The Workspace Advantage

Annual Report and Accounts 2017

WORKSPACE®

2017 performance highlights

+16%
Trading profit after interest.*

88%
Customer advocacy.

+3%
EPRA NAV per share.*

1,060
Enquiries per month.

+40%
Dividend per share.

+14%
Like-for-like rent roll.

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IFC 2017 performance highlights
IFC Workspace at a glance

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IBC Workspace Group online

* See page 42 of the Business review, notes 8 and 9 on page 138 and the Glossary for definitions.

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

Our assets

We have a high-quality portfolio of well-located business centre assets in London. We actively manage the assets to drive income growth and capital value.

The chart on the right shows the portfolio split into four categories of activity, while our project pipeline is outlined below.

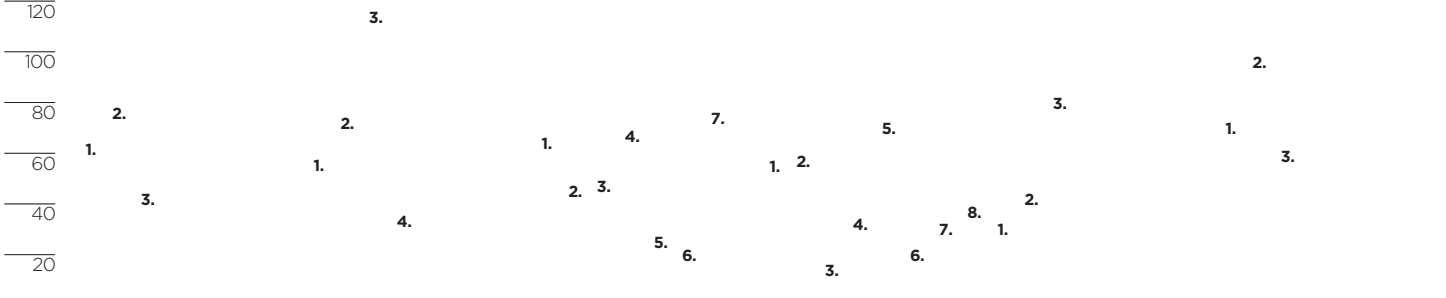
Our portfolio

1. Like-for-like properties **35**
2. Completed projects **3**
3. Projects underway/pipeline **25**
4. Acquisitions **5**

For a full list of our properties, see page 165.

68
properties in London

Project pipeline (000 sq. ft.)



2016
1. Grand Union Studios
2. Vox Studios (phase 1)
3. The Print Rooms

2017
1. The Record Hall
2. Barley Mow Centre
3. The Leather Market
4. The Fuel Tank

2018
1. Southbank House
2. The Biscuit Factory
3. The Frames
4. Edinburgh House
5. Vox Studios (phase 2)
6. Easton Street
7. The Light Box

2019
1. Brickfields
2. Pall Mall Deposit
3. The Light Bulb (phase 2)
4. Mare Street Studios
5. Leroy House
6. Greville Street
7. Rainbow Industrial Estate
8. Bow Enterprise Park (phase 3)

2020
1. Marshgate
2. The Shaftesbury Centre
3. Fitzroy Street

2021+
1. The Chocolate Factory (part)
2. Havelock Terrace
3. Poplar Business Park (phase 2/3)

Completed projects Projects underway Projects with planning Pipeline design

Our customer offer

Workspace has a customer-first culture and builds direct relationships with the companies and individuals in our business centres.

The data and insight this provides allow us to remain ahead of the industry in constantly enhancing our offer and facilities.

This is the Workspace Advantage and it sits at the centre of our strategy.

To read more about our strategy, see pages 18 to 23.

The Workspace Advantage
The Workspace Advantage is open to all businesses and has three key pillars:

1. Connectivity

Workspace invests in business grade technology infrastructure to ensure customers can work how and where they want.

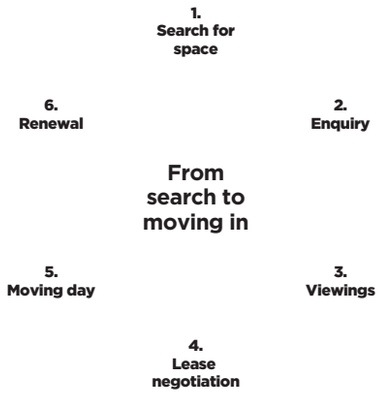
2. Personalisation

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

3. Communities

Workspace customers are connected to each other via a range of networking and business insight events managed by our Centre Managers.

To see how we manage and maintain our relationships with our customers, see page 30.



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

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

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

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

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

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

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

To find out how the Workspace Advantage works, who it is for and the opportunity it provides, see pages 7 to 13.

The Workspace Advantage is our unique customer offer. Alongside the intensive management of our properties, it helps us to drive income growth and long-term value for shareholders.

Chairman's statement

In a year characterised by significant political events and the market uncertainty that inevitably comes with that, I am pleased to say that Workspace has performed strongly. The resilience of the business, underpinned by the right strategy and a clear customer focus resulting in ongoing demand for our offer, reinforces our conviction around our business model.

As Jamie, our Chief Executive, outlines in his statement, we have seen the market move more and more towards our proven strategy. Over the year, it has become clear that the Workspace Advantage, our high quality, connected space and tailored customer offer, is attractive to businesses from many different sectors at any stage in their life cycle.

We have continued to deliver strong results with a 6.9% increase in net rental income, to £79.2m, and a 3.3% increase in EPRA NAV per share, to £9.53.

Our focus is on driving income across our portfolio, efforts which have been enhanced during the year by the successful letting up of our completed projects. Thanks to this focus, and the strong trading profit growth we delivered as a result, the Board is recommending a 40% increase in the interim and final dividend for the period. This is in line with our progressive dividend policy and, of course, our distribution requirements as a Real Estate Investment Trust ("REIT"). It also demonstrates the Board's confidence in the future success of the business.

This success was delivered through the hard work and commitment of everyone at Workspace. We genuinely think differently in this business, with each individual adopting a customer-first mentality, innovative thinking and bringing deep market knowledge to their various roles, whether on the ground in our centres or in our marketing, systems development or finance teams at head office. The Board and I thank all our colleagues, as well as our suppliers and partners, for their part in delivering the Workspace Advantage.

We work hard to deliver that advantage to our customers but also to all the stakeholders we have relationships with. I am particularly proud of the work the business has done this year in inspiring London's young people through providing work experience placements with our customers, helping to place apprentices with our suppliers and holding CV workshops in our centres. We regularly consider the positive role we can play in London and the duty of care we have to the wider community in which we operate.

London continues to be the right market for Workspace and it holds significant growth opportunities for us. Clearly, this is not without risk, and share prices across the real estate sector were impacted following the EU Referendum last June amid concerns that London would lose its unique attraction as a centre for business. Operationally, we saw no such impact on demand but we remain alert to the risks that further political and economic uncertainty could bring to the business.

Looking forward, with a strong pipeline of refurbishments and redevelopments, ongoing demand for our space from a growing customer market and a strong balance sheet to take advantage of further acquisition opportunities, I feel confident in Workspace's ability to deliver value to shareholders over the long term.

Daniel Kitchen
Non-Executive Chairman

Five reasons to invest.

1. **Strong and consistent property and financial returns.**
2. **Completed projects driving rental growth and strong pipeline of projects to come.**
3. **Diversified customer base ensuring consistent demand.**
4. **Strong brand and unique customer offer that blends inspiring spaces and the right facilities.**
5. **Deep understanding of the London market – poised to take advantage of opportunities.**

Our market

£4.9bn

Invested in office transactions in Q1 2017.

1m+

Small or Medium-Sized Enterprises in London.

London Bridge: well connected
It is vital for our properties to be well connected and many are situated in clusters around major transport hubs. Within walking distance of London Bridge, one of the busiest commuter areas of London, we have four business centres, including the Metal Box Factory and The Leather Market.

2016: The impact of political change

2016 was one of the most politically turbulent years of the last decade, thanks in no small part to Britain's vote to leave the EU. The property market was not immune and London commercial and residential property prices fell as an immediate reaction to the EU vote, while listed London office companies saw share price falls.

Looking up

However, investors seem to have warmed to commercial property in London once again as they see that it can offer stability in this politically challenging time, particularly with further political uncertainty emerging in other international markets. A return to commercial property investment in the first quarter of 2017 – a total of £4.9bn worth of transactions[1] – shows investors have not been deterred in the longer term.

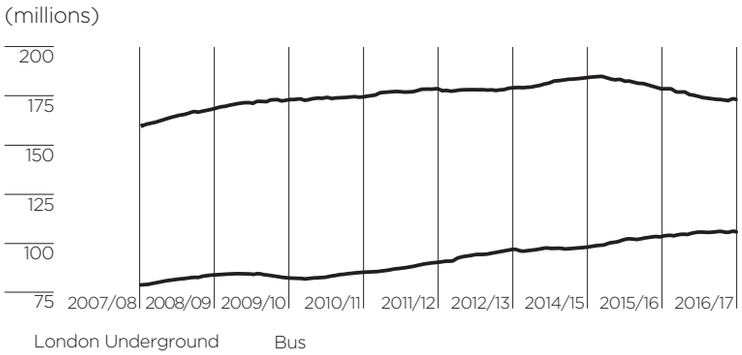
In London, a total of 13 deals of more than £100m transacted in Q1 2017 compared with 11 in Q4 2016. Overseas investors once again dominated these deals; accounting for 80% of all transactions by volume in Q1 2017[2]. The Central London office market remains an attractive option for investors as prime West End and City yields remained stable at 3.50% and 4.25% respectively in Q1 2017[3].

Passenger journeys in London

279.1m

12-month moving average of London Underground and bus passenger journeys.

What this means for Workspace
London continues to be a vibrant cultural and business centre, where companies want to be based.



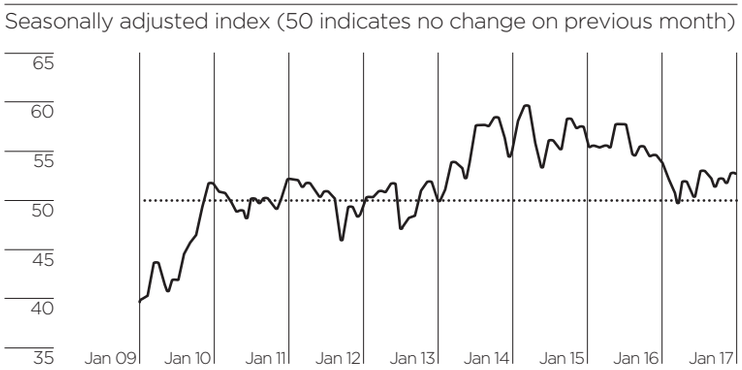
Source: Transport for London.

Job creation at private sector firms

52.8

Purchasing Managers' Index, Employment Index.

What this means for Workspace
We continue to see strong demand for our space from London's businesses, the majority of which are privately owned.



Source: IHS Markit.

London's opportunity

The resilience of the flexible London office market is clear. The Capital continues to be a vibrant home for business, with a growing base of more than one million Small or Medium-Sized Enterprises[4]. Furthermore, a survey conducted in 2015 found that more than 90% of jobs in London were in the service sectors that primarily fill Workspace business centres.

As companies embrace collaboration, agility, networking and state-of-the-art design, Workspace is well positioned to capitalise on the opportunities presented by London's real estate market. As information technology rapidly advances, technology that supports knowledge sharing and connectivity is now the most important factor in workplace performance[5]. Mobile devices and applications have enabled high mobility and continuous remote access to networks and data, raising expectations of workplace connectivity. Workspace's world-class technology infrastructure – tailored to individual business needs with unlimited data usage and connectivity speed – continues to drive repeat business with existing tenants.

1. Source: CBRE.
2. Source: CBRE.
3. Source: Knight Frank Central London Offices Q1 2017.
4. Source: House of Commons Briefing Paper on Business statistics.
5. Source: The Workplace Performance Survey, Cushman & Wakefield's The Occupier Edge 2017 report.

The Workspace Advantage

Amidst the shifting economic climate, Workspace's leading-edge offering is proving increasingly appealing to small and growing businesses looking for stability and commercial advantage in London. This year the real estate market has seen an even greater demand for the principles that underpin the Workspace Advantage: greater flexibility; technology infrastructure without limits; and dynamic environments that encourage networking and knowledge exchange.

As more companies seek to reduce overheads and grow, the movement towards flexibility offers an attractive opportunity. Now, larger companies are embracing new ways of working, prioritising flexible and co-working spaces to help drive growth – while avoiding getting tied into longer leases. By the end of this year, nearly 1.2 million people worldwide will have worked in a co-working space – rising to an expected four million by 2020[1].

Responding to market trends

Market trend	Workspace response
The number of small businesses is expanding.	**We have an established brand and unique offer, allowing us to capitalise on this growing pool of prospective customers. We continue to add business centre space across London and expect to deliver more than one million sq. ft. of new and upgraded space over the next three years.**
Expectations for commercial property rental growth are tapering.	**Our completed refurbishments and redevelopments are continuing to attract strong customer demand – and delivered double-digit rental growth this year. We have a pipeline of refurbishments and redevelopments to meet the ongoing demand and are targeting acquisitions in areas where we expect to see robust growth.**
The business rates revaluation saw rates in many sub-markets significantly increase.	**More than half of our customers may qualify for Small Business Rates Relief given their size and that they pay rates directly to the local council. In addition, we could see increased demand for our space in areas of London with lower business rates.**
The continued growth of the digital economy and rapid technological advancements are driving demand for cutting-edge connected services infrastructure in the workplace.	**We offer best-in-class technology infrastructure to suit our digitally disruptive customers. Ownership of the buildings allows constant evolution of the model in order to meet changing customer requirements, including installation of technology infrastructure that places no limits on customers' business activity.**
Sustainability – both environmental and social – is increasingly embraced by all businesses, who want to ensure they are having a positive impact on their environment and on the wider community.	**We are driving employee and customer engagement on sustainability through a variety of initiatives, such as 'waste roadshows' (see page 30). We are part of the Better Building Partnership, helping to share industry best practice and ideas via quarterly working groups. In addition, we have set a number of robust new environmental targets this year, including to reduce energy and water consumption in our building operations and to further enhance customer engagement to improve the environmental performance of our buildings.**
Office occupiers are expressing an interest in healthy workplaces, which increase staff engagement and productivity whilst reducing absenteeism.	**Our offer is personalised, with each space tailored to the individual customer's needs. Staff wellbeing is central to the Workspace product – with office space designed with natural light, clean air and agile co-working spaces to encourage movement, social interaction and to deter sedentary working.**

1. Source: Small Business Labs.

A unique customer offer.

Welcome to the Workspace Advantage.

How it works:

Connectivity

Powering all businesses
Workspace customers are 'wired differently'. Their attitude to office space is that it can be an asset to their business and can deliver long-term growth and success. At Workspace, we share that attitude and are wired to heed customer needs, which is why the business has invested in equipping our business centres with a state-of-the-art, futureproofed technological infrastructure.

Personalisation

Customers choose what they need to grow
There are 'no limits' placed on our customers. We understand that businesses are dynamic and require tailored business environments. We don't constrain customers within the four walls of their office – Workspace business centres are equipped with well-designed breakout areas, co-working lounges and meeting rooms, ideal for brainstorming or networking. Unlimited data downloads and uploads, at superfast speeds, allow customers to work however they choose.

Communities

Open to all of London
Businesses choose Workspace to be 'super connected'. Our customers have access to a range of networking and social events and opportunities to meet the neighbours often lead to business growth and fruitful partnerships. In addition, our dedicated Wi-Fi network installed throughout our portfolio keeps customers connected wherever and however they choose to work.

We are given the freedom to make the space productive. We want people to enjoy work. The onsite café stocks Jing products, which adds to the community feeling.

Jamie Haselhurst
Jing Tea, based at Kennington Park, SW9

Who it's for:

A broad appeal

The Workspace Advantage can apply to every type of business. For freelancers and start-ups, for established small companies and larger corporates, Workspace provides a tailored offer that allows our customers to focus on running their business.

Under one umbrella, there are so many different companies. People feel that energy. For us, it was all about the diversity and versatility. It feels like a mini-Google and... we really loved how interactive it felt.

Brian Wade
TF Associates, based at Metal Box Factory, SE1

The opportunity: 100% ownership allows us to deliver the Workspace Advantage across our portfolio.

Our portfolio
68 properties across London provide a strong pipeline of refurbishment and redevelopment projects to be delivered in the medium term.

Like-for-like

Acquisitions

Redevelopments

Refurbishments

Crossrail

Northern Line extension

The Workspace Advantage in numbers: The Workspace Advantage has not only enabled us to deliver strong financial results over the year but also entails a huge amount of operational activity at our headquarters and across our portfolio, as well as the work we do to support the wider communities in which we operate.

68
Properties in London.

1,187
Customer lettings.

180
Customer events.

88%
Customer advocacy.

889
Employee training days.

0.85m+
Hits on our customer website.

79
InspiresMe students given work experience placements.

£31,489
Raised by Workspace staff and customers for charity.

38,000
Mobile devices connected on our managed Wi-Fi infrastructure installed at 16 of our centres.

20,000
Users on our managed Wi-Fi infrastructure installed at 16 of our centres.

Our business model

1. Key inputs

What we need to be able to create value
Workspace has a number of key resources and relationships that enable us to do business and deliver value to all our stakeholders.

For more on our resources and relationships, see pages 26 to 31.

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

The right people
Workspace employees have a customer-first mentality and specialist expertise in their fields.

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

Market insight
Our 30-year history provides deep knowledge of London real estate and customer insight.

Sustainable approach
We work hard to improve our practices internally and actively encourage contractors and customers to do the same.

A thriving community
Our success is dependent on the strong relationships we build with our customers, suppliers and partners and our local communities.

Centre Managers
Our Centre Managers play a crucial role in building a community in our business centres, this year hosting 180 customer events.

2. How we create and capture value

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

For more on how we have added value to our properties over the last year, turn to our Business Review on pages 41 to 47.

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

We reposition
We carry out light internal refurbishments to enhance both pricing and property values.

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

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

Clerkenwell Workshops
We are carrying out refurbishment works, upgrading both the internal and external breakout spaces.

3. Value creation for all stakeholders

Adding value for our customers
Workspace markets to all kinds of businesses across London and our unique customer offer is a key differentiator. The Workspace Advantage has three core elements.

For more information on the Workspace Advantage, see pages 7 to 13.

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

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

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

The Workspace Advantage
Julia Janosa, Interior Designer at Jigsaw Interior Architecture, based at Kennington Park, was featured in our creative advertising campaign.

Creating value for all stakeholders
In executing our strategy, we aim to generate positive outcomes for all our stakeholders.

For more on how we protect our resources and build mutually beneficial relationships, see pages 26 to 31.

For more on dividend growth, turn to our Business Review on pages 41 to 47.

Investors
Sustainable operating income and capital value enhancement driven by rental growth has lead to a 40% dividend increase and NAV growth of 3% in the year.

