unit size (sq. ft.)	1,300	1,260	1,407	1,147
Rent roll of occupied units	£6.4m	£7.0m	£4.7m	£3.1m
Average rent per sq. ft.	£14.66	£14.20	£11.82	£10.57
Overall occupancy	87.7%	90.4%	89.8%	92.1%

■ Excludes storage space

<sup>1</sup> Excluding BWPT which is shown separately

\* Including BWPT

## PROPERTY PORTFOLIO 2014

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000s	ERV £000s
Acton Business Centre	NW10 6TD	Like for like	50,361	528	700
Archer Street Studios	W1D 7AZ	Like for like	14,984	714	860
Arches Business Centre	UB2 4AU	Like for like	40,725	334	403
Artesian Close Industrial Estate	NW10 8JP	Like for like	15,815	206	212
Artesian Land	NW10 8JP	Like for like	4,500	23	0
Atlas Business Centre	NW2 7HJ	Like for like	152,499	1,022	1,200
Baden Place*	SE1 1YW	-	25,472	538	762
Barley Mow Centre	W4 4PH	Refurbishment	77,102	1,706	1,754
Barratt Way Industrial Estate	HA3 5TJ	Like for like	47,294	303	505
Belgravia Workshops	N19 4NF	Like for like	32,324	354	391
Bounds Green Industrial Estate	N11 2UL	Refurbishment	123,272	632	837
Bow Enterprise Park	E3 3QY	Redevelopment	39,415	236	290
Bow Office Exchange	E3 3QP	Like for like	36,962	280	345
Burford Road Business Centre*	E15 2ST	-	21,296	224	311
Buzzard Creek Industrial Estate	IG11 0EL	Like for like	45,000	262	345
Canalot Studios	W10 5BN	Refurbishment	49,704	1,050	1,456
Canterbury Industrial Estate	SE15 1NP	Like for like	18,893	189	190
Chandelier Building*	NW10 6RB	-	46,177	423	547
Charles House*	UB2 4BD	-	72,097	1,111	1,217
Chiswick Studios	W4 5PY	Like for like	14,253	178	186
Chocolate Factory	N22 6XJ	Like for like	119,215	888	1,269
City Road*	EC1V 1JN	-	32,306	359	842
Clerkenwell Workshops	EC1R 0AT	Like for like	52,879	2,863	3,416
Clyde House	SL6 8BR	Redevelopment	29,680	76	241
Cremer Business Centre	E2 8HD	Like for like	41,364	615	683
2 Cullen Way	NW10 6JZ	Like for like	1,562	17	15
10 Cullen Way	NW10 7JH	Like for like	10,304	24	52
E1 Business Centre	E1 1DU	Like for like	40,186	711	843
Enterprise House, SE1	SE1 9PG	Refurbishment	72,870	2,541	2,806
Enterprise House Hayes***	UB3 1DD	-	86,591	230	194
Europa Studios*	NW10 6ND	-	26,113	358	390
Exmouth House	EC1R 0JH	Refurbishment	58,832	1,777	2,781
Fairways Business Centre	E10 7QT	Like for like	47,091	292	367
Grand Union Centre	W10 5AS	Redevelopment	47,630	34	34
60 Gray's Inn Road**	WC1X 8AQ	Acquisition	41,057	1,121	1,589
12-13 Greville Street**	EC1N 8SB	Acquisition	-	-	-
14 Greville Street	EC1N 8SB	Like for like	10,961	340	428
Hamilton Road Industrial Estate	SE27 9SF	Like for like	23,531	165	190
Hatton Square Business Centre	EC1N 7RJ	Refurbishment	43,396	929	1,005
Havelock Terrace	SW8 4AS	Like for like	58,165	801	932
Highway Business Park	E1 9HR	Like for like	19,969	255	273
Holywell Centre	EC2A 4PS	Like for like	21,796	516	569
Horton Road Industrial Estate*	UB7 8JD	-	38,720	213	246
Kennington Park - Investment	SW9 6DE	Like for like	336,861	4,803	5,763
Kennington Park - Refurbishment	SW9 6DE	Refurbishment	36,384	1,096	1,180
Kingsmill Business Park*	KT1 3AP	-	40,151	437	426
Leroy House	N1 3QP	Like for like	46,551	929	1,029
Leyton Industrial Village	E10 7QP	Refurbishment	118,977	738	897
Linton House	SE1 0LH	Refurbishment	23,363	670	968
Little London*	SE1 2BA	-	31,101	586	705
Littleton House	TW15 1UU	Like for like	41,716	263	360