People
We are committed to the constant development of our people to ensure that we attract, motivate and retain talented and ambitious individuals.

Customers
Direct contact ensures better understanding of our customers, allowing us to meet their needs.

Suppliers and partners
We carefully select partners who add value to our customer offer, while they benefit from building relationships with London's business community.

Communities
We play a strong and responsible role in our local communities who benefit from our desire to 'do the right thing'.

Partners that add value
Alongside Excell, our preferred digital partner, we are constantly investing in our infrastructure to deliver award winning, fast and secure connected services to our customers.

Westbourne Studios, Ladbroke Grove.

This year, more than ever before, we have seen increasing evidence to give us confidence in our strategy and business model. The commercial real estate market is swinging on an axis and the pendulum of demand is moving firmly towards highly designed and super connected space let on flexible terms.

Business owners all over London are looking at their space requirements and considering a range of new factors when assessing their occupational requirements. They are taking into account employee commutes, availability of meeting and breakout space outside the four walls of their office, proximity to excellent coffee, gyms and safe cycling routes, as well as the quality of the technology infrastructure and the neighbourhood community which can provide so many additional benefits to their business.

This trend is positive for us as it means that almost any business could be a Workspace customer and we are marketing to a much wider audience as a result. With our space attracting freelancers, start-ups, established businesses and larger, more traditional organisations, the opportunities for us to grow our business are significant.

Our results this year give a clear indication of how we've been able to capture these opportunities. We've seen consistently strong demand for our space, with high levels of enquiries despite the uncertainty that followed the outcome of the EU Referendum. Our rental growth has outperformed the market, with like-for-like rent roll up 13.7% in the year and rent per sq. ft. up 12.9%. A tight control over costs means that the growth achieved in rental income falls straight to the bottom line and, as a result, trading profit increased 15.5% to £50.7m in the year.

It's been another active year for the Workspace team, with a number of new buildings coming on stream, all of which have performed ahead of expectations. We have also been successful in achieving several planning consents during the year, while continuing to manage some exciting refurbishment projects that will be launching soon. We have continued to seize opportunities to expand and, more recently, we acquired a prime office building in the heart of Fitzrovia.

Looking forward, there's a huge amount more to come. We have a strong pipeline of refurbishment and redevelopment projects, which will deliver more than one million sq. ft. of new and upgraded space over the next three years, and we continue to have great confidence in our ability to expand and grow our business.

Workspace is a property company; however, we are also an online retailer of space and a technology provider with customer service at the centre of what we do. As we bring new and upgraded space to the market, it is clear that while the quality of the real estate is critical, the facilities that we are able to offer our customers are just as important.

Recognising that Workspace has a true advantage, in May 2017 we launched the Workspace Advantage marketing campaign. This involved a wide-reaching presence across digital and social platforms, as well as creative visuals placed in tube carriages and stations all over London to target commuters on their way to and from work.

The "advantage" that Workspace customers have access to is three-fold: business-grade connectivity with no constraints, personalisation of space, lease terms and facilities, and a community that fosters business growth. And all of that is set within the inspiring spaces created in our business centres.

As we directly manage our relationships with our customers, we can be confident that our offer meets the criteria they value in searching for a home for their business. However, with businesses constantly evolving, these criteria are not static and it is crucial that we continue to innovate and upgrade our systems and practices to ensure we are always enhancing our offer.

We celebrate our 30th anniversary this year and we are proud to have supported many businesses in achieving their success over that time. The insight and deep market knowledge that comes from our long history in London, alongside an inherent culture of innovation, has created a powerful combination that positions us well for future growth.

Jamie Hopkins
Chief Executive Officer

We are confident in our strategy and believe the Workspace Advantage will continue to deliver business growth.

Jamie Hopkins
Chief Executive Officer

The right strategy drives future performance.

Right market
London is growing and changing.

Right brand
Increasing recognition and reputation.

Right properties
Creating modern growth environments.

The Workspace Advantage

Right people
Driving performance.

Right customers
Open to all.

This strategy has been in place for over five years now. Its relevance and different component parts are discussed and debated regularly at Board and Executive Committee meetings and we continue to believe that it is the right strategy for the business.

In fact, as outlined by our Chief Executive on page 17, we believe that the wider real estate market is moving ever closer towards our strategy with companies adapting in order to meet the increasing demand for flexibility, well-designed office space with all the right amenities and a secure, reliable technology offer.

Right market
We continue to believe that London is the right market for our business. As explained on page 5, the opportunity in London is extremely attractive with growing demand from all types of businesses for our offer. In addition, our deep knowledge of the real estate market in London means we have been successful in acquiring new properties that meet the demand for space and will deliver attractive returns to shareholders.

Right properties
One of the principal growth drivers of our business is the letting up of new and upgraded space delivered by our refurbishment and redevelopment pipeline. We remain focused on creating and, opportunistically, acquiring the right properties that will attract our customers.

Right customers
When we defined our current strategy, we defined our customer market as New and Growing Companies. Over the years, this has evolved and we now find that our offer is relevant to all businesses, from freelancers and early stage businesses right up to well known brands and established companies from all industries.

Right people
Employing the right people continues to be critical for the success of the business. Workspace's operational nature means our teams are managing a huge amount of activity every day and are tirelessly focused on servicing our customers. See some of the unique roles held by our employees in the resources and relationships section on pages 28 and 29.

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

Case studies on the following pages demonstrate the strategy in action over the last year and outline how our strategy will continue to deliver results in the future.

Strategy in action:
Let up ahead of expectations, more in the pipeline
The new Grand Union Studios on Ladbroke Grove opened to customers in March 2016. By December 2016, it was 80% let, at pricing significantly above expectations, demonstrating the strong demand we continue to see from customers for our space.

The success of this project gives us the confidence to proceed with our extensive pipeline of refurbishments and similar redevelopments. During the year, we received planning consent at four sites, including for refurbishments at Pall Mall Deposit, also in Ladbroke Grove, and Mare Street Studios in Hackney.

Grand Union Studios

Strategy in action:
Training to be the best

We hold regular training sessions and interactive workshops for different departments in order to ensure our employees are fully up to speed with the latest regulatory developments and have access to career development opportunities.

With such a focus on customer service, it is vital that our frontline teams are well trained and have a clear understanding of our brand values and proposition.

Members of staff attended 889 training days or workshops during the year on subjects ranging from facilities management (pictured here) to data protection.

Read more about the learning and development opportunities open to our employees on page 30.

Strategy in action:
The Leather Market
One of our most iconic business centres, acquired in the early 1990s, The Leather Market is a listed building in London Bridge. It is currently under refurbishment to bring the services and design up to the high standards that our customers require today. The project, which completes in August 2017, includes the creation of a newly designed entrance, high quality café and connected meeting rooms.

The recycling of capital receipts from disposals to fund our ongoing refurbishment programme is a key part of our strategy and helps to drive income and capital value growth.

The Record Hall

Strategy in action:
Taking advantage of market opportunities
From a tired office building that had reached its maximum pricing potential, in a hugely popular area just moments from Farringdon's Crossrail station, Workspace has launched its newest business centre on to the market.

We have already seen good demand for The Record Hall in Hatton Garden, which will boast 89 units, roof terraces, Club Workspace, high-spec meeting rooms, workshops for jewellery traders and the trial of a new café partnership for Workspace.

For more information visit www.workspace.co.uk/workspaces/the-record-hall

Strategy in action: Filling the pipeline
In April 2017, we acquired 13-17 Fitzroy Street, a fantastic building in a very attractive central London location.

Let to engineering firm Arup until 2020, the building will then enter our refurbishment pipeline with plans to reposition it as a multi-let business centre for our customers.

Fitzroy Street

Key performance indicators

1. Net rental income growth
(%)

+6.9%

2017	**6.9**
2016	28.4
2015	15.0

2. Trading profit after interest*
(£m)

+16%

2017	**50.7**
2016	43.9
2015	26.6

* Adjusted.

3. EPRA NAV per share
(£)

+3%

2017	**9.53**
2016	9.23
2015	7.03

4. Dividend per share
(pence)

+40%

2017	**21.07**
2016	15.05
2015	12.04

5. Like-for-like rent roll growth**
(%)

+14%

2017	**14**
2016	15
2015	18

** As reported.

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

+13%

2017	**13**
2016	16
2015	16

** As reported.

7. Property valuation†
(£m)

+2%

2017	**1,844**
2016	1,779
2015	1,423

† Underlying.

8. Total property return
(%)

8.2%

2017	**8.2**
2016	26.3
2015	36.7

9. Total Shareholder Return
(%)

0.8%

2017	**0.8**
2016	(7)
2015	47

10. Customer advocacy
(%)

88%

2017	**88**

1.
Net rental income growth

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

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

Movement in 2016/17
The increase in the year was driven by significant growth in rental income at our like-for-like properties and an increase in rental income from completed projects thanks to the letting up of new and upgraded space.

Time period measured
Six monthly

2.
Trading profit after interest*

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

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

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

Movement in 2016/17
Trading profit after interest for the year stands at £50.7m, a 16% increase compared to the previous year. Income for the year has been enhanced by growth in rental income at our like-for-like properties and the successful letting up of new and upgraded space.

Time period measured
Monthly

3.
EPRA NAV per share

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

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

Movement in 2016/17
Our EPRA NAV at 31 March 2017 was £9.53, up 3% from the prior year.

Time period measured
Six monthly

4.
Dividend Per Share

Definition
The dividend payment per share in issue.

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

Movement in 2016/17
Due to the growth we have seen in trading profit after interest and in line with our distribution requirements as a REIT, we have increased our interim and final dividends for 2016/17 by 40%.

Time period measured
Six monthly

5.

Like-for-like rent roll growth**

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

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

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

Movement in 2016/17
Like-for-like rent roll has continued to grow, increasing by 14% compared to March 2017. This demonstrates the strong performance of our core assets and our ability to drive rents across our portfolio.

Time period measured
Weekly

6.

Like-for-like rent per sq. ft. growth**

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

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

Movement in 2016/17
Like-for-like rent per sq. ft. has increased significantly in the year, up 13%, with average rent up from £24.96 to £28.17.

Time period measured
Weekly

7.

Property valuation†

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

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

Movement in 2016/17
We have achieved an underlying gain for the year of 2%, driven largely by pricing growth which offset the outward yield shift.

Time period measured
Six monthly

8.

Total property return

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

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

Movement in 2016/17
We have outperformed compared to the IPD benchmark.

Time period measured
Six monthly

9.

Total Shareholder Return

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

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

Movement in 2016/17
While we have grown the dividend in the year, Total Shareholder Return was flat due to fluctuations in our share price particularly following the EU referendum in June 2016.

Time period measured
Annually

10.

Customer advocacy

Definition
Our customer advocacy score is based on responses to customer surveys.

Why this is important to Workspace
Our customers are at the heart of our business and we regularly seek to obtain their comments and feedback to understand their overall satisfaction with our offering. We use the findings from the survey results to prompt changes to what we offer our customers and for training and development plans for our staff and how likely they would be to recommend Workspace.

Movement in 2016/17
This is a new metric this year as we previously measured customer satisfaction. We have upgraded the methodology this year to bring it in line with best practice and are now focusing on customer advocacy.

Time period measured
Annually

* Adjusted.
** As reported.
† Underlying.

A belief in 'doing the right thing' underpins the resources and relationships we need to make our business model work.

Workspace is committed to doing the right thing by our customers, investors, employees, suppliers, local communities and wider stakeholders. We take seriously our responsibility for maintaining strong and mutually beneficial relationships with all our stakeholders while protecting and enhancing the resources we rely on to do business.

In recognition of this commitment, the business decided during the year to adopt 'Doing the Right Thing' as our new corporate responsibility strategy. In addition, we reviewed our objectives and targets to ensure that they align and are closely linked to our corporate strategy. For each pillar in the corporate strategy, we have outlined an environmental and a social objective, which we believe will help to create value for our business and the wider communities in which we operate.

We have an internal committee, consisting of members from different departments within the business and including the Chief Executive Officer, which is responsible for ensuring the objectives are delivered and that there is regular reporting on all activities.

Chester House, Kennington.

Awards and accreditations

Global Real Estate Sustainability Benchmark ('GRESB').

We gained a Green Star for the third year in a row for the GRESB survey. This year we achieved 76, exceeding both the GRESB Average score of 60 and the Peer Average score of 70. The GRESB allows us and our investors to measure our sustainability performance within the real estate sector.

European Public Real Estate Association ('EPRA')

We were awarded another Gold in the EPRA Sustainability Awards for 2016. We were one of 25 companies that achieved exceptional compliance with the EPRA Sustainability Best Practices Recommendations in our public reports and disclosures.

Carbon Disclosure Project ('CDP')

In 2016, we increased our Carbon Disclosure Project score from 98B to A- (scoring methodology has changed this year to a single letter score). Scores were based on disclosure, awareness, management and leadership with regards to carbon management and climate change risk.

FTSE4Good Index

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

Investors in People

We continued to hold our Investors in People accreditation for the 18th year in a row.

Green Electricity

We have received our certificates from SSE to show that we purchase electricity from green sources.

Our properties

We have a fantastic portfolio of properties, many of which are character buildings with historic significance. Workspace is not a trader of assets; we own and operate our properties to drive income and capital value over the long-term. We take pride in the work we do to reposition, refurbish or redevelop our buildings to ensure they meet customer needs and are fit for their modern purpose.

Under our 'Doing the Right Thing' strategy, we are committed to reducing the environmental impact of our properties and their related supply chains. In addition, from a social point of view, we aim to ensure our properties create healthy and productive communities.

Case study: Optergy rollout

Following the successful trial at The Light Bulb, Grand Union Studios and Barley Mow Centre, the new Optergy Building and Energy Management System has also been installed in our latest refurbishment, The Record Hall. The system will enable our Facilities Managers to control the building remotely and review detailed energy consumption profiles, helping us to manage our systems more intelligently and efficiently. We have been billing customers using readings from the new system, and will soon launch customer logins which will allow them to view their energy profiles directly, giving them more control over their consumption.

Case study: Chester House

We have updated the Whole Lifecycle Carbon Analysis on Chester House in Kennington. The analysis found that the refurbishment of the property has given a new lease of life to the historic building, cutting its whole lifecycle carbon emissions by 35% compared to a new central London building. This will save more than 15,000 tonnes of CO_2 over the building's 60-year lifespan.

Case study: The Record Hall

This is a prime example of a refurbishment project to bring an old building up to the modern standards that our customers require, and we were committed to maintaining high environmental standards throughout the project. We were proud to have achieved BREEAM Excellent Design Stage, scoring particularly high in the Transport and Land Use and Ecology categories, and a Considerate Constructors Scheme ('CCS') score of 43/50, well above our target.

The project was designed to retain much of the masonry brickwork, thereby saving carbon emissions during the product manufacture stage of the building's lifecycle. The refurbished building has a mixed ventilation strategy of mechanical ventilation with heat recovery and natural ventilation to reduce emissions during operation and the roofs are a mixture of warm roof-deck coverings, timber decking and green roof space, designed to support London Biodiversity Action Plan. While the majority of the building is open to any business, as the site is located in the Hatton Garden conservation area, we have designated 14% to be let to jewellery businesses.

Targets for the coming year

- Ensure that 100% of electricity contracted by Workspace is from renewable sources.
- Retrofit five sites with Optergy by March 2019.
- Undertake solar PV feasibility studies for all new developments.

Our suppliers and partners

Maintaining positive relationships with our suppliers is critical to the success of our business model. As well as the contractors and partners who help us to execute our day-to-day business, we also carefully select partners who can add value to our customer offer. Preferential access to providers of storage solutions, office design and furniture and, of course, data and technology helps our customers to focus on their business.

Case study: Apprenticeships

We encourage all our suppliers and partners to adopt the same commitment to doing the right thing in their operations. One of our most exciting endeavours during the year has been in facilitating apprenticeships. In February 2017, we invited eight of our suppliers to an 'Introduction to Apprenticeships' evening to meet XLP, one of our charity partners, and the amazing young people they work with. The group had an open discussion about the opportunities and huge benefits but also the harsh realities and challenges of offering apprenticeships to the young people that XLP works with.

It was a huge success and we currently have three apprentice positions now formally agreed for XLP's young people – two as trainee engineers and one in administration – and four further opportunities being explored.

Targets for the coming year

- Achieve a CCS score of at least 37/50 for all developments and major refurbishments in 2017/18.
- Divert at least 90% of non-hazardous demolition waste and construction waste by weight from landfill for all developments and major refurbishments in 2017/18.
- Hold a second 'Introduction to Apprenticeships' event for additional suppliers and partners.

17

During the year, 17 members of staff achieved long service awards.

5

Five members of staff completed more than 10 years of service during the year.

Our people
One of the key pillars of our recent London-wide advertising campaign was that Workspace is 'Wired Differently'. This has several connotations but one of the most important is a reflection of the mindset that our internal teams adopt. We genuinely think differently in our customer-first approach and focus on innovation and this drives long-term value both for our customers and in helping the business to attract and retain talent.

Values and culture
Workspace has a strong, performance-led culture, which drives talent retention and is evident in the way we do business with customers, suppliers and partners. Our staff have a sense of pride in the Workspace Advantage and, following the launch of our new creative campaign, we aim to hold workshops across the business to ensure employees understand what the Workspace Advantage is and how they can bring it to life in their day-to-day work.

The culture begins with the behaviour and outlook of our Executive and senior management teams and is then communicated through the business via corporate induction days for new joiners, regular training opportunities, news updates on our intranet and team workshops and Company-wide events.

For example, we held a series of workshops last year for our team of roving Facilities Managers who work across our 68 properties. The sessions, which analysed how the role interacts with the rest of the business, were successful in reinforcing the importance of the Facilities Management team to the Company and developing the existing communication links with the teams in head office.

We are proud that our culture encourages long-term service and that our employees have the opportunity to build their careers with us. During the year, 17 members of staff achieved long service awards, five of which were for more than 10 years of service.

Length of service

Number of years	Number of employees
0–5	116
5–10	44
10–15	20
15–20	17
20+	6

Diversity
Creating a thriving and diverse workforce is a high priority for our business. A diverse workforce means we are attracting the best people and that the business is benefiting from broad experience and a range of different backgrounds and skill sets.

Workspace employs enthusiastic, committed and well-trained people. We recognise the benefits of diversity of skills, knowledge and independence, as well as gender, ethnicity and sexual orientation and are fully committed to an active Equal Opportunities Policy covering recruitment and selection, training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit.

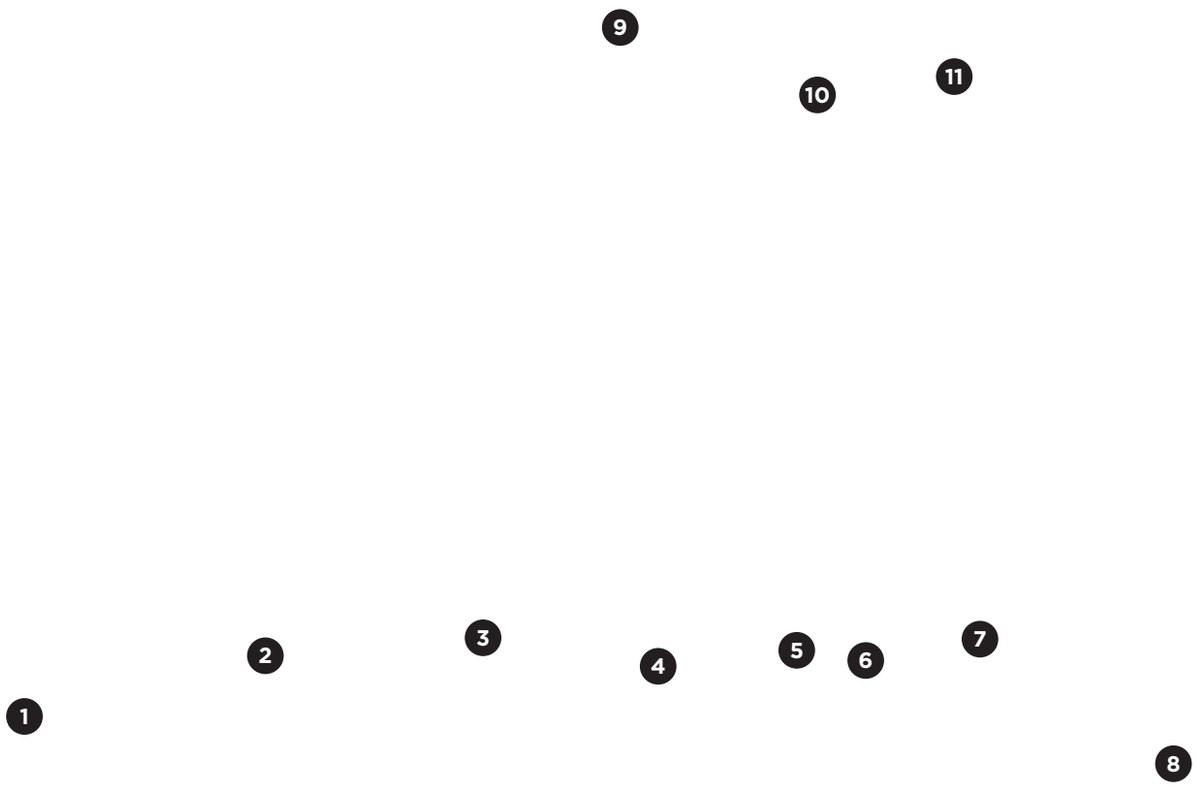
Case study:
Health and wellbeing
In conjunction with JLL and following our move into a new head office, we conducted an Indoor Environmental Quality ('IEQ') assessment and a health and wellbeing survey for all employees. The IEQ assessment provided useful objective data, while the survey encompassed questions on the design and availability of diverse work spaces.

Some quick wins were implemented following the survey, including installation of blinds to reduce screen glare, investment in more video conferencing facilities and the introduction of plants for visual impact and to reduce CO_2 emissions. In the longer term, the business intends to trial real-time IEQ sensors in Workspace properties to enhance employee and customer experience, improve operations and maximise use of space. The results of the survey were included in the UK-GBC Wellbeing Lab's Offices report.

Strong team with a diverse skillset
Workspace is unique in that we have built up a huge amount of in-house expertise over the years. This gives us better control, means we hold direct relationships with customers and can move quickly to adapt and innovate in line with market trends.

Featured Workspace people:

1. **Karen Jamison**
   Energy & Sustainability Manager
2. **Chris Boultwood**
   Head of Client Connected Services
3. **Marti Stanley**
   Head Office Receptionist
4. **Lucia Angelovicova**
   Portfolio Manager
5. **Darren Baker**
   Head of Security
6. **Andrea Kolokasi**
   Head of Business Development
7. **Bryony Gerega**
   Development Manager
8. **Tim Wood**
   Head of Systems Innovation
9. **Sam Palmes**
   Senior Project Manager
10. **Anisha Patel**
    Head of Operational Marketing
11. **Rachel Kiddie**
    Centre Manager



Metal Box Factory, Bankside.

Learning and development
There are many different ways in which we encourage our employees to develop their careers. We have a rigorous training programme in place, lead by both internal and external providers and covering a wide range of topics.

Last year, training sessions and presentations were provided on the following areas:
- People management.
- Customer services.
- Networking and events.
- Business rates.
- Data protection.
- Energy and sustainability.

The overall number of training days has fallen year on year as the social media training programme, which was rolled out widely across the business, completed in 2016.

Training days

	2016/17	2015/16
Training days	**889**	1,237
Training days per employee	**4.38**	5.78

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

Over the last year, we supported 10 people in undertaking externally recognised courses as part of our strong commitment to attracting and retaining the very best talent, and making Workspace a great place to work.

Courses taken during the year included:
- Facilities Management (BIFM – British Institute of Facilities Management).
- Accountancy (ACCA – Association of Chartered Certified Accountants, CIMA – Chartered Institute of Management Accountants and AAT – Association of Accounting Technicians).
- HR Management and Practice.
- Real Estate (MSc).

Supporting our team to do the right thing
One of the key objectives under our 'Doing the Right Thing' strategy is to provide opportunities for Workspace employees to support the wider community through fundraising and volunteering initiatives. During the year, members of our team carried out 48 volunteering days and along with customers, raised £31,489 for our selected charity partners.

Case study:
Clothing recycling
Many individuals also take the initiative to run local community projects in their centres, encouraging customers to get involved as well. For example, at Parkhall Business Centre in Dulwich, the Centre Manager, Nick Bright, has introduced clothing recycling bins for Scope, collecting 671kg worth of clothing during the year.

Targets for the coming year
- Encourage Centre Managers to roll out clothing recycling initiative at other business centres.
- Continue to support employees through training and professional development programmes.

Our customers
The relationships we build and maintain with our customers are perhaps the most critical for the business, and constantly enhancing these relationships is central to our strategy. We work hard to deliver an advantage to the companies that choose Workspace, through a mix of the right facilities and a series of benefits that we believe truly add value to their business.

We continue to roll out our programme of business insight events, with lively panel discussions held on product innovation, augmented and virtual reality and the power of networking during the year. These events bring customers together from across the whole portfolio, providing valuable insight and learning alongside networking opportunities.

We hear from our customers that they are keen to have a positive impact on their communities and the environment, and therefore work with them to facilitate that. This year, we have focused on reducing the amount of waste produced at our business centres and launched a series of waste roadshows at several properties to educate and engage our customers on the importance of recycling.

Case study:
Waste roadshow
At one such event, held at The Light Box in Chiswick, 55 customers took to our energy bicycle and used pedal-power to drive a blender, creating their own healthy and delicious smoothies. We used the opportunity to talk to the attendees about their recycling strategies, and 50 newly engaged customers left with new recycling bins in hand. We saw an immediate impact from this event, with the recycling rate at The Light Box rising from 60% to 80% since the roadshow, and we will continue to run these events at other sites in the coming year.

Targets for the coming year
- Work with our customers to increase the average recycling rate across all buildings to 65% by 31 March 2018.
- Introduce an online benefits platform encouraging customers to offer each other preferential rates and discounts on products and services.
- Continue to expand the Workspace events programme.

55

55 customers attended our first waste roadshow at The Light Box.

Our brand
It is vital that our brand resonates strongly with the stakeholders that the business has relationships with, including customers and employees. The strength of our brand sets us apart from our peers in the Real Estate industry. While our brand is not hugely visible inside our buildings, as they often have their own brand and identity, the efforts of our in-house Marketing team ensure that our brand is highly visible to businesses as they start their search for office space.

Following the year end, in May 2017, we launched our first ever London-wide advertising campaign involving a far reaching presence across digital and social platforms, as well as creative visuals placed in tube carriages and stations all over London to target commuters to and from work. The Workspace Advantage seeks to highlight the three pillars of our customer offer: we are 'wired differently' and understand that our customers are too; we place 'no limits' on customers with flexible lease terms and personalised space and tailored technology offers; and we provide space that is 'super connected' both in terms of technology infrastructure and the communities created in our buildings. We saw real engagement with the campaign from employees and customers, who themselves were featured in the advertisements.

Targets for the coming year
- Build on the Workspace Advantage positioning to ensure our differentiated offer is well understood by the market.
- Put in place a brand tracker to analyse awareness and perceptions of the Workspace brand.

Our communities
With 68 properties spread across several London boroughs, our business engages with many different communities and we aim to have a positive impact on these groups. As a major London landlord, we believe we have a responsibility to enhance the communities in which we operate. Our refurbishment and redevelopment schemes are sensitively designed to fit in with the character of the local area and we believe our business centres bring a vibrancy to a location, often including exciting new restaurants and cafés open to the public, and in some cases gyms.

There are several programmes and initiatives that we run in support of our communities. We have a long-term relationship with XLP, a charity which creates positive futures for young people growing up on deprived inner-city estates, often struggling with issues such as family breakdown, poverty, unemployment and educational failure. Workspace supports XLP through a wide variety of means, including financial support, mentoring for young people, providing work experience and facilitating employment opportunities. This year, we raised over £30,000 for XLP with a Workspace team completing a sponsored London-to-Brussels bike ride and helped to facilitate apprenticeship opportunities for XLP's young people (see page 27).

Other community projects carried out during the year included work with AHOY, a watersports-based charity which supports disadvantaged and at-risk youths, using the medium of sailing and rowing to help break down social barriers and provide innovative training to help them create a positive future (see case study).

In February 2017, Workspace once again ran the 5th consecutive annual InspiresMe Week, providing 79 students with four days' work experience in 39 of our customers' businesses. The programme was hugely successful in showing the students that they don't have to limit themselves to traditional career progression in order to make a difference and enjoy work. It also provided businesses with invaluable insight into the fresh, creative thinking that a young person can bring to a business.

Targets for the coming year
- Explore volunteering opportunities with new charity partner, Groundwork, which aims to create better places to live and work in a greener, more sustainable way.
- Pilot the Workspace Lifeskills programme with St Gabriel's College in Camberwell, to include assembly talks, CV workshops and workplace visits.

Case study: AHOY
In October 2016, three Workspace teams took on the Meridian Pull Challenge in aid of AHOY. The race saw 18 teams in total take on an 8.5 mile rowing battle down the Thames, past the Houses of Parliament, under Tower Bridge and through to a finish at The AHOY Centre in Greenwich. It was a tough challenge but the competitive Workspace teams won the race and, in doing so, raised over £8,300 for AHOY.

Case study: InspiresMe
InspiresMe Week also gave us a great opportunity to work more closely with our other charity partners, including B3 Media, which brings together multi-cultural communities with the creative industries. They created a short highlights film following the event which demonstrates the value of the programme for all involved as well as encourage our customers to support young people.

Principal risks and uncertainties

Risks and delivering our strategy

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

Our Key Strategic Aims are:
- Right market
- Right properties
- Right brand
- Right customers
- Right people

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

We want our properties to be safe, secure and well maintained.

Our customers are at the heart of everything we do and we want them safe and secure and to create an environment in for them which they can thrive.

We need our brand to be reflective of our product, our customers and our culture. We aim to take opportunities to promote our brand efficiently and effectively.

We also need the right staff and expertise to deliver our strategy, with adequate succession planning where needed so we invest time and effort into our employees.

Further details on the Risk Committee can be found in our Governance section on page 81.

Risk culture

Risk Management continues to be an integral part of all our activities. Risks and opportunities are considered in every business decision we make. We focus on key risks which could impact on the achievement of our strategic goals and therefore on the performance of our business.

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

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

Further information on our KPIs can be found on pages 24 and 25.

We are fortunate to have a close and open communication culture within Workspace. This enables staff from all areas of the business to feel free to raise risks and issues, no matter how small, to their managers and teams.

Risk appetite

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

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

Activities in 2016/17

We continue to focus on our annual rolling risk objectives, undertaking the following work streams:

1.

Site reviews

We have undertaken around 30 site reviews at our properties covering financial and operational areas. We have used the results of these reviews to:
- amend procedures if they are not working adequately.
- increase training for centre staff.
- mostly to provide positive feedback to our centre staff who are achieving high scores on these reviews.

2.

Adhoc audits

We continue to instruct detailed reviews by third parties on key areas including:
- VAT
- CIS compliance
- Payroll taxes
- Data Protection

We review and action any findings and recommendations from these reviews. This helps enhance our underlying control environment.

3.

Cyber security

Cyber security has become an increasingly important risk area. During the year we have prepared a detailed paper on the risks we face and also a draft response plan if we were to face a cyber security breach.

This is an evolving area and we will continue to work to enhance and refine our controls in this area.

4.

Social media

We have considered the increasing impact of social media, as part of our Brand risk.

We continue to provide updates to the Board and our staff about awareness of social media risks and opportunities.

5.

Brexit

During the year the Board and Audit Committee have considered the potential impact of exiting the European Union on our business and strategy. It is hard to predict the impact of this, but there could be an impact on each of our Principal Business Risks. At this stage the Board and Audit Committee agreed that this wouldn't become a stand-alone risk but something which will continue to be considered and assessed across all risk areas.

Areas of focus for 2017/18

We have a rolling plan of risk management objectives and over the coming year plan the following activities:

1.

Ongoing data protection review and training across the organisation. Review of our information asset register.

2.

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

3.

Continuing to conduct third party reviews and audits of key business areas.

Risk Management Structure

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

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

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

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

The Risk Committee comprises the Chief Executive Officer, the Operations Director and Company Secretary, alongside The Head of Finance and other Senior Managers and representatives from across the Company. The Risk Committee engages with staff throughout the business and our small size helps to ensure good communication between each business area. In addition, frequent visits by head office staff to our business centres help to ensure awareness and understanding of any property-specific risks and issues. We also invite Centre Managers to attend Risk Committee meetings on a rolling basis.

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

Overall, we review risks from two angles:

1. Principal Business (Strategic) Risks

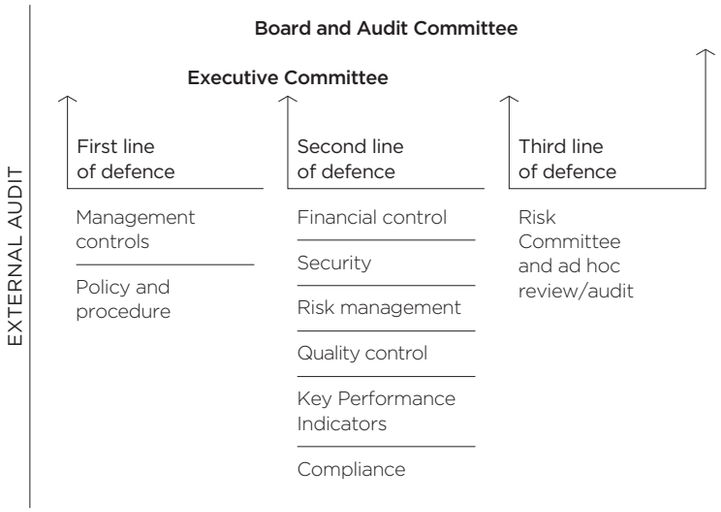
- These are risks which impact achievement of our strategy and objectives.
- They are identified, assessed and managed by the Executive Committee.
- Strategic risks are ultimately owned by the Board.
- The Board and the Audit Committee receive regular updates on these Principal Risks three times a year.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

Our Strategic Risks are shown in the heat map and in detail on pages 34 to 39.

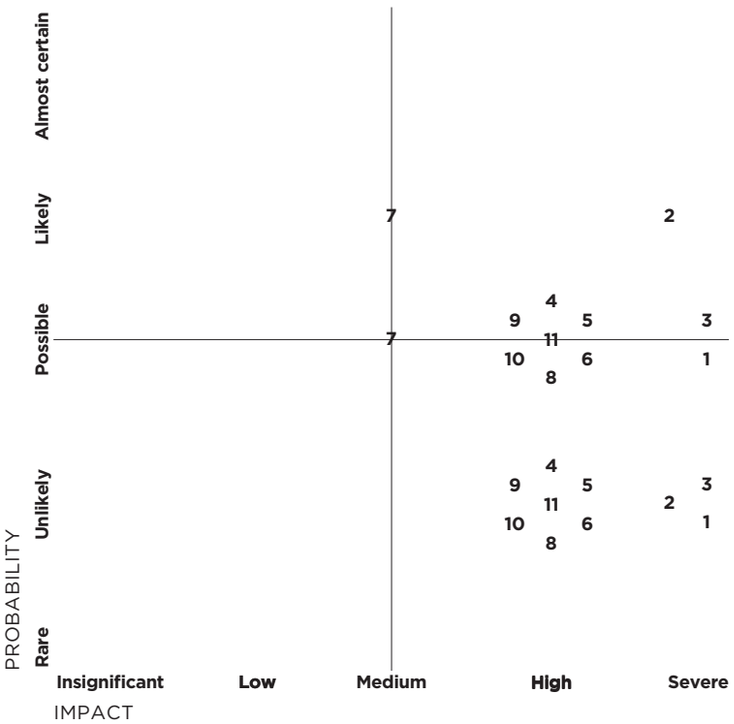
2. Operational risks

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

Our Risk Management Structure



Current assessment of Principal Business Risks



1. Financing
2. Valuation
3. Customer demand
4. Development
5. Investment
6. Brand and reputation
7. Regulatory
8. Business interruption
9. Resourcing
10. London
11. Cyber security

1. Risk category: Financing

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

Dashboard:

Impact
Severe

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy:
- Right markets
- Right properties

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

Mitigation
We regularly review funding requirements for business plans and ensure we have a wide range of options to fund our forthcoming plans. We also prepare a five-year business plan which is reviewed and updated annually. There is further detail in the Viability Statement on page 40.

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

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

What we have done in 2016/17
We continue to review and monitor our financing arrangements to ensure we have sufficient headroom and a good interest rate profile to help ensure we can fund our plans to refurbish and acquire new buildings.

We repaid our UK fund debt of £45m in September 2016, reducing our overall interest cost.

Key metrics

£123m

Undrawn facilities (including cash) at 31 March 2017.

2. Risk category: Valuation

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

Dashboard:

Impact
Severe

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy:
- Right markets
- Right properties

Link to KPIs:
7. Property valuation
8. Total property return

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

Mitigation
Market-related valuation risk is largely dependent on external factors which we cannot influence. However, we continue to do the following to ensure we are aware of any market changes, and are generating the maximum value from our portfolio:
- Monitor the investment market mood.
- Monitor market yields and pricing of property transactions across the London market.
- Alternative use opportunities pursued across the portfolio and continue to drive progress made in achieving planning consent for mixed-use development schemes.

What we have done in 2016/17
We have maintained a low LTV ratio, protecting us from any potential adverse changes in the market.

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

Key metrics

+2.1%

Increase in underlying property valuation.

13%

Low loan to value ratio.

3. Risk category: Customer demand

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

Dashboard:

Impact
Severe

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

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

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

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

We also stress test our business plans to assess the sensitivity we could tolerate if demand from our customers reduced. This can be found in the Viability Statement on page 40.