## PROPERTY PORTFOLIO 2014

## CONTINUED

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000s	ERV £000s
6 Lloyds Avenue*	EC3N 3AX	-	34,764	820	1,115
Lombard House	CRO 3JP	Like for like	67,072	308	592
Mahatma Ghandi Industrial Estate	SE24 0JF	Like for like	16,750	207	219
Mallard Place	N22 6TS	Like for like	10,150	83	83
Maple Industrial Estate	TW13 7AW	Like for like	18,210	264	316
Mare Street Studios	E8 3QE	Like for like	39,442	383	450
Marshgate Business Centre	E15 2NH	Redevelopment	92,673	274	491
Metal Box Factory	SE1 0HS	Refurbishment	68,072	957	1,882
Michael Manley Industrial Estate	SW8 4TU	Like for like	5,800	56	76
Morie Street Business Centre	SW18 1SL	Like for like	21,696	392	435
Pall Mall Deposit	W10 6BL	Like for like	49,360	1,000	1,058
Park Royal Business Centre	NW10 7LQ	Like for like	30,347	309	370
Park Royal House	NW10 7JH	Redevelopment	0	0	89
Parkhall Business Centre	SE21 8EN	Like for like	119,035	856	1,112
Parma House	N22 6XF	Like for like	35,040	218	334
Pill Box	E2 6GG	Refurbishment	50,261	342	1,452
Poplar Business Park	E14 9RL	Redevelopment	74,779	1,089	1,271
Progress Way Business Park*	CRO 4XD	-	31,002	278	302
Q West	TW8 0GP	Like for like	40,372	273	478
Quality Court	WC2A 1HR	Like for like	16,925	664	930
Quicksilver Place	N22 6XH	Like for like	27,810	255	181
Rainbow Industrial Estate	SW20 0JK	Like for like	1,000	364	405
Redbridge Enterprise Centre	IG1 1TY	Like for like	20,020	183	238
Riverside	SW18 4UQ	Like for like	99,341	1,083	1,006
ScreenWorks	N5 2EF	Redevelopment	0	0	1,550
Shaftesbury Centre	W10 6BN	Like for like	12,612	211	237
Southbank House	SE1 7SJ	Like for like	62,857	1,517	1,796
Spectrum House	NW5 1LP	Like for like	46,491	629	655
Stratford Office Village	E15 4BZ	Like for like	47,081	691	846
T Marchant Trading Estate	SE16 3DH	Like for like	51,984	193	489
The Biscuit Factory – Investment	SE16 4DG	Like for like	194,413	1,953	2,668
The Biscuit Factory – Redevelopment	SE16 4DG	Redevelopment	215,416	1,374	1,680
The Faircharm	SE8 3DX	Redevelopment	106,668	269	508
The Filaments	SW18 4JQ	Redevelopment	0	0	1,320
The Ivories	N1 2HY	Like for like	24,813	424	516
The Leathermarket	SE1 3ER	Like for like	125,690	3,420	3,508
The Light Box	W4 5PY	Like for like	70,218	1,122	1,223
The Wenlock	N1 7EU	Like for like	27,951	817	977
Thurston Road	SE13 7SH	Redevelopment	0	0	561
Toplin House*	SW9 8BB	-	40,485	85	486
Union Court*	SW4 6JP	-	67,717	723	909
Uplands Business Park	E17 5QN	Like for like	280,497	1,609	1,557
Vestry Street Studios**	N1 7RE	-	-	-	-
Westbourne Studios	W10 5JJ	Like for like	55,758	1,831	2,052
Westminster Business Square	SE11 5JH	Refurbishment	56,973	917	934
Whitechapel Technology Centre	E1 1DU	Refurbishment	38,424	698	856
Windmill Place** – Sold	UB2 4NJ	-	26,171	225	236
Zennor Tradepark	SW12 0PS	Like for like	66,054	602	676

\* BlackRock Joint Venture

\*\* Purchased after 31 March 2014

\*\*\* Enterprise House Hayes LLP Joint Venture

† Exchanged for sale after 31 March 2014

## 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  
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Telephone: +44 (0) 870 707 1413

Alternatively, shareholders can contact Computershare online via their free Investor Centre facility. Shareholders have the ability to set up or amend bank details for direct credit of dividend payments, amend address details, view payment history and access information on the Company's share price. For more information or to register please visit [www.investorcentre.co.uk](http://www.investorcentre.co.uk)

### WEBSITE

The Company has a corporate website, which holds, amongst other information, a copy of our latest annual report and accounts, a list of properties held by the Group and copies of all press announcements. The site can be found at [www.workspace.co.uk](http://www.workspace.co.uk).