What we have done in 2016/17
We continue to liaise with our customers at each step of their journey with Workspace (see inside front cover).

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

Key metrics

90%
Like-for-like occupancy.

12,724
Enquiries in the year.

4. Risk category: Development

Principal risk:
Impact to underlying income and capital performance.

Dashboard:

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy:
- Right markets
- Right properties
- Right customers
- Right people

Link to KPIs:
7. Property valuation
8. Total property return

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

Mitigation
For every potential development scheme we work hard to gain a thorough understanding of the planning environment and ensure we seek counsel from appropriate advisers.

We undertake a detailed development analysis and appraisal prior to commencing a development scheme. Appraisals are presented for Investment Committee approval and sign-off is required for every project.

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

What we have done in 2016/17
We continue to progress our redevelopment pipeline, assessing each new scheme on a fair and consistent basis. We are improving and enhancing our progress regarding the tracking, forecasting and monitoring of our major projects.

Key metrics

6
Mixed use developments underway or contracted.

5. Risk category: Investment

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

Dashboard:

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

Link to KPIs:
3. EPRA NAV per share
8. Total property return
9. Total Shareholder Return

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

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

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

We also monitor acquisition performance against target returns.

Property disposals are subject to detailed review and Board approval.

What we have done in 2016/17
We have acquired 13-17 Fitzroy Street, Fitzrovia, helping to deliver against our strategic objectives. This acquisition was reviewed and analysed in detail prior to exchange so that any potential risks were taken into account. Following acquisition, monthly reviews on performance against expectations are provided to the Board.

Subsequent to the year-end we sold Uplands Business Park, Walthamstow, for £50m, ahead of valuation.

6. Risk category: Brand and reputation

Principal risk:
Failure to meet customer and external stakeholder expectations. Joint ventures or other ventures with third parties do not deliver the expected return.

Dashboard:

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

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

Mitigation
To ensure we understand our customers and their ever evolving requirements we undertake twice-yearly customer surveys and have a system of real-time feedback in place. We developed a customer engagement plan to ensure we are interacting with our customers in a variety of ways, including the use of social media.

We maintain regular communication with all stakeholders and key shareholders. We hold investor presentations, roadshows and an annual Capital Markets Day.

What we have done in 2016/17
The use of social media channels, such as Twitter, to engage with our customers has proved to be very successful and helped to create business communities within our centres. We undertake detailed monitoring of the use of these social media channels in case of any adverse information.

We also launched our successful 'the Workspace Advantage' advertising campaign to further increase our brand awareness to new customers.

Key metrics

88%

Customer advocacy.

7. Risk category: Regulatory

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

Dashboard:

Impact
Medium

Probability (post-mitigation)
Possible

Change from last year
No change

Risk appetite
Medium

Link to strategy:
- Right people
- Right brand

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

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

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

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

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

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

What we have done in 2016/17
We have been working closely with HMRC and our tax advisers to ensure we are aware of emerging issues and keeping up to date with changes.
We have developed a taxation strategy document to outline our overall approach to tax and the controls we have in place to ensure compliance.

Training has been given to the Board by advisers on new developments and emerging issues.

We have undertaken some training of staff on data protection and other areas affecting our business.

A Health and Safety Gap Analysis was undertaken during 2016/17 showing compliance in all key areas.

Key metrics

0

RIDDOR Health and Safety incidents.

8. Risk category: Business interruption

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

Dashboard:

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

Link to KPIs:
10. Customer advocacy

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

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

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

What we have done in 2016/17
We have undertaken a further review and testing of our Business Continuity Plans.

9. Risk category: Resourcing

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

Dashboard:

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

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

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

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

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

What we have done in 2016/17
For more information go to 'Resources and relationships' on pages 26 to 31.

10. Risk category: London

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

Dashboard:

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy:
- Right markets
- Right customers

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

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

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

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

What we have done in 2016/17
We have undertaken an enhanced review of our five-year plan, aligned to work undertaken on the Viability Statement. This has included some stress testing of key performance measures and covenants, were there to be a major incident affecting London, or major changes in demand for space and property valuations. These results show we are well placed to handle any temporary drop in occupancy from a major incident.

11. Risk category: Cyber security

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

Dashboard:

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

Mitigation
Monitoring information on security threats and targets.

Monitoring guidance and best practice issued by Government and advisors.

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

What we have done in 2016/17
We have progressed our work on implementing actions from our cyber security action plan and started to increase awareness of threats and risks through education and training programmes for employees.

The Board undertook an update and awareness session on cyber security in February 2017.

Going Concern and Viability Statement

Going Concern
The Group's activities, strategy and performance are explained in the Strategic Report on pages 2 to 47.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 121 to 163.

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

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

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

The latest strategy day was held in September 2016 and reviewed the detailed business plan for the five years to 2021. The plan was updated in April 2017 to extend it to 2022 and to include the Fitzroy Street acquisition. This plan was reviewed at the Audit Committee meeting on 24 May 2016.

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

The key assumptions underpinning the plan are:
- Conservative growth in pricing with stable occupancy levels for the like-for-like properties.
- Refurbishment and redevelopment schemes are delivered in line with current plans and reach stabilised occupancy levels within one to two years at current market-based pricing levels.
- The Retail Bond, which becomes repayable in October 2019 and revolver bank facilities of £150m, which become repayable in June 2022, can be extended on acceptable terms.

The Group's Strategy and business model are described on pages 18 to 23 and on pages 14 and 15.

The Board has considered the key risks and mitigating factors that could impact the Group, details of which can be found on pages 32 to 39. Those risks that could have an impact on the ongoing success of the Group's strategy were identified and the resilience of the Group to the impact of these risks in severe yet plausible scenarios has been evaluated.

Sensitivity analyses are prepared to understand the impact of the identified risks on solvency and liquidity. The specific risks which were evaluated are shown in the table on the right.

The Group benefits from having some 4,000 customers spread across 68 locations in London. These customers are in a wide range of sectors with no sector representing more than 10% of total rent roll and no individual customer representing more than 1% of total rent roll. For this reason, the highest risk to the group is an event or series of events that would impact on the London economy and property market.

Of the scenarios tested, the most significant impact would be to the level of available facilities resulting from either an inability to refinance existing facilities or a significant reduction in proceeds from redevelopments.

The Group continually reviews funding requirements and maintains a close relationship with existing and potential funding partners to ensure the continuing availability of debt finance. In addition, there are a number of mitigating factors that were not considered in the scenarios tested but which could be actioned:
- Disposal of assets
- Reduction in dividend
- Reduction in refurbishment programme

The Board conducted this review for the five-year period to 31 March 2022 which was selected for the following reasons:
a) The Group's strategic review covers a five-year period.
b) Our current project pipeline spans five years. This covers the time for the currently planned major refurbishments and redevelopments to progress from initiation to completion.
c) The average period to maturity of the Group's committed facilities is 5.2 years.

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

Risk sensitivity analyses

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

Enquiries and lettings

We continue to see very strong demand from customers for space at our business centres. Enquiries averaged 1,060 per month (2016: 1,029) in the year to 31 March 2017, and lettings averaged 99 per month (2016: 100). Fluctuations occur from quarter to quarter linked to seasonal impacts and the timing of marketing initiatives, particularly around the launch of new buildings.

See Table 1, below.

Good levels of enquiries and lettings have continued into the current financial year with enquiries averaging 1,070 per month and lettings 86 per month to the end of May 2017. We have not yet seen an impact on demand from the business rates revaluation which came into effect in April 2017. While many of our customers may be able to take advantage of Small Business Rates Relief, it is too early to gauge the future impact of the revaluation and we continue to closely monitor both demand and customer feedback.

Rent roll

Total rent roll is up 14.5% (£11.3m) to £89.5m over the year. The key drivers of this growth have been the 13.7% (£7.2m) increase in rent roll at our like-for-like properties, and a £4.0m uplift in rent roll at recently completed projects.

Rent Roll	£m
At 31 March 2016	78.2
Like-for-like portfolio	7.2
Completed projects	4.0
Projects underway	(1.3)
Acquisitions	1.8
Disposals	(0.4)
At 31 March 2017	**89.5**

Like-for-like Portfolio

The like-for-like portfolio represents 67% of the Group's total rent roll as at 31 March 2017. It comprises properties with stabilised occupancy over the previous twelve months, excluding recent acquisitions and those buildings impacted by significant refurbishment or redevelopment activity. Prior quarter comparatives have been restated for properties transferred to and from the refurbishment and redevelopment categories.

The like-for-like rent roll has continued to grow strongly, up 13.7% (£7.2m) in the year to £59.6m with rent roll growth in the second half of the year at 6.2%, compared to 7.1% in the first half. The rental growth has come from the increases in pricing with like-for-like rent per sq. ft. up 12.9% to £28.17 over the year.

See Table 2, below.

If all the like-for-like properties were at 90% occupancy at the CBRE estimated rental values at 31 March 2017, the rent roll would be £67.0m, £7.4m higher than the rent roll at 31 March 2017.

Completed Projects

Three projects were completed during 2016 with rent roll growing by £4.0m to £7.1m at 31 March 2017. The refurbishment at Vox Studios, Vauxhall and The Print Rooms, Southwark were completed in January 2016 delivering 125,000 sq. ft. of new and upgraded space. We also opened Grand Union Studios (part of the mixed-use redevelopment at this site in Ladbroke Grove) in March 2016 providing 65,000 sq. ft. of new space.

See Table 3, below.

Customer demand at all three of these buildings has been ahead of our original expectations both in terms of the pace at which the buildings have been let and the pricing achieved. If the three buildings were at 90% occupancy at the CBRE estimated rental values at 31 March 2017, the rent roll would be £8.6m, £1.5m higher than the 31 March 2017 rent roll.

Projects Underway – Refurbishments

We are currently underway on 12 refurbishments delivering 738,000 sq. ft. of new and upgraded space. The rent roll at 31 March 2017 at these refurbishments was £11.7m, down £1.3m in the year. The most significant reduction in rent roll of £0.7m was at Brickfields (formerly known as Cremer Business Centre), Hoxton where we have now completed demolition ahead of the construction of a new business centre.

The short-term reduction in rent roll at these refurbishments will be replaced in due course by a significant uplift in rent as they complete and the new and upgraded space is let. Assuming 90% occupancy at our estimated rental values at 31 March 2017 the rent roll at these 12 buildings once they are completed would be £31.4m, an uplift of £19.7m.

Projects Underway – Redevelopments

There are currently six mixed-use redevelopment projects underway or contracted for sale. The buildings are vacated upon sale and Workspace receives a consideration comprising cash and at three of these properties, new business centres (built at no cost to Workspace).

As at 31 March 2017 there is £0.3m of rent roll which will be run down in due course as buildings are sold. Assuming 90% occupancy at our estimated rental values at 31 March 2017, the rent roll at the three new business centres we will receive back would be £2.7m.

Acquisitions

The increase in rent roll from acquisitions of £1.8m to £5.9m at 31 March 2017 relates to five of the acquisitions made in previous years (excluding those subject to major refurbishment) and comprises:

- £0.7m uplift at the Mecca Bingo site in Earlsfield which we have fully let to a trampoline operator while we progress with our redevelopment plans;
- £0.5m uplift at 160 Fleet Street where occupancy has now reached 96%; and
- £0.4m uplift at Cannon Wharf, Surrey Quays a new building opened in December 2015 where occupancy has increased to 76%.

If all the properties in this category were at 90% occupancy at the CBRE estimated rental values at 31 March 2017 the rent roll would be £7.4m, an uplift of £1.5m.

Table 1
Enquiries and lettings

	Quarter ended			
Average number per month	**31 Mar 2017**	31 Dec 2016	30 Sept 2016	30 Jun 2016
Enquiries	**1,183**	1,009	999	1,050
Lettings	**101**	85	103	106

Table 2
Like-for-like rent roll

	Quarter ended			
Like-for-like properties	**31 Mar 2017**	31 Dec 2016	30 Sept 2016	30 Jun 2016
Number of properties	**35**	35	35	35
Occupancy	**90.3%**	91.2%	90.6%	89.7%
Rent roll growth	**2.6%**	3.6%	3.3%	3.6%
Rent per sq. ft. growth	**3.6%**	3.0%	1.6%	4.0%

Table 3
Completed projects

	Opened	Rent increase in year	Occupancy at 31 March 2017
Vox Studios (phase 1)	January 2016	£1.7m	88%
Grand Union Studios	March 2016	£1.5m	87%
The Print Rooms	January 2016	£0.8m	82%

Profit performance

Adjusted trading profit after interest for the year (which includes our share of the trading profit of joint ventures after interest) is £50.7m, up 15.5% compared to the prior year.

See Table 4, right.

Net rental income increased by 6.9% (£5.1m) in the year to £79.2m. This includes:

- 16.2% (£7.5m) increase in rental income at our like-for-like properties to £53.8m;
- £3.8m increase in rental income at completed projects to £5.5m from the letting up of new and upgraded space;
- £2.3m reduction in income at properties undergoing refurbishment or redevelopment; and
- £4.3m reduction in income from the sale of 11 industrial properties in the previous financial year.

See Table 5, right.

Joint venture income represents our share of net rental income less associated administrative expenses, primarily from the BlackRock Workspace Property Trust ('BWPT') which concluded in June 2016.

Total administration costs are up 3.4% (£0.5m) in the year to £15.1m, with underlying costs (excluding share based costs) up 8% (£1.0m) to £12.8m. The year-on-year increase in underlying costs includes an additional six headcount year on year across our project management, marketing and new business development teams alongside salary increases averaging 4% and other inflationary increases in non-staff costs. Share based costs are reduced by 22% (£0.5m) to £2.3m due to the share price performance in the year.

Net finance costs have reduced by £3.2m (23%) in the year to £13.7m. This was due to a lower average net debt balance in 2016/17 compared to the previous financial year with the average interest cost for the year at 5.2% (2016: 5.1%). The marginal cost of undrawn facilities at 31 March 2017 was 1.7%.

In September 2016, £45m of term debt maturing in 2022/23 with a running interest rate of 4% was cancelled early at a total cost of £1.4m. This was funded from surplus cash and the revolver bank facility. As a result the average interest rate in the second half of the financial year reduced to 5.0% from 5.5% in the first half of the year.

Profit before tax for the year is £88.8m compared to a profit of £391.3m in the prior year as detailed in Table 6, right.

The reported change in fair value of investment properties of £39.5m reflects the underlying increase in the CBRE valuation in the year of £38m, adjusted for the change in fair value of overage which is reclassified in the accounts as deferred consideration and included in other items above. This compares to a stronger underlying increase in the property valuation of £308m in the previous financial year.

The exceptional finance costs of £1.4m relates to the early repayment of £45m of term debt in September 2016 with break costs of £0.9m and the release of unamortised arrangement costs of £0.5m.

A performance fee of £24.5m in total was paid on the conclusion of the BWPT based on the returns achieved over its five year life.

Other items in the prior year included an increase in overage of £9.5m, a profit on the sale of investment properties of £8.1m and a £5.4m lease surrender premium.

Adjusted underlying earnings per share is up 14% to 30.6p in line with the increase in adjusted trading profit after interest. The EPRA earnings per share for the year is 30.2p, a reduction of 36% from 47.5p in the prior year. This is due to the EPRA calculation including a number of non-trading items including overage, joint venture performance fees and lease surrender premiums.

Table 4
Trading profit after interest

£m	**31 Mar 2017**	31 Mar 2016
Net rental income	**79.2**	74.1
Joint venture income	**0.3**	1.3
Administrative expenses	**(15.1)**	(14.6)
Net finance costs*	**(13.7)**	(16.9)
Adjusted trading profit after interest	**50.7**	43.9

* excluding exceptional finance costs.

Table 5
Net rental income

£m	**31 Mar 2017**	31 Mar 2016
Like-for-like properties	**53.8**	46.3
Completed projects	**5.5**	1.7
Current projects	**15.2**	17.5
Acquisitions	**4.7**	4.3
Disposals	**–**	4.3
Total net rental income	**79.2**	74.1

Table 6
Total profit before tax

£m	**31 Mar 2017**	31 Mar 2016
Adjusted trading profit after interest	**50.7**	43.9
Change in fair value of investment properties	**39.5**	296.6
Exceptional finance costs	**(1.4)**	–
Joint venture performance fee	**0.4**	24.1
Other items	**(0.4)**	26.7
Profit before tax	**88.8**	391.3
Adjusted underlying earnings per share	**30.6p**	26.8p

Dividend

Our dividend policy is based on the growth in trading profits after interest taking into account our investment and acquisition plans and the distribution requirements that we have as a REIT. We have achieved good growth in trading profit in recent years and the Board has taken the opportunity this year to recommend an increase in both the interim and final dividend of 40%. The final dividend of 14.27 pence (2016: 10.19 pence) will be paid on 7 August 2017 to shareholders on the register at 7 July 2017. The dividend will be paid as a Property Income Distribution.

For future years the intention is to grow the dividend on a covered trading profit basis, with a target of maintaining cover of at least 1.3 times adjusted underlying earnings per share. Dividend cover for the year to 31 March 2017 was 1.45 times.

Property valuation

At 31 March 2017, the wholly owned portfolio was independently valued by CBRE at £1,844m, an underlying increase of 2.1% (£38m) in the year. This comprised a 0.9% (£16m) decline in the first half of the year and a 3.0% (£54m) increase in the second half.

The main movements in the valuation over the year are set out in the 'Property valuation movement over one year' chart, right.

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

Revaluation Uplift	£m
Like-for-like Properties	47
Completed Projects	8
Refurbishments	(20)
Redevelopments	8
Acquisitions	(5)
Total	**38**

Like-for-like Properties

There was a 4.9% (£47m) increase in the valuation of like-for-like properties to £1,001m, as a result of:

- An increase in estimated rental values (ERV) per sq. ft. of 6.7% equating to an uplift in value of some £51m;
- A 0.1% outward shift in equivalent yield equating to a reduction in value of some £15m; and
- An £11m uplift in the value of Uplands Business Park, Walthamstow to £40m (sold in May 2017 for £50m).

See Table 7, right.

Completed projects

The uplift of 6.3% (£8m) in value of the three completed projects to £134m reflects the strong pricing levels that have been achieved at these properties since launch with an uplift of £4m at The Print Rooms, Southwark and £3m at Grand Union Studios, Ladbroke Grove. The overall valuation metrics for completed projects are set out in Table 8, right.

Current refurbishments

We have seen a reduction of 5.1% (£20m) in the value of current refurbishments to £369m, largely at properties where we have obtained vacant possession ahead of major refurbishments. The most significant reductions have been:

- A reduction of £10m in the valuation of Edinburgh House, Vauxhall where we obtained vacant possession of the entire building in March 2016. In October 2016 we received planning consent for a major refurbishment which is now underway.
- A reduction of £5m in the valuation of The Leather Market, London Bridge where we are undertaking major upgrade and refurbishment works on a substantial part of the property.
- A reduction of £2m in the valuation of Easton Street, Clerkenwell where we obtained vacant possession in December 2016. We received planning consent in April 2017 for a major refurbishment and extension.

We would expect to see a recovery in values at these properties as the refurbishments progress to completion and are successfully let.

Current redevelopments

The uplift of 4.0% (£8m) in the value of current redevelopment projects to £208m reflects properties where we have obtained mixed use planning consents. This includes Arches Business Centre, Southall which was contracted for sale to a residential developer in October 2016 with a £4m uplift in valuation.

Acquisitions

There is a £5m reduction in the value of recently acquired properties to £132m. At Goswell Road (formerly Angel House), Islington there has been a £3m reduction in the valuation. We have now obtained the vacant possession of the first floor, ground floor and basement at this property ahead of a repositioning of the space for letting at higher rental levels.

Property valuation movement over one year (£m)

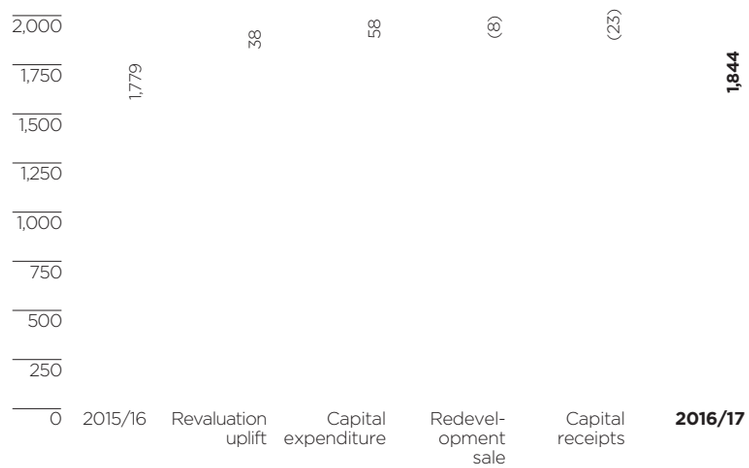


Table 7
Like-for-like properties valuation metrics

	31 March 2017	31 Mar 2016	Change
ERV	**£74.4m**	£69.2m	+7.5%
ERV per sq. ft.	**£31.78**	£29.78	+6.7%
Rent per sq. ft.	**£28.17**	£24.96	+12.9%
Equivalent Yield	**6.5%**	6.4%	Out by 0.1%
Net Initial Yield	**5.4%**	4.9%	Out by 0.5%
Capital Value per sq. ft.	**£427**	£404	+5.7%

Table 8
Completed projects valuation metrics

	31 Mar 2017
ERV per sq. ft.	**£49.30**
Rent per sq. ft.	**£43.72**
Equivalent Yield	**6.3%**
Net Initial Yield	**5.1%**
Capital Value per sq. ft.	**£708**

2.

1.

Acquisitions
1. 175-179 Long Lane, SE1
2. 13-17 Fitzroy Street, Fitzrovia

Disposals
Arches Business Centre, Southall
The Light Bulb, Wandsworth (phase 2)
Lombard Business Centre, Croydon

Acquisitions

In June 2016, we exchanged contracts to acquire 29,000 sq. ft. of commercial space at 175-179 Long Lane, SE1 for £9.5m (payable upon completion) at a capital value of £328 per sq. ft. This property is located adjacent to The Leather Market, our business centre near Borough High Street. The commercial space being acquired is part of a larger mixed use development which is currently under construction and is expected to be completed in mid-2018.

In April 2017, we completed the acquisition of 13-17 Fitzroy Street, Fitzrovia for £98.5m. This property comprises 92,700 sq. ft. of net lettable space, currently let in its entirety to Arup until September 2022 at annual rent of £4.9m (£53 per sq. ft.), rising to £6.0m (£65 per sq. ft.) in March 2021. Arup plan to relocate from this building and the lease provides for their early exit with effect from September 2020 with a rolling nine-month break option. In due course we will reposition the building as a multi-let business centre.

Disposals

We completed the disposal of the remaining eight properties in BlackRock Workspace Property Trust ('BWPT') joint venture in May and June 2016 for £131m at a net initial yield of 4.7%. The disposals marked the conclusion of the joint venture with BlackRock in which Workspace made an initial investment of £20m in 2011. Based on the strong performance achieved over the five-year life of the joint venture, Workspace received a total performance fee from BWPT of £24.5m.

In October 2016, we contracted to sell three mixed-use redevelopments:
- Arches Business Centre, Southall which has planning consent for 110 residential units, for £13.0m with proceeds to be received once vacant possession has been achieved in November 2017.
- The second phase at The Light Bulb, Wandsworth comprising 77 residential units, for £7.75m together with the return of 17,000 sq. ft. of new commercial space.
- Lombard Business Centre, Croydon which has planning consent for 96 residential units, for £5.75m with the cash received in March 2017.

In May 2017, in line with our strategy, we exchanged and completed on the sale of Uplands, an 11 acre industrial estate in Walthamstow, for £50.0m at a net initial yield of 3.1%.

Refurbishment activity
During the financial year we obtained planning permissions for the extension and upgrade of Pall Mall Deposit, Ladbroke Grove; Mare Street Studios, Hackney and Edinburgh House, Vauxhall. In April 2017, we received planning permission at Easton Street, Clerkenwell. These properties will provide a combined 208,000 sq. ft. of new and upgraded space at an estimated cost of £57m.

A summary of the status of the refurbishment pipeline at 31 March 2017 is set out in the table, right.

In May 2017, we completed and opened The Record Hall, Holborn a new 58,000 sq. ft. business centre. Whilst not officially launched until June 2017, interest and demand has already been strong with 31% of the building let or under offer by the end of May 2017.

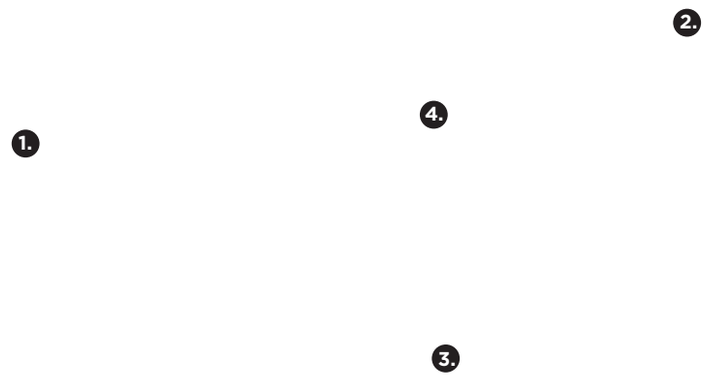
The refurbishment projects underway at Barley Mow Centre, Chiswick and The Leather Market, London Bridge will also complete during the current financial year providing 192,000 sq. ft. of new and upgraded space.

At the remaining nine refurbishment projects underway we are currently on-site at four, have achieved vacant possession and are at final construction contract tender stage at three and are working towards achieving vacant possession at the remaining two.

We would expect the capital expenditure on the refurbishment projects detailed above to be incurred relatively evenly over the next four years (subject to obtaining planning consent on the design stage schemes).

Refurbishment programme summary

Projects	Number	Capex spent	Capex to spend	Upgraded and new space
Underway	12	£46m	£122m	738,000 sq. ft.
Design stage	5	–	£84m	313,000 sq. ft.



Planning permissions gained
1. Pall Mall Deposit, Ladbroke Grove
2. Mare Street Studios, Hackney
3. Edinburgh House, Vauxhall
4. Easton Street, Clerkenwell

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

A summary of the status of the redevelopment pipeline at 31 March 2017 is set out in the table, below.

The six redevelopment schemes underway will deliver some £114m in cash (£28m still to come) and three new commercial buildings, with the Fuel Tank in Deptford expected to be completed in the second half of 2017.

There are five schemes with mixed-use planning consents which are not yet contracted for sale. This includes Stratford Office Village, Stratford where we received planning consent in September 2016 for 101 residential units.

Discussions with the planners for the three mixed-use redevelopment schemes at the design stage are progressing well.

Redevelopment programme summary

	No. of properties	Residential units	Cash received	Cash/ overage to come	New commercial space
Underway	6	1,465	£86m	£28m	101,000 sq. ft.
With planning	5	877	–	o/s	164,000 sq. ft.
Design stage	3	683	–	o/s	o/s

Cash flow

The Group generates strong operating cash flow in line with trading profit, with good levels of cash collection and bad debts low in the year at £0.3m (2016: £0.2m). A summary of the movements in cash flow are set out in Table 9, right.

Financing

The Group had £3m in cash and £245m of drawn debt at 31 March 2017 with £365m of committed facilities as detailed in Table 10, right.

The Private Placement notes comprise $100m (£64.5m) of US dollar ten year notes, £84m of Sterling ten year notes and £9m of seven-year Sterling floating rate notes. The US dollar notes have been fully hedged against Sterling for ten years. The overall interest rate on the £148.5m 10-year fixed rate notes is 5.6%. A seven year £57.5m Retail Bond (listed on ORB) was issued in October 2012 and carries a coupon of 6.0%.

In June 2016, we exercised the option for the first extension of the maturity term of our £150m revolver bank facilities by a year to June 2021. In June 2017, we exercised the option for the second extension of the maturity of the revolver facility to June 2022. We continue to have the option (subject to lender consent) of increasing the quantum of the revolver facility from £150m to £250m. We are also looking at the opportunity to further diversify and extend the maturity of our facilities which may include the issue of additional Private Placement notes.

Our hedging strategy is to fix the cost of our longer-term borrowings but maintain flexibility around our shorter-term revolver facilities. At 31 March 2017, 56% of our debt facilities are at fixed rates, representing 84% of our debt on a drawn basis.

At 31 March 2017, undrawn facilities (including cash) were £123m, loan to value (LTV) was 13% (31 March 2016: 16%) and interest cover (based on net rental income) was 5.8 times, giving us good headroom on all of bank, placement notes and bond covenants. The average maturity of our facilities as at 31 March 2017, taking into account the extension of our revolver bank facilities to June 2022, was 5.2 years (31 March 2016: 5.9 years).

The proforma impact of the acquisition of 13-17 Fitzroy Street in April 2017 and the disposal of Uplands industrial estate in May 2017 on net debt, LTV and undrawn facilities reported as at 31 March 2017 is as follows:

- Net debt increases by £49m to £291m;
- LTV increases from 13% to 15%; and
- Undrawn facilities reduce from £123m to £74m.

Net assets

Net assets increased in the year by £61m to £1,579m. EPRA net asset value per share at 31 March 2017 was £9.53 (31 March 2016: £9.23), an increase of 3.3% (£0.30) in the period as detailed in Table 11, right.

Table 9
Movements in cash flow

	£m
Net cash from operations after interest	53
Dividends paid	(27)
Capital expenditure	(58)
Purchase of investment properties (deposits)	(11)
Property disposals	8
Capital receipts	23
Distributions and proceeds from joint ventures	46
Net movement in year	34
Debt at 31 March 2016 (net of cash)	(276)
Debt at 31 March 2017 (net of cash)	**(242)**

Table 10
Committed facilities

	Drawn amount	Facility	Maturity
Private placement notes	£148.5m	£148.5m	June 2023
Private placement notes	£9m	£9m	June 2020
Retail bond	£57.5m	£57.5m	October 2019
Bank facilities	£30m	£150m	June 2022
Total facilities	**£245m**	**£365m**	

Table 11
Net assets

	£
At 31 March 2016	9.23
Property valuation surplus	0.24
Trading profit after interest	0.31
Dividends paid in year	(0.17)
Other	(0.08)
At 31 March 2017	**9.53**

Key property statistics

	Quarter ended 31 Mar 2017	Quarter ended 31 Dec 2016	Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016
Workspace Group Portfolio				
Property valuation	**£1,844m**	–	£1,780m	–
Number of estates	**68**	69	69	69
Lettable floorspace (million sq. ft.)	**3.6**	3.7	3.7	3.7
Number of lettable units	**4,306**	4,258	4,521	4,513
Cash rent roll of occupied units	**£89.5m**	£86.9m	£84.8m	£82.0m
Average rent per sq. ft.	**£28.41**	£27.38	£26.86	£26.06
Overall occupancy	**87.0%**	87.4%	84.2%	84.5%
Like-for-like lettable floor space (million sq. ft.)	**2.3**	2.3	2.3	2.3
Like-for-like cash rent roll	**£59.6m**	£58.1m	£56.1m	£54.3m
Like-for-like average rent per sq. ft.	**£28.17**	£27.19	£26.39	£25.97
Like-for-like occupancy	**90.3%**	91.2%	90.6%	89.7%

Note:
The like-for-like category has been restated in the fourth quarter for the following:
- The inclusion of Metal Box Factory, Bankside, The Light Bulb, Wandsworth and Alexandra House, Wood Green.
- The exclusion of Mare Street Studios, Hackney, Stratford Office Village, Stratford and The Light Box, Chiswick which are subject to refurbishment or redevelopment.

The Strategic Report on pages 2 to 47 was approved by the Board of Directors on 6 June 2017 and signed on its behalf by:

Jamie Hopkins
Chief Executive Officer

Graham Clemett
Chief Financial Officer

The Board supports the business through risk management and best practice governance. This is delivered through regular and open dialogue within the business and with all external stakeholders.

Adhering to high corporate governance standards is of utmost importance to the Board. It is evident in our culture of regular, open and transparent dialogue with both internal and external stakeholders, in our focus on risk management and in our persistent drive to enhance all our practices across the business.

Daniel Kitchen
Non-Executive Chairman

Chairman's governance statement

Dear Shareholder

I am pleased to present the Corporate Governance Report for the financial year ended 31 March 2017 which highlights the work undertaken during the year by the Board.

The Company fully complied with the UK Corporate Governance Code throughout the year. Details of the Company's governance arrangements and activities in compliance with the Principles of the UK Corporate Governance Code are included on pages 51 to 120.

Why is good governance important to us?
The Board of Workspace is committed to conducting business responsibly and ensuring that our governance structures at Board and Committee level remain appropriate for our business while supporting the delivery of our overall strategy. We are committed to maintaining high standards of Corporate Governance in terms of leadership, Board effectiveness, accountability, remuneration matters, and our relationship with shareholders.

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

Our strategic priorities
The Company's business model and strategy are outlined on pages 14 and 15, and 18 to 23.

The Board regularly debates the relevance and effectiveness of the strategy and oversees the Executive Committee to ensure it is being successfully implemented and is delivering the desired performance. This year, the Board reaffirmed its belief that the current strategy is the right one for the business at this time.

Board effectiveness
The annual Board effectiveness reviews (including its Committees) continue to provide a valuable opportunity for the Board to reflect on how it operates and to propose any improvements. The performance evaluation process for this year was led by me and assisted by the Company Secretary. This year's review took the form of a questionnaire which was completed by the Directors and members of the Executive Committee. The questionnaires covered the processes and performance of the Board and its Committees. The Company Secretary consolidated the responses and prepared reports for me, as Chairman, as well as for the Chairmen of the relevant Committees. The findings from the Board evaluation were discussed at our meeting in March 2017.

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

I can confirm that no issues were raised and the view of the Board is that the governance structure, together with the Board and its Committees, all continue to operate effectively.

Furthermore, I am satisfied that the Non-Executive Directors, all of whom are standing for re-election at the forthcoming Annual General Meeting, continue to be effective and show a high level of commitment to their roles. They have a broad and complementary mix of business skills, knowledge and experience acquired across different business sectors.

The independence of our Non-Executive Directors is extremely important to us in maintaining good governance. July 2017 will mark three years since Stephen Hubbard was first elected to the Board. During the year we have considered Stephen's independence. Stephen is Chairman of CBRE UK and is a member of their Management Board. The Valuation Advisory Division of CBRE acts as the Group's external valuer and, recognising the effect that this may potentially have on the perception of his independence, and in view of this continuing relationship, the Board has rigorously evaluated Stephen's independence as a Non-Executive Director and any potential conflicts. Having made that assessment, the Board is completely satisfied that he remains independent in judgement and character. Stephen will therefore stand for re-election at this year's AGM. As advised last year, it has been agreed that Stephen will not take part in any considerations of the valuation of the Group's property portfolio. In addition, he will not have involvement in any discussions or decisions regarding CBRE or the fees paid to them.

Appointment of External Auditor
In last year's Annual Report the Company confirmed that it would undertake a competitive tender for the selection and appointment of an External Auditor during the financial year as a result of mandatory firm rotation. As part of its work this year, the Audit Committee has undertaken this exercise which resulted in the appointment of a new External Auditor, KPMG LLP ('KPMG') in January 2017, subject to final approval by shareholders at the next AGM on 14 July 2017. The selection and appointment process is fully described on page 92.

Remuneration Policy
The Company's Remuneration Policy was approved in 2014 and has been operating for three years. During the year, the Remuneration Committee has spent time discussing a new Remuneration Policy. The Chairman of the Remuneration Committee engaged with major shareholders and sought feedback on the proposals. In accordance with the regulations, shareholders will be asked to approve the new policy at the AGM in July 2017. You can read full details about this in the Directors' Remuneration Report from page 94.

Market Abuse Regulations
The Board also considered the implications of the Market Abuse Regulations, which came into force in July 2016. To assist with meeting the Company's obligations under the regime, a Disclosure Committee of the Board was established to monitor inside information and closed periods.

Engagement with our shareholders
We have continued to operate a comprehensive investor relations programme during the year with our Executive Directors regularly meeting with investors and analysts. During the year, presentations were made to shareholders and potential shareholders by the Executive Directors. On 28 February 2017, we held a Capital Markets Day for sell-side analysts and investors at our newly refurbished property in Fleet Street. More information can be found on pages 78 to 79.

In addition to regular meetings with the Executive Directors, I am available to meet with investors on request and encourage an open dialogue on all matters and in particular, if they wish to raise any points with respect to Board governance.

I am pleased with the progress we have made this year across the governance agenda. We have built a committed Board that is working well in the interests of all shareholders and each Director continues to contribute effectively. We extend our thanks to all our shareholders for your continued support as we look forward to the year ahead.

Compliance with the UK Corporate Governance Code
The Company has, throughout the year ended 31 March 2017, fully complied with the provisions of the UK Corporate Governance Code (the 'Code') published in September 2014, which is applicable to the Company for the financial year. A copy of the Code is available at www.frc.org.uk. The application of the principles contained in the Code is described within the Corporate Governance report. Detailed reports on the Nomination Committee, the Audit Committee and Remuneration Committee can be found on pages 82 to 93 and pages 94 to 115.

Daniel Kitchen
Non-Executive Chairman
6 June 2017

How governance supports our strategy
The principles in the Code set the framework for how the Board, through its governance activities, provides effective oversight of delivering against the strategy.

Leadership
The Board is responsible for setting the tone to embed the Group's strategy into the business. The Board carefully monitors the progress of the strategy and receives regular briefings on the state of the London property market.

For more information see pages 70 to 73.

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

For more information see pages 82 to 85.

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

For more information see pages 86 to 93.