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### COMPANY SECRETARY

Carmelina Carfora

### THE COMPANY'S ADVISERS INCLUDE:

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Corporate and Institutional Banking  
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London EC4N 8AL

#### JOINT STOCKBROKERS

##### LIBERUM CAPITAL INVESTMENT BANKING

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25 Ropemaker Street  
London EC2Y 9LY

#### INVESTEC

2 Gresham Street  
London EC2V 7QP

## GLOSSARY OF TERMS

**BWPT** BlackRock Workspace Property Trust, a joint venture property fund with the BlackRock UK Property Fund in which the Group holds a 20.1% interest.

**Cash rent roll** is the current net rents receivable for occupied units.

**Earnings per share (EPS)** is the profit after taxation divided by the weighted average number of shares in issue during the period.

**Employee Share Ownership Trust (ESOT)** is the trust created by the Group to hold shares pending exercise of employee share options.

**EPRA NAV** is a definition of net asset value as set out by the European Public Real Estate Association. It represents net assets after excluding mark to market adjustments of effective cash flow hedges (financial derivatives) and deferred tax relating to revaluation movements, capital allowances and derivatives.

**Equivalent Yield** is a weighted average of the initial yield and reversionary yield and represents the return a property will produce based upon the timing of the occupancy of the property and timing of the income receivable. This is approximated by the reversionary yield multiplied by the Group trend occupancy of 90%.

**Estimated rental value (ERV)** or market rental value is the Group's external valuers' opinion as to the open market rent, which on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review.

**Exceptional items** are significant items of income or expense that by virtue of their size, incidence or nature are shown separately on the Income Statement to enable a full understanding of the Group's financial performance.

**Gearing** is the Group's net debt as a percentage of net assets.

**Gearing on adjusted net assets** is the Group's net debt as a percentage of net assets excluding mark to market derivative adjustments.

**Initial yield** is the net rents generated by a property or by the portfolio as a whole expressed as a percentage of its valuation.

**Interest cover** is the number of times net interest payable is covered by operating profit.

**IPD** is the Investment Property Databank Ltd, a company that produces an independent benchmark of property returns.

**IPD Universe** is the IPD quarterly universe property fund benchmark of approximately 250 (£50bn) UK domestic property funds.

**LIBOR** is the British Bankers' Association London Interbank Offer Rate.

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

**Loan to value** is the current loan balance divided by the current value of properties secured on the loan.

**Market rental values** (see ERV).

**Net asset value per share (NAV)** is net assets divided by the number of shares at the period end.

**Net bank debt** is the amount drawn on bank facilities, including overdrafts, less cash deposits.

**Net rents** are rents excluding any contracted increases and after deduction of inclusive service charge revenue.

**Occupancy percentage** is the area of space let divided by the total net lettable area (excluding land used for open storage).

**Open market value** is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external valuers).

**Profit/(loss) before tax (PBT)** is income less all expenditure other than taxation.

**Property Income Distribution (PID)** a dividend generally subject to withholding tax that a UK REIT is required to pay from its tax-exempted property rental business and which is taxable for UK resident shareholders at their marginal tax rate.

**REIT** is a Real Estate Investment Trust as set out in the UK Finance Act 2006 Sections 106 and 107. REITs pay no corporation tax on profits derived from their property rental business.

**Rent per sq. ft.** is the net rent divided by the occupied area.

**Rent roll** (see cash rent roll).

**Reversion/reversionary income** is the increase in rent estimated by the Group's external valuers, where the net rent is below the current estimated rental value. The increases to rent arise on rent reviews, letting of vacant space, expiry of rent free periods or rental increase steps.

**Reversionary yield** is the anticipated yield, which the initial yield will rise to once the rent reaches the estimated rental value. It is calculated by dividing the ERV by the valuation.

**Small and medium sized enterprises (SMEs)** are those businesses with a turnover of less than £1m p.a. or staff of less than 50. Most Workspace customers are SME businesses with staffing of up to 20.

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

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

**Unique web visits** is the number of unduplicated (counted only once) visitors to a website over the course of a specified time period.

## WORKSPACE GROUP ONLINE

Workspace's comprehensive website gives you fast, direct access to a wide range of Company information.

To find out more go to [www.workspace.co.uk](http://www.workspace.co.uk)



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