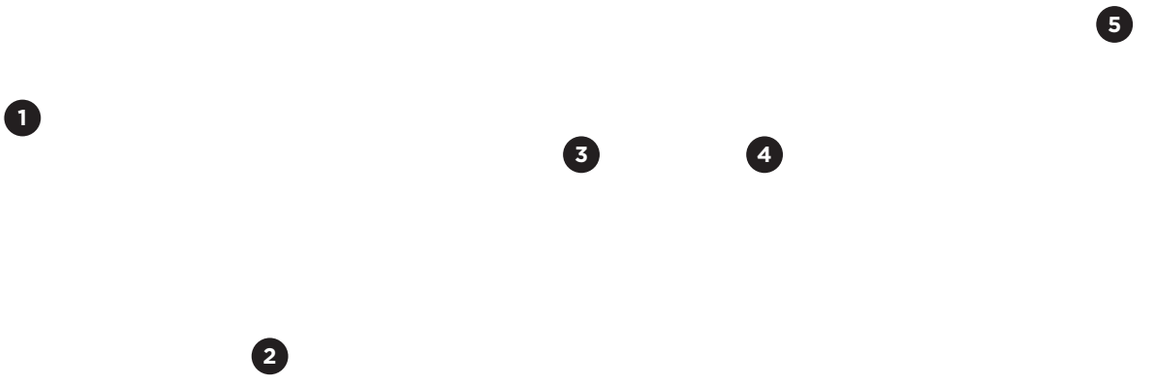
Relations with Shareholders
Explaining the strategy and how it is being operationalised, through our business model, is an important part of the Board's work in keeping shareholders informed on the business' performance and future prospects.

For more information see pages 77 and 78.

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

For more information see pages 94 to 115.

Our Board is 'super connected'. They are highly skilled individuals who bring valuable and varied experience to the Boardroom. The business benefits from their strong external networks, as well as insight drawn from regular engagement internally.



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

As part of their engagement with the business, the Board participates in an annual property tour where they meet centre staff and customers. This allows them to see the strategy in action and assess its effectiveness.

In the Boardroom
The Directors collectively have many years of experience gained in a wide range of businesses and sectors, as illustrated on pages 54 to 55. Skills of the Board cover property, finance, retail, marketing, telecoms, media and general corporate experience. One Executive Director also serves as a Non-Executive Director on an external board.

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

During the year, the Board received regular internal reports, which helped to keep the Directors well informed about the business generally. The Board will receive updates from the Chief Executive Officer and Chief Financial Officer, covering an overview of the business, the market in which it operates, together with the Group's financial performance and other financing matters. The Company Secretary and external advisers will also update the Board, periodically, on regulatory changes. In particular, the Board considered the implications of the Market Abuse Regulations ('MAR'), which came into force in July 2016. To assist with meeting the Company's obligations under MAR, a Disclosure Committee of the Board was established to monitor inside information and closed periods. Terms of Reference are available for the Disclosure Committee and Board members receive minutes of meetings.

The Board also engaged with Company advisors during the year. There was a presentation from the Company brokers in July. The Group's Valuer, CBRE, also presented twice during the year at the Audit Committee meetings in May and November 2016. Their presentation covered the valuation of the property portfolio and the wider market in which the Company operates.

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Board tenure

1.

2.

3.

1. 0-3 years **14%**
2. 3-5 years **43%**
3. 5+ years **43%**

Board diversity

1.

2.

1. Male **86%**
2. Female **14%**

Board experience

8. 1.

7.

6.

2.

5.

3.

4.

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

● Present Absent

	May 2016	Jun 2016	Jul 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017
Jamie Hopkins	●	●	●	●	●	●	●	●	●
Graham Clemett	●	●	●	●	●	●	●	●	●
Daniel Kitchen	●	●	●	●	●	●	●	●	●
Chris Girling	●	●	●	●	●	●	●	●	●
Maria Moloney	●	●	●	●	●	●	●	●	●
Stephen Hubbard	●	●	●	●	●	●	●	●	●
Damon Russell	●	●	●	●	●	●	●	●	●

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The Board met nine times during the year ended 31 March 2017.

The Board

1. Jamie Hopkins
Chief Executive Officer

2. Daniel Kitchen
Non-Executive Chairman

3. Maria Moloney
Non-Executive Director

4. Graham Clemett
Chief Financial Officer

5. Chris Girling
Senior Independent Non-Executive Director

6. Stephen Hubbard
Non-Executive Director

7. Carmelina Carfora
Company Secretary

8. Damon Russell
Non-Executive Director

Executive Committee
Jamie Hopkins and Graham Clemett are also members of the Executive Committee, alongside:

9. Chris Pieroni
Operations Director

10. Angus Boag
Development Director

Executive Directors

Jamie Hopkins
Chief Executive Officer

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

Committee memberships:
- Chairman of the Executive Committee.
- Chairman of the Investment Committee.
- Chairman of the Risk Committee.
- Chairman of the Disclosure Committee.

Current external appointments:
None.

Previous appointments:
Jamie was previously Chief Executive and then a Non-Executive Director of Mapeley PLC and a Director of Chester Properties. Prior to that, Jamie was a Director of Delancey Estates and Savills.

Skills and business experience:
- Strategic development and deal execution experience.
- Well-developed leadership, motivational and management skills.
- Entrepreneurial with strong commercial skills.
- Significant property experience.
- Strong experience of investor relations.

Graham Clemett
Chief Financial Officer

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

Committee memberships:
- Member of the Executive Committee.
- Member of the Investment Committee.
- Member of the Disclosure Committee.

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

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

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

Non-Executive Directors

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

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

Independent:
Yes.

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

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

Previous appointments:
Daniel was previously Deputy Chief Executive at Heron International plc and prior to that was Finance Director at Green Property for eight years. He retired as Non-Executive Chairman of Irish Nationwide Building Society in July 2011 and as Non-Executive Director of Kingspan Group PLC in May 2012.

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

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

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

Independent:
Yes.

Committee memberships:
Chairman of the Audit Committee, member of the Remuneration and Nomination Committees.

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

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

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

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

Appointment to the Board:
Maria was appointed to the Board in May 2012. On the recommendation of the Nomination Committee, the Board agreed to extend her appointment for a further three years from May 2015.

Independent:
Yes.

Committee memberships:
Chairman of the Remuneration Committee, member of the Audit and Nomination Committees.

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

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

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

Damon Russell
Non-Executive Director

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

Independent:
Yes.

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

Current external appointments:
Damon holds advisory roles for a number of smaller companies in the digital media sector. He is currently Chairman of New Telecom Express Group, an interactive media service provider he co-founded in 1989. Telecom Express was sold to AMV BBDO, part of the Omnicom Group, in 1998. In 2004, Damon led a successful management buyout. He has more than 25 years' experience in the industry.

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

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

Stephen Hubbard
Non-Executive Director

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

Independent:
Yes.

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

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

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

Company Secretary

Carmelina Carfora
Company Secretary

Date appointed:
Carmelina was appointed as Company Secretary in March 2010.

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

Carmelina's other responsibilities include: corporate governance, monitoring and compliance with legislation, administration, vesting and granting of awards under the Company's share schemes.

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

Executive Directors

Senior Independent Non-Executive Director

Non-Executive Directors

Executive Committee

The Fuel Tank
The Executive Team visited The Fuel Tank to assess progress on the redevelopment project, being carried out in partnership with L&Q. The new 36,000 sq. ft. business centre, in the vibrant area of Deptford Creek, will be delivered in the second half of 2017.

Activities in 2016/17

1.
Developing the Group strategy and budget for approval by the Board.

2.
Reviewing and approving capital expenditure within the authorities delegated by the Board.

3.
Monitoring of operational and financial results against plans and budgets.

4.
Collectively responsible for the day-to-day running of the business.

5.
Developing leadership skills and the future talent of the business so that strong succession plans are in place as the Group develops.

6.
Analyse and review initiatives of particular interest to the Company and present these to the Board as appropriate.

7.
Ensure the effectiveness of risk management and control procedures.

21

The Committee met 21 times during the year ended 31 March 2017.

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

Composition of the Executive Committee:

1. Jamie Hopkins
Chief Executive Officer
Specific responsibilities:
Strategic management; investor relations; day-to-day operations; acquisitions and disposals; health and safety; staff; equal opportunities; remuneration; training and development; Chairman of the Executive, Investment, Risk and Charity Committees; and development of the brand.

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

3. Chris Pieroni
Operations Director
Specific responsibilities:
Portfolio performance; asset management; lettings; marketing; rent reviews and renewals; new business development; and charity and social initiatives.

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

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

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

In order to support the overall performance and long-term growth of the business, the Board has six key areas of focus.

1. Strategy
2. Trading performance
3. Property valuation and investment
4. Risk management and internal controls
5. Shareholder engagement
6. Succession planning and Board performance

Insights from the Board tour:

At Workspace, we place great emphasis on talking to customers and listening to their feedback so that we can create the ideal working environment to meet their individual business needs. This is evident in the relationships that Centre Managers have with their customers – from the moment they move in, they have an ally on site who is there to make their lives easier and facilitate networking with neighbours who could help their business grow.

Walking around our centres, you see the huge range of businesses and individuals that Workspace caters for – whether a freelance consultant or a well-established company. The rise of digital marketing has widened the potential reach of our offer and the truly flexible space we provide means we are able to operate right across the economic spectrum.

It is hugely exciting to see the opportunities that are opening up in the real estate market thanks to advances in technology. At Workspace, we are using it to better understand and respond to customer requirements, for example, by providing super connected properties that allow customers to remain connected to their servers wherever they are in the building, or indeed across many of our other buildings.

Maria Moloney
Non-Executive Director

We had a fascinating tour of our properties in South East London, including the ongoing redevelopment at The Fuel Tank and the recently acquired Cannon Wharf business centre.

We really got a sense of the vibrancy that Workspace properties bring to an area and to the local communities. We provide great places to work for local businesses and also attract organisations from outside the local area with all the extra amenities we put into a building, from great cafes and restaurants, high quality meeting rooms for hire, co-working space and, in many cases, a gym, showers and cycle storage.

Stephen Hubbard
Non-Executive Director

1.

Strategy

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

Read more about our Strategy on page 18.

Activities in 2016/17

- Worked with the Executive Directors to review the current strategy and ensure its continued relevance.
- During the year the Non-Executive Directors are encouraged to visit the Company's properties, to meet colleagues to provide additional information and insight into the business.
- The annual Board tour gave Directors the opportunity to see the strategy in action, including visits to properties in the refurbishment and redevelopment pipeline and recent acquisitions.

Governance in numbers

5

The Board visited five properties on the tour.

2. Trading performance

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

Activities in 2016/17

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

Governance in numbers

88%
Customer advocacy.

40%
Dividend growth.

The Leather Market
We are undertaking major upgrade works at The Leather Market in London Bridge. The project will complete in Summer 2017 and will include a new entrance and café, as well as high quality meeting rooms.

Metal Box Factory
We completed a £16m refurbishment of Metal Box Factory in January 2015. The project has been a huge success with customers. The building has let up extremely well, with the average rent per sq. ft. rising by 19% over the last year. We continue to invest in the building and were proud that it achieved a Platinum WiredScore rating for connectivity in 2016. This has attracted further interest from digitally disruptive businesses, such as Mozilla, creator of the Firefox browser. The rental growth at Metal Box Factory has also driven a significant valuation uplift over the last two years, with the building currently valued at £106m.

3.

Property valuation and investment

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

Activities in 2016/17

- Considered and approved the property valuations performed by CBRE.
- Approval of redevelopment activity and major refurbishments.
- Significant investment decisions including the acquisition of 13-17 Fitzroy Street for £98.5m in April 2017 and the disposal of Uplands Business Park in May 2017.
- Approval of the disposal of the remaining eight properties within the BlackRock Workspace Property Trust completed for £131m.
- Received updates from the Development Director on the status of planning consents.

Governance in numbers

2.1%
Capital growth.

5
Disposals including BlackRock Workspace Property Trust JV.

1
Acquisition made in Fitzrovia in April 2017.

4
Planning permissions gained during the year.

4. Risk management and internal controls

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

Activities in 2016/17

- Regularly reviewed the principal risks.
- Received reports on Health and Safety and the activity undertaken in terms of staff training and ongoing audits.
- Received reports on governance issues, including legal and regulatory updates. This also included an update provided by the Company's legal advisers who attended the Board meeting in February 2017 and other specific updates provided by the External Auditors.
- Received updates from the Risk Committee.
- Reviewed the Company's Viability Statement.
- Considered the recommendations of the Audit Committee with regards to the external audit tender review which resulted in the Board approving the proposed appointment of KPMG LLP as the Company's External Auditor.

Audit tender

As stated in last year's Annual Report, the Audit Committee agreed to place the external audit out to tender as a result of mandatory firm rotation. I am pleased to say that following the tender review, which was undertaken in January 2017, the Board has approved the proposed appointment of KPMG LLP as the Company's External Auditor for the coming financial year. Further details can be found on page 92.

Chris Girling
Senior Independent
Non-Executive Director

Investor tour
The Executive Team and Head of Corporate Communications regularly conduct investor tours throughout the year. These are essential in providing an understanding of the business and our customers, showcasing our properties and demonstrating the value being delivered from our refurbishment and redevelopment pipeline.

5. Shareholder engagement

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

Activities in 2016/17

- Reviewed reports from the Company's brokers and advisers, outlining shareholder views and providing feedback on Company presentations or events.
- Reviewed the 2016 AGM Shareholder Circular and proxy voting figures.
- During the year, the Chairman of the Remuneration Committee consulted with shareholders on the revised Remuneration Policy being tabled at the AGM in July 2017.
- More information can be found on pages 94 to 105.

Governance in numbers

1
Capital Markets Day.

19
Investor tours.

9
Conferences.

6. Succession planning and Board performance

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

Activities in 2016/17

- Conducted the Board evaluation for the period to 31 March 2017 and reviewed the actions arising from the internal Board evaluation conducted in 2016.
- Conducted a review of succession planning for the Board and Senior Managers.
- Considered and approved the reappointment of Daniel Kitchen and Stephen Hubbard.

Governance in numbers

8

Chris Girling held eight meetings with individual Board and Executive Committee members to discuss the performance evaluation of the Chairman.

Board meeting in action
The Board met formally on nine occasions throughout the year. As part of its programme of meetings, it held its annual strategy day in the Autumn. The strategy of the business remains a key focus for the Board. The strategy day allows the Board to spend extended time, reflecting on the future direction of the business in the context of progress against strategy to date. It is also an opportunity to debate and refine ideas which will inform the business plan and strategy.

Leadership

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

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

Our governance framework, which is shown below, illustrates how our internal processes operate.

The annual Board tour of our properties provides an opportunity for the Board to enhance their understanding of the business first hand. The site visits in March 2017 proved beneficial as the Board engaged with centre staff and customers, which helped them to assess the effectiveness of the current strategy and reinforce and extend their knowledge and understanding of some key properties within the portfolio.

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

The role of the Workspace Group PLC Board
The Board is collectively responsible for the performance and long-term success of the Company, for its leadership, strategy, values, standards, control and management. The key responsibilities of our Board and those matters reserved for its decision are as follows:

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

Matters reserved for its decision
At least once a year the Board reviews the nature and scale of matters reserved for its decision and these include:
- Dividend Policy.
- Company Strategy, business objectives and annual budgets.
- Succession planning for the Board and Senior Management.
- Approval of significant funding decisions.
- Review and approval of corporate transactions.

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

Board and Committee structure

Executive Committee
Number of meetings in 2016/17: 21
More information on page 56.

Investment Committee
Number of meetings in 2016/17: 16
More information on page 80.

Leadership

The Board
Number of meetings in 2016/17: 9
More information on pages 59 to 69.

Effectiveness

Nomination Committee
Number of meetings in 2016/17: 2
More information on page 82.

Accountability

Audit Committee
Number of meetings in 2016/17: 3
More information on page 86.

Risk Committee
Number of meetings in 2016/17: 9
More information on page 81.

Remuneration

Remuneration Committee
Number of meetings in 2016/17: 12
More information on page 94.

To assist the Board in effectively discharging its duties, Directors receive relevant supporting information, which includes, but is not limited to, the monthly Group's financial results, performance reports and risk assessment reports. Equally, the Board routinely considers safety, environmental, ethical and reputational issues, in order to ensure that they are fully reflected in the risk management process. Details of the Group's strategy are set out in the Strategic Report on pages 2 to 47.

Details of the risk management and internal control system can be found on page 93.

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

The Directors are expected to attend all meetings of the Board, the Committees on which they serve and the Annual General Meeting ('AGM'), and to devote sufficient time to the Company's affairs, to enable them to fulfil their duties as Directors. Details of Directors' attendance at each of the Board and Committee meetings during the year ended 31 March 2017 are set out in the table below.

Scheduled meetings and member attendance

	Board	Audit	Remuneration	Nomination
Daniel Kitchen	9/9	–	12/12	2/2
Jamie Hopkins	9/9	–	–	–
Graham Clemett	9/9	–	–	–
Chris Girling	9/9	3/3	12/12	2/2
Damon Russell	9/9	3/3	12/12	2/2
Maria Moloney	9/9	3/3	12/12	2/2
Stephen Hubbard	9/9	3/3	12/12	2/2

Where a Director is unable to attend a meeting, they are provided with papers in advance of the meeting and their comments, as appropriate, are provided to the Board or the Committee Chairman prior to the meeting.

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

Further details of the work of these Committees can be found on pages 82 to 115.

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

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

The activity of each Committee is described on pages 82 to 115.

The Company Secretary is secretary to each Committee.

Division of responsibilities
The roles of the Chairman and Chief Executive Officer
The roles and responsibilities of the Non-Executive Chairman and Chief Executive Officer are separate, with a clear division of responsibilities between them.

As Chairman, Daniel Kitchen, is primarily responsible for the operation, leadership and overall effectiveness of the Board. The Chairman sets the Board's agenda and ensures that important matters, in particular strategic issues, receive adequate time and attention at meetings. The Chairman facilitates the effective contribution of the Non-Executive Directors and ensures all Directors receive accurate, timely and clear information. He is also responsible for effective communication between the Board and shareholders. The Chairman is not involved in an executive capacity in any of the Group's activities.

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

The Chief Executive Officer, Jamie Hopkins, is responsible for leading and managing the business, 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.

Non-Executive Directors
The Non-Executive Directors have a broad and complementary mix of business skills, knowledge and experience acquired across different business sectors. This allows them to provide independent and external perspectives to Board discussions.

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

Senior Independent Director
The Board appointed Chris Girling to the position of Senior Independent Director on 16 July 2014. In performing this role, Chris is available to provide an alternative communication channel for shareholders, if required. He can also deputise for the Chairman in his absence and counsel all Board colleagues.

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

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

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

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

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

The Board operates through a sound risk management and internal control system, details of which can be found on page 93. Detailed below are the main committees that are used by the Board to embed strict corporate governance.

The Board

Executive Directors

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

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

Non-Executive Directors

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

Chris Girling,
Senior Independent Non-Executive Director and Chairman of the Audit Committee
Role: To independently advise the Board, Chris has a detailed knowledge of risk assessment and infrastructure development experience.

Maria Moloney,
Non-Executive Director and Chairman of the Remuneration Committee
Role: Maria brings a wealth of experience from a legal background, as well as property and telecoms.

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

Stephen Hubbard,
Non-Executive Director
Role: Stephen has a wealth of experience in the property sector. As a member of each of the Board Committees he provides further independent advice to the Board.

Company Secretary

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

Board Committees

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

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

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

Internal Committees

Executive Committee

Jamie Hopkins,
Chief Executive Officer
Role: Overall management of the Company strategy, investor relations and daily operations of the Group.

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

Angus Boag,
Development Director
Role: Responsible for the planning and development of properties, managing the portfolio and Corporate Social Responsibility.

Chris Pieroni,
Operations Director
Role: To manage the Company assets, professional services and overall business operations and development.

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

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

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

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

External

Independent Auditors
Role: To audit the financial and non-financial matters within the Group to ensure the Company's compliance with applicable accounting standards, laws and regulation and report to shareholders. As part of its work this year, the Audit Committee has undertaken a competitive tender for the selection and appointment of an External Auditor. This exercise resulted in the appointment of a new External Auditor, KPMG, in January 2017, subject to final approval by shareholders at the next AGM on 14 July 2017. The selection and appointment process is fully described on page 92.

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

The Boardroom

A highly experienced Board bringing sound judgement and objectivity to debates and decision making.

Effectiveness

The Directors bring a diverse set of skills and experience which allows them to provide sound independent advice.

The composition of the Board
As at 31 March 2017, the Board comprised the Chairman, four Independent Non-Executive Directors and two Executive Directors. Further biographical information on each of our Directors can be found on pages 54 and 55, which shows the breadth of their skills and experience and membership of the Committees. All of our Directors have significant experience and knowledge of the sector in which we operate. The Non-Executive Directors bring industry experience from a wide range of backgrounds.

The effectiveness of the Board and its Committees is vital to the success of the Company. The Board considers there is an appropriate balance between Executive and Non-Executive Directors required to lead the business and safeguard the interest of shareholders. The Board's current composition of a Non-Executive Chairman, two Executive Directors and four Independent Non-Executive Directors meets the requirement of the Code for at least half the Board, excluding the Chairman, to be independent Non-Executive Directors.

Independence of Non-Executive Directors
During the year, the Board considered the independence of all of the Non-Executive Directors, save for the Chairman who was deemed independent by the Board at the date of his appointment. It concluded that each Non-Executive Director remained independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. All Non-Executive Directors act in a robustly independent manner and bring constructive challenge to Board discussions and independent decision-making to their Board and Committee duties.

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

The Board believes that no long-standing relationship, which may be deemed to compromise independence has been formed with any of the Executive Directors or Senior Management at Workspace.

The Nomination Committee regularly reviews the composition of the Board to ensure that it has an appropriate and diverse mix of skills, experience, independence and knowledge of the Group. Each Director brings a particular range of skills and expertise to the deliberations of the Board.

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

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

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

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

In accordance with the Code, all Directors wishing to continue will retire and offer themselves for re-election by shareholders at the Annual General Meeting on 14 July 2017.

The Nomination Committee's terms of reference can be found at www.workspace.co.uk.

Further work of the Nomination Committee can be found on pages 82 to 85.

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

Business experience and skills of the Board
The Board currently has seven Directors that bring considerable and diverse experience which enables them to make a valuable contribution to the Group. Their experience, gained from varied commercial backgrounds, includes technology, property, marketing and finance, which enables them to support the executive team in delivering the Company's strategy.

The Board actively considers diversity and believes this to be an important factor when considering appointments to the Board. As part of the recruitment process, the composition of the Board will be kept under review to ensure the best balance of gender, skills and experience is maintained. Further details on our diversity policy can be found on page 28.

The mix and diverse range of skills create a highly effective Board, with the Directors' individual and complementary qualities encouraging a high level of debate at Board meetings.

- Details of the business experience and skills held by each Director can be found in the Directors' biographies section on pages 54 and 55.

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

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

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

Positions held by the Non-Executive Directors are detailed in the section on Directors' biographies on pages 54 and 55.

All Executive Directors are encouraged to take a Non-Executive position in another company or organisation. The appointment to such positions is subject to the approval of the Board which considers, in particular, the time commitment required.

Induction, training and development
All new Non-Executive Directors joining the Board, undertake a formal and personalised induction programme which is designed to give him or her an understanding of the Company's business, governance and stakeholders. This will cover, for example, the operation and activities of the Group (including site visits and meeting members of the Senior Management team), the Group's principal strategic risks; the role of the Board; the decision-making matters reserved to it; the responsibilities of the Board Committees; and the strategic objectives.

We recognise that our Directors have a diverse range of experience, and so we encourage them to attend external seminars and briefings at the Company's expense, in areas considered appropriate for their professional development.

The Company Secretary provides updates to the Board on changes in legal, regulatory and corporate governance matters. The Company's principal external advisers provide updates to the Board, at least annually, on the latest developments in their respective fields.

Information and support to the Board
The Directors have access to independent professional advice at the Company's expense, as well as to the advice and services of the Company Secretary, Carmelina Carfora. Her biography can be found on page 55. Through the Chairman, Carmelina is responsible for advising the Board on matters of Corporate Governance and ensuring that Board procedures are complied with. The Board and its Committees receive high-quality, up-to-date information for them to review in good time before each meeting.

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

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

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

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

Board evaluation

The Board recognises the benefit of annual evaluation, enabling it to improve its effectiveness and that of its Committees and Directors. For the year under review, the performance evaluation was an internal process which was led by the Chairman. No particular matters were identified as requiring specific action and the Board will continue to consider development in corporate governance and best practice.

The outcome of the key recommendations arising from the 2016 effectiveness review can be found below.

Maintain focus on succession planning, resourcing, and training and development needs of Board members.	**Progress during 2016/17:** ✔ Succession planning and the development needs of Board members will continue to be kept under review to ensure stable and consistent governance and leadership. To that end, it is the Board's intention that from 2017, new Non-Executive Directors would join the Board two years prior to existing members reaching the end of their relevant term. Appropriate training and development requirements for Board members will continue to be satisfied through legal and other relevant updates provided by the Company Secretary, Company advisers and through Non-Executive Director training programmes.
Continue the ongoing programme of Board engagement with the business through activities such as site visits.	**Progress during 2016/17:** ✔ A site tour was held in March 2017 as part of the Board's ongoing programme to engage with the business and develop their understanding of operational issues. Please see page 59 for details of the Board tour.

Topics discussed as part of evaluation for the year under review can be found in the Chairman's governance statement on page 49.

The Company Secretary reviewed the responses and discussed them with the Chairman.

The outcomes from this review were discussed as part of the Board meeting in March 2017. The Board agreed that, overall, the Board and its Committees were working well, and that each Director continues to contribute effectively and demonstrate commitment to their roles. Consequently, whilst no real development themes were identified from the 2017 evaluation, the Board will continue to look for opportunities to improve its effectiveness.

Chairman's evaluation

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

Re-election of Directors

All Directors will stand for re-election at the AGM on 14 July 2017. Following the Board evaluation review, the Chairman considers that each Director continues to operate as an effective member of the Board and has the skills, knowledge and experience that enables them to discharge their duties effectively, in fulfilling their duties on the Board and as members of the Board Committees. Consequently, the Board is of the opinion that the Directors seeking re-election at the Annual General Meeting have continued to give effective counsel and commitment to the Company and, accordingly, should be reappointed by the Group's shareholders at the upcoming Annual General Meeting.

Mr Hopkins and Mr Clemett have service contracts and details can be found on page 113. None of the Non-Executive Directors have service contracts.

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

Daniel Kitchen's second term of appointment as Chairman expired on 6 June 2017 and Stephen Hubbard's first term of appointment as Non-Executive Director will expire on 16 July 2017. Following a review of their performance, the Nomination Committee recommended that their appointment should be extended for a further three-year term. This recommendation was agreed by the Board.

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

Biographies for the Directors can be found on pages 54 and 55.

Accountability

Transparency and effective risk management remain a focus.

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

The Group's strategy and business model can be found on pages 18 to 23, and 14 and 15. A statement of the Directors' responsibilities regarding the financial statements is set out on page 120.

Internal control and risk management
The Board has reviewed the Group's system of internal controls and risk management throughout the year. Processes and procedures have been established to enable the Directors to report on the effectiveness of internal controls in compliance with the Code. These processes and procedures involve the analysis, evaluation and management of the key risks to the Group. Further details are contained in principal risks and uncertainties on page 32.

An assessment of the principal risks facing the Company is set out on pages 32 to 39 and key performance indicators are on pages 24 and 25.

Going Concern and Viability Statement
Going Concern disclosures are included alongside the Viability Statement on page 40.

Takeover directive
Share capital structures are included in the Directors' Report on page 117.

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

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

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

Further details on the work of the Audit Committee can be found in the Audit Committee Report on pages 86 to 93. Details of the composition of the Audit Committee are set out on page 87.

Remuneration

Remuneration and performance are aligned.

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

Details of the Directors' remuneration can be found on pages 94 to 115.

Relations with shareholders

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

Shareholder engagement
Workspace believes engagement with shareholders is all important. The Company has a comprehensive investor relations programme, maintaining regular dialogue with its investors, including major institutions and private client fund managers.

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

Digital communication is increasingly used as a means of keeping in touch with shareholders. The investor website is kept up-to-date with RNS announcements, share price performance and information on Workspace's 'Doing the Right Thing' strategy, while Company presentations are also available both on the website and, where appropriate, via a webcast. The Company also engages with shareholders at the Annual General Meeting and at an annual Capital Markets Day, as well as attending several external investor conferences.

The Board receives reports of meetings with institutional shareholders together with regular market and brokers' reports which give the Directors clear understanding of shareholders views and concerns.

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

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

Workspace investor relations programme includes the following activities:

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

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

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

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

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

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

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

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

Frequency: Twice per year.

Overall balance of activities 2016/17

1. Analyst Engagement **3**
2. Investor Roadshows **4**
3. Webcasts **2**
4. Bank & Industry Conferences **9**
5. Investor Tours **19**
6. The Annual General Meeting **1**
7. Capital Markets Day **1**

4. Bank and Industry Conferences

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

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

Frequency: Nine conferences attended this year.

5. Investor Tours

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

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

Frequency: 19 tours conducted per year.

6. The Annual General Meeting

The Annual General Meeting ('AGM') takes place at the Company Head Office and is attended by the full Board of Directors. Details of the resolutions to be proposed at the Annual General Meeting on 14 July 2017 can be found in the Notice of Annual General Meeting which is available at www.workspace.co.uk, and will be dispatched to shareholders who have requested a hard copy of the documentation from the Company. All shareholders are invited to vote on the Resolutions and the results are made available after the meeting and published on our investor website.

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

Frequency: Once a year.

7. Capital Markets Day

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

Why it is important: As well as showcasing the Group's properties, the Capital Markets Day allows Workspace to educate analysts and investors on different aspects of the business and demonstrate how it is driving value and growth from its real estate and customer proposition. Positive feedback was received from the Capital Markets Day in February 2017, with attendees commenting that the deep dive into Workspace's technology proposition was of particular interest and helped them to understand the impact technology has, and will continue to have, on the Real Estate sector.

Frequency: Once a year.

Activities by Executive Committee member 2016/17

Jamie Hopkins
Chief Executive Officer

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

Graham Clemett
Chief Financial Officer

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

Chris Pieroni
Operations Director

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

Angus Boag
Development Director

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

Investment Committee

Activities in 2016/17

1.
Reviewed and approved the disposal of eight properties within the BlackRock Workspace Property Trust in June 2016 for £131m.

2.
Reviewed the proposed acquisition of Fitzroy Street which completed in April 2017 and the disposal of Uplands Business Park in May 2017.

3.
Approved refurbishment and redevelopment activity, including monitoring progress of ongoing projects.

16

The Investment Committee met 16 times during the year ended 31 March 2017.

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

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

The Investment Committee is chaired by Jamie Hopkins.

Given the nature of capital expenditure proposals, business initiatives and projects that are likely to be presented to the Investment Committee, it is also attended by:
- John Robson, Head of Asset Management
- Richard Swayne, Senior Investment Manager
- James Friedenthal, Head of Corporate Development
- Clare Dundas, Head of Corporate Communications
- Mike Webber, Financial Planning and Analysis Manager
- Carmelina Carfora, Company Secretary (Secretary to the Investment Committee)

The Frames
In the heart of Shoreditch, The Frames is a major refurbishment project creating a brand new 50,000 sq. ft. business centre. Completing in 2018, the project will include all the key attributes that characterise a Workspace business centre, including a café, breakout spaces, Club Workspace and meeting rooms, as well as business grade connectivity.

Risk Committee

Role of the Risk Committee
The Risk Committee's responsibilities include, but are not limited, to the following:
- To drive and co-ordinate Workspace policy and procedure and training in relation to risk management.
- To promote and communicate risk management awareness throughout the organisation.
- To challenge Executive Director review and appraisal of risk.
- To co-ordinate and manage a planned annual programme of review and testing of risks and controls aligned to requirements.
- To oversee and advise the Board on the current risk exposures of the Company and future risk strategy.
- To consider the Viability Statement and the related sensitivity analysis and report to the Audit Committee.
- To engage internal or external resources for the review and testing of risks and processes as agreed in the annual plan, or as required.
- To co-ordinate reports and papers for the Board and Audit Committee as required.
- To consider any developments in the external environment or regulation, which may impact on risk considerations.

Composition of the Committee
- Jamie Hopkins, Chief Executive Officer
- Chris Pieroni, Operations Director
- Carmelina Carfora, Company Secretary
- Vivienne Frankham, Head of Finance
- Kate Ankers, Chief Accountant
- David Rees, Finance Manager
- Claire Dracup, Head of Support Services

The Risk Committee is chaired by Jamie Hopkins.

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

The following also attended meetings of the Committee during the year, again by invitation, in order to discuss their risk registers and to contribute to the discussions relating to their respective areas of expertise:
- Chief Financial Officer
- Development Director
- Other senior staff

Activities in 2016/17

1.
Reviewed and discussed the strategic risks for circulation to the Audit Committee and for inclusion in the Annual Report.

2.
Considered the operational risk registers for each functional area and agreed any changes.

3.
Received presentations from Senior Management, concerning controls over certain parts of the business or specific risks.

4.
Agreed an annual internal control review programme which is also circulated to the Audit Committee.

5.
Discussed cyber security risks and agreed to include it as a distinct item in the risk register.

6.
Discussed changes in the regulatory environment and likely impact on the Company.

9

The Risk Committee met nine times during the year ended 31 March 2017.

Nomination Committee Report

Nomination Committee activities in 2016/17

1. Considered Board succession plans.

2. Reviewed the composition of the Board and its Committees.

3. Agreed the extension to letters of appointment for Daniel Kitchen and Stephen Hubbard.

4. Reviewed the Committee's Terms of Reference.

5. Considered and recommended the re-election of each Director at the AGM.

2

The Committee meets as required and did so on two occasions during the year ended 31 March 2017.

	May 2016	Mar 2017
Daniel Kitchen	•	•
Stephen Hubbard	•	•
Maria Moloney	•	•
Chris Girling	•	•
Damon Russell	•	•

• Present Absent

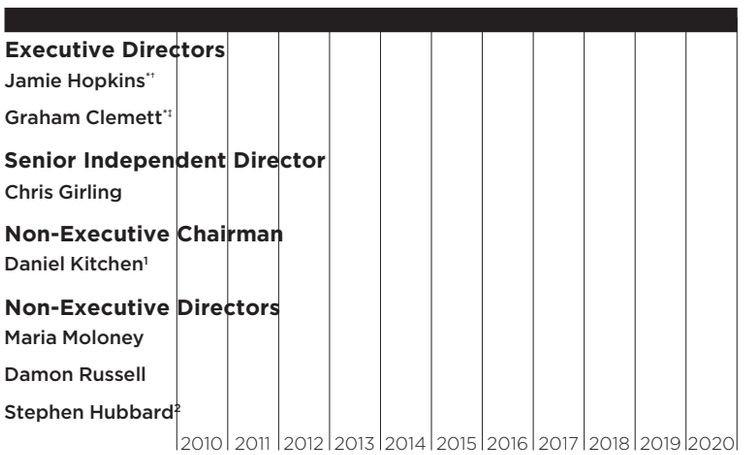
Succession planning

Depth of experience and knowledge of the business underscores the Board's effectiveness.

During the year, the Committee continued to focus on succession planning for both Executive and Non-Executive Directors. In doing so, it considered the tenure, mix and diversity of skills and experience of existing Board members and those required of prospective Board members in the context of the Group's medium and long-term strategy. In doing so, the Committee agreed that as a general principle, new Non-Executive Directors would join the Board two years prior to existing members reaching the end of their relevant term. This will provide for newer Board members to become fully established in their role, whilst ensuring that plans are in place for the Board to secure the orderly and progressive refreshing of its membership.

The Nomination Committee will continue to take a keen interest in succession planning, which includes the Executive Directors, the Executive Committee and Senior Management roles across the business.

Directors' tenure as at 31 March 2017



Initial term Duration of current term

* 12-month rolling contract.
† Appointed Non-Executive Director in June 2010 and Chief Executive Officer in April 2012.
‡ Appointed Chief Financial Officer in July 2007.
1. Daniel Kitchen's second term expires in June 2017. On the recommendation of the Nomination Committee, the Board agreed to extend his term to June 2020.
2. Stephen Hubbard's initial term expires in July 2017. On the recommendation of the Nomination Committee, the Board agreed to extend his term for a further three years, to July 2020.

For dates of letters of appointment and unexpired terms for Non-Executive Directors, see page 113.

For details of Executive Directors service contracts, see page 113.

Role of the Committee
The Nomination Committee considers the structure, size and composition of the Board, advising on succession planning and making appropriate recommendations to ensure that the Board retains an appropriate mix of skills, experience and knowledge in line with our strategy. It is also responsible for reviewing the Group's senior leadership needs.

Composition of the Committee
- Daniel Kitchen – Chairman
- Stephen Hubbard
- Maria Moloney
- Chris Girling
- Damon Russell

For full biographies see pages 54 and 55.

Effective succession planning has been an ongoing priority for the Nomination Committee to ensure that the Board continues to be effective in carrying out its responsibilities.

Daniel Kitchen
Chairman of the Nomination Committee

Dear Shareholder

Welcome to the report of the Nomination Committee for the year ended 31 March 2017. Whilst there have been no changes to the Board during the financial year, the Nomination Committee has continued to support the Board during the year, in ensuring its composition has the right balance of skills, experience, independence and knowledge to best service the business and fulfil the Board's responsibility to shareholders.

Succession planning
An ongoing area of focus for the Committee is succession planning. As Chairman of both the Committee and the Company, I am acutely aware of the need to ensure that there are no gaps in the skills or experience as members of the Board reach the end of their relevant terms. This was discussed by the Nomination Committee during the year and the conclusions reached are summarised on page 82.

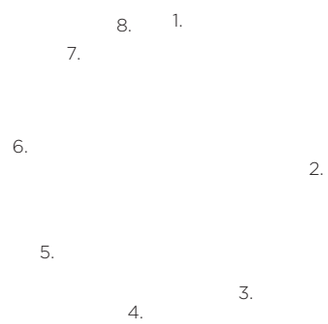
Skills and knowledge of the Board
A key responsibility of the Committee is to ensure that the Board maintains a balance of skills, knowledge and experience appropriate to the operation of the business and required to deliver the strategy. As in past years, the Committee has reviewed the composition of the Board and as part of this review the Committee considered:
- The size of the Board and whether it is of a sufficient size that the requirements of the business can be met;
- Its independence and whether it has the right balance of independent and Non-Executive Directors and Executive Directors;
- Whether Non-Executive Directors are able to commit sufficient time to the Company in order to discharge their responsibilities effectively; and
- The mix of skills, experience and diversity.

Following the review, the Committee is satisfied that the Board continues to have an appropriate mix of skills and experience to operate effectively.

In addition, the Directors collectively have many years of experience, all gained from a broad range of businesses. They collectively bring a range of expertise and knowledge of different business sectors to Board deliberations, which encourage constructive and challenging debate around the Boardroom table.

The Board experience by sector is illustrated below. Further information on the biographies of the Directors can be found on pages 54 and 55.

Board experience



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

Diversity

We are committed to diversity and recruitment decisions will always be based on merit.

The Board	**Male 6**
	Female 1
Senior Management	**Male 15**
	Female 10
All employees	**Male 94**
	Female 109

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

The Committee has noted the recommendations in the Hampton-Alexander Review for a new voluntary target of a third of all Board members in FTSE 350 companies to be women by 2020. Ultimately, our recruitment decisions, at all levels, are driven by the need to ensure the longer-term success of the Company, by appointing the person that most closely matches the requirements for the position, regardless of their background or gender.

Further details on diversity can be found on page 28. Gender diversity of the Board and Company is set out on the page 84.

Corporate Governance
During the year, the Committee also reviewed and agreed Terms of Reference for the Nomination Committee. There were no significant changes made to the existing Terms of Reference. These can be found on our website at www.workspace.co.uk.

Non-Executive appointments and time commitments
In making recommendations to the Board on Non-Executive Director appointments, the Nomination Committee will consider the expected time commitment of the proposed Non-Executive Director, and other commitments they already have to ensure that they have sufficient time available to devote to the Company.

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

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

The Committee conducted a specific review of the independence of Stephen Hubbard in the year, as his three-year appointment is due to expire on 16 July 2017. Stephen was not present during the Committee's discussion. Having conducted its review, the Committee was satisfied that it was appropriate to recommend to the Board that Stephen's appointment should be extended for a further three years, subject to re-election by shareholders at the Annual General Meeting on 14 July 2017.

In accordance with the Code, all Directors wishing to continue in office will retire and offer themselves for re-election by shareholders at the 2017 Annual General Meeting.

Further biographical information on each of our Directors can be found on pages 54 and 55, which shows the breadth of experience brought to our Boardroom table.

Daniel Kitchen
Chairman of the Nomination Committee
6 June 2017

Non-Executive Chairman's performance review

Dear Shareholder
Daniel Kitchen was appointed to the Board in June 2011, and subsequently assumed the role of Chairman at the AGM in July 2011. Consequently, Daniel will complete his six-year term in June 2017. Daniel has indicated his willingness to serve another term as Chairman. Whilst there are no specific requirements about the tenure of the Chairman, consistent with the spirit of the Code and best practice, it was agreed that it would be prudent to review whether Daniel's tenure on the Board continues to be effective. As the Senior Independent Director, the Board asked me to lead this process.

As part of the review of the Chairman, I met with each Board member individually to discuss Daniel's performance as Chairman. From those discussions, it became very clear that there was unanimous support for Daniel given his leadership style and the depth of industry knowledge.

On that basis, we support Daniel Kitchen seeking re-election as Chairman of the Company at the AGM in July 2017.

Chris Girling
Senior Independent Director
6 June 2017

Audit Committee Report

Audit Committee activities in 2016/17

1.
Financial and narrative reporting.

2.
A full tender review of the external audit contract was undertaken during the year.

3.
Portfolio valuation.

4.
Review of risk.

5.
Independence and objectivity of the External Auditor.

6.
Tax and REIT compliance.

7.
Corporate Governance.

3

The Audit Committee met three times during the year ended 31 March 2017.

	• Present		Absent
	May 2016	Nov 2016	Feb 2017
Chris Girling	•	•	•
Maria Moloney	•	•	•
Damon Russell	•	•	•
Stephen Hubbard	•	•	•

The Audit Committee recommended to the Board that following the resignation of PwC after the completion of the March 2017 year end audit as a result of mandatory firm rotation, KPMG be appointed by the Board as External Auditor. This is subject to shareholder approval at the 2017 AGM. The Board accepted the recommendation.

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

Composition of the Committee
- Chris Girling – Chairman
- Maria Moloney
- Damon Russell
- Stephen Hubbard

For full biographies see pages 54 and 55.

The Audit Committee plays a key role in ensuring that Workspace maintains a strong control environment.

Chris Girling
Chairman of the Audit Committee

Dear Shareholder

On behalf of the Audit Committee, I am pleased to present its report for the financial year ended 31 March 2017.

The Audit Committee met three times during the year. Attendance at these meetings is shown in the table on page 71. To ensure compliance with the Code, the Committee's membership is limited to Independent Non-Executive Directors of the Company.

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

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

External Auditor
As reported in last year's Audit Committee Report, the Committee has undertaken a full tender of the Company's external audit contract. I chaired the selection Sub-Committee, and following the outcome of the process in January 2017, I am pleased to report that the Board approved the appointment of KPMG LLP ('KPMG') as the Company's External Auditor for the coming financial year. This appointment remains subject to approval by shareholders at the AGM on 14 July 2017.

Further details on the process we adopted can be found on page 92.

Review of material issues
During the year under review, the Committee has continued to review and report to the Board on the Group's financial and narrative reporting, internal control and risk management processes.

The Audit Committee has a key role in reviewing the narrative reporting and ensuring the financial statements provide a true and fair view of the Group's financial affairs. As part of this review process, we considered the significant financial judgements made during the year along with other key financial reporting issues. In this context, we considered the following two significant issues for which further detail is provided on page 90:
- Valuation of the investment portfolio.
- Compliance with the REIT regime.

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

A description of the main activities and information on the other significant issues that the Committee considered during the year can be found on page 90.

Risk Management
The principal business risks facing the Company, which have been subject to robust assessment by the Board, are set out on pages 32 to 39, and the ongoing review and monitoring of the Group's risk management and internal control systems are described on page 93.

The Audit Committee and the Board have continued to assess the long-term viability of the Company as required by the Code. Further information can be found on page 91 and our Viability Statement is located on page 40.

Audit Committee evaluation
As a Committee we are continually looking at opportunities to improve our effectiveness and better understand the risks and opportunities of the markets in which the Group operates. The Committee conducted an evaluation of its performance, facilitated by the Company Secretary. The topics covered in the review focused on the core business model and risks, the skills and experience of the Audit Committee members, independence of the External Auditors and the quality of interaction with them. The results of the review were then discussed at the meeting held in May 2017. The outcome of this review was positive and the Committee did not identify any material weaknesses in its effectiveness or operations. Accordingly, it was concluded that, consistent with the Code and its own terms of reference, the Audit Committee is discharging its obligations in an effective manner.

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

The External Auditor has the opportunity to meet with the Audit Committee, without any Executive Directors present, whenever necessary and the Audit Committee ensures that this happens at least once a year, in order to receive feedback from them on matters such as the quality of interaction with management.

Governance
In order to ensure ongoing compliance with regulatory developments, the Committee's Terms of Reference are reviewed annually. Whilst the Terms of Reference were reviewed during the year, no significant changes were made and they are available on the Company's website at www.workspace.co.uk.

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

I would also like to thank PwC for the high quality of the audit services they have provided to the Company over many years.

Chris Girling
Chairman of the Audit Committee
6 June 2017

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

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

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

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

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

The Directors are responsible for preparing the Annual Report. At the request of the Board, the Committee also advises and recommends to the Board whether the Annual Report and Accounts, taken as a whole, is 'fair, balanced and understandable' and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Based on its review of the relevant evidence, the Committee was satisfied that the Annual Report and Accounts was fair, balanced and understandable and provided its recommendation to the Board. The Board's statement on the Annual Report and Accounts is set out in the Statement of Directors' responsibilities on page 120.

Main activities of the Audit Committee in relation to the year ended 31 March 2017

The Audit Committee ensures the integrity of financial reporting and audit processes and the maintenance of a sound internal control and risk management system, details of which are described on page 93.

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

Financial and narrative reporting	– Reviewed the full and half year results and associated announcements. – Reviewed the Group's Annual Report and Accounts to consider whether, taken as a whole, they were fair, balanced and understandable and whether they provide the necessary information for shareholders to assess the Company's position and performance. – Received corporate reporting updates and considered the approach to the 2017 Annual Report. – Considered the appropriateness of the Group's accounting policies and practices.
External audit	– Reviewed and agreed the PwC Audit Plan for the year. – Reviewed and considered the PwC Reports to the Audit Committee following the Half Year and Full Year audit. – Discussed the Board Representation Letter. – Reviewed the performance of the External Auditor and the effectiveness of the external audit process. – A full tender review of the external audit contract was undertaken during the year, resulting in the proposed appointment of KPMG for the 2018 year end audit. – Discussed the audit and non-audit fees and independence of the External Auditor, taking into consideration relevant professional and regulatory developments, including mandatory auditor tendering.
Independence and objectivity of the External Auditor	– Considered the adequacy of the Group's procedures with regard to the objectivity and independence of the External Auditor, PwC.
Portfolio valuation	– Considered the full and half year valuation of the Group's property portfolio and the external valuation process. Meetings were held with the external valuers to consider the portfolio valuation.
Taxation and REIT compliance	– Discussed the Group's compliance with REIT legislation and general tax matters.
Corporate Governance	– Received updates from PwC on compliance and changes in Corporate Governance matters. – Considered the appropriateness of the Group's Viability Statement and Going Concern assumption. The Viability Statement and Going Concern is set out on page 40. – Conducted the annual evaluation of the Audit Committee. – Reviewed the Terms of Reference for the Committee. – Received training and technical updates from the Company Secretary and PwC.
Reviewed the principal risks	– Review of the principal business risks, Risk Management and internal controls. Principal risks and Risk Management are set out on pages 32 to 39. – Review of fraud risk. – Review of cyber security risk.

Significant issues considered by the Committee

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

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

Matter considered	Action taken by the Committee
Valuation of the investment property portfolio	The valuation of the investment property portfolio is inherently subjective, requiring significant judgement. The outcome is significant for the Group in terms of its investment decisions, results and remuneration. The valuation is conducted externally by independent valuers. The valuers presented the year-end valuation to the Audit Committee. The Audit Committee reviewed the methodology and outcomes of the valuation, challenging the key assumptions and judgements. In particular, the valuation of Uplands Business Park, was discussed in light of its sale at a premium to book value post year end. The justification for the year end value was considered to be reasonable. The objectivity and independence of the valuers is monitored by the Audit Committee. PwC also met with the valuers and presented their views on the valuation to the Committee, as well as an explanation for how the valuation is audited. Based on the above, the Committee was satisfied that the methodology, assumptions and judgements used by the valuers were appropriate and that the valuations were suitable for inclusion in the financial statements.
Compliance with the REIT regime	As a Real Estate Investment Trust ('REIT'), Workspace must comply with specific rules so as to benefit from the tax exempt status on its property rental income. These rules are complex and the tax exempt status has a significant impact on the Group's business and financial statements. Management monitor REIT compliance on an ongoing basis. As at 31 March 2016, the Group recorded other income of £24.1m relating to the performance fee due at the end of the five-year term of the BlackRock JV. Recognition of this fee caused the Group to fail the 75% Balance of Business test for the prior year. Two consecutive breaches are required for the Group to incur a minor breach. There has been no further breach in the current year and there is no reason to expect that any further breaches will occur and so any impact on the Group's tax exempt status is not expected.

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

Viability Statement process
The Going Concern and Viability Statements can be found on page 40.

Developing a robust Viability Statement
In continued development of the Group's Viability Statement, existing processes were strengthened to ensure risks were identified, understood and reassessed over the period. The following factors were considered:
- The Group's current financial and operational position and the current economic outlook.
- The Group's cash flows, financing headroom and financial ratios.
- Reassessment of key risks and their potential impact on the business model.

The process we undertook

Stage 1

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

- Executive Committee
- Risk Committee
- Senior Management

Stage 2

Risk assessment
For each risk, we considered:
- Our risk appetite (the level of risk the Board is willing to take).
- The controls in place to mitigate the risk.
- The quantum of risk.

- Executive Committee
- Risk Committee
- Senior Management

Stage 3

Scenario modelling analysis
For those risks identified as being severe enough to impact the viability of the Group, we performed sensitivity analysis to understand the potential impact on liquidity and financial ratios.

- Executive Committee
- Senior Management

Stage 4

Conclusions
The Board was presented with the findings from this analysis and given the opportunity to question the process and findings.

- The Board
- Audit Committee
- Executive Committee
- Senior Management
- External Auditors

External audit tender

PwC has been Workspace's auditor since 1988. In last year's Annual Report the Company stated that in order to maintain good governance, it would be placing the external audit out to tender as a result of mandatory firm rotation, with an audit rotation for the following year ending 31 March 2018. The Audit Committee recommended that a tender process would be undertaken during the year under review. The Committee decided that PwC would not be included in the process in the interest of best practice.

Audit tender timetable

2016

November: The Audit Committee resolved to appoint a selection Sub-Committee which was authorised to carry out the tender process and to make its recommendations to the Audit Committee and Group Board. The Sub-Committee comprised of Chris Girling, Chairman of the Audit Committee, Graham Clemett, Chief Financial Officer and Vivienne Frankham, Head of Finance.

November: Meetings held between management and Sub-Committee members to decide on firms to be approached and asked to tender.

November: Meeting between management and Sub-Committee members and audit firms to determine their capabilities and fit with the Company.

November: Agreement of short list of audit firms by the selection Sub-Committee. Confirmation of participation by audit firms.

December: Issue of tender documents and supporting information to the participating firms. A series of management meetings were held with the short list of firms and site visits were also undertaken.

2017

January: Receipt and review of tender documents by the Sub-Committee.

January: Presentations were made to the selection Sub-Committee from each of the prospective firms.

January: Recommendation for the appointment of the new auditor at the next AGM was made to the Audit Committee and the Board for approval.

April: Induction period commenced with KPMG shadowing PwC during the 2017 year end process.

Selection Criteria and timetable

A proposed timetable for the tender process was agreed. Key factors in determining the timetable were the ability to identify a new External Auditor in time to allow the successful firm to shadow PwC during the year end process.

A number of firms were considered, including both from large and small firms. The selection Sub-Committee then prepared a list of key selection criteria and decided which firms would be invited to participate in the tender process.

The key selection criteria included:
- Quality and cultural fit of the lead partner and key members of their team;
- Approach to client services and quality of the audit;
- Audit approach and experience of the real estate sector;
- Technical expertise and a pragmatic, commercial approach to resolving issues;
- Independence of the audit firm; and
- Proposed audit transition plans.

Firms invited to tender

Two firms were short listed and invited to tender. They were each asked to prepare a detailed proposal document which included:
- Their approach to ensuring overall audit quality.
- Background and experience of the firm, lead partner and team.
- Their approach to managing the audit including matters of judgement, new and arising audit topics and the transition to a new audit team.

As part of the tender process, the firms were invited to a series of meetings with Senior Managers of Workspace.

Selection of the new External Auditor

Following a detailed review of the tender documents submitted by each of the audit firms and their presentations and taking into account views of colleagues who had met with each audit firm, the selection Sub-Committee identified KPMG as the proposed new External Auditor.

The Audit Committee recommended to the Board that following the resignation of PwC after the completion of the March 2017 year end audit, KPMG be appointed by the Board as External Auditor, subject to shareholder approval at the 2017 AGM. The Board accepted the recommendation.

The Company intends to put the external audit out to tender every 10 years in the future.

As KPMG will be appointed after the 2016/17 financial year, a full effectiveness review will be conducted later in 2018, following completion of its first full audit cycle.

Internal audit

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

Audit fees

Details of audit and non-audit fees paid to PwC can be found in note 2 on page 134.

Effectiveness of the External Auditor

Annually, the Committee assess the qualifications, expertise, resources, and independence of the Group's External Auditors, as well as the effectiveness of the audit process. It does this through discussion with the Chief Financial Officer and confirmations from the External Auditor.

PricewaterhouseCoopers LLP has confirmed to the Committee that:
- The audit of the consolidated financial statements is undertaken in accordance with the UK Firm's internal policies and procedures to ensure the objectivity of their audit report.
- They have internal procedures in place to identify any aspects of non-audit work which could compromise their role as auditors and to ensure the objectivity of their audit report.
- They believe that, in their professional judgement, the safeguards they have in place sufficiently guard against the threats to independence. Consequently, PwC consider that they have maintained their auditor independence throughout the year.

The Committee are satisfied that the Auditors are independent and that the audit process is effective.

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 Group uses the External Auditor for relevant financial work for a variety of reasons, including their knowledge of the Group and understanding of our sector, the audit-related nature of the work and the need to maintain confidentiality.

At each meeting, the Audit Committee is advised of any significant non-audit work awarded to the External Auditor since the previous meeting and the related fees. At the annual May meeting, the Audit Committee receive a report of fees, both audit and non-audit, from PwC for the past financial year. The Committee has considered in detail the nature and level of non-audit services provided by PwC and the related fees. The Committee may challenge and in some instances refuse proposals in respect of non-audit work to be performed by the External Auditor.

The Audit Committee considered a formal policy specifying the types of non-audit service for which use of the external auditor is pre-approved. This is in response to the 'Guidance on Audit Committees' issued by the Financial Reporting Council ('FRC') in April 2016. Consequently, it was agreed that all non-audit work and fees would be reported to the Audit Committee.

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

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

The Audit Committee specifically will not allow the auditors to:
- Provide accounting or book-keeping services.
- Prepare financial statement disclosure items.

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, the Committee Secretary and the Chairman of the Audit Committee. For larger assignments in excess of £100,000 this would involve a competitive tender process, unless there are compelling commercial or timescale reasons to use the External Auditor or another specific accountancy firm.
- It does not accept significant contingent fee arrangements with the External Auditors.

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

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

A familiarity threat
This is where, because of a too long or too close a relationship, the External Auditor's independence is affected.

- The Audit Committee will prohibit the hiring of former employees of the External Auditor associated with the Group's audit into management roles with significant influence within the Group within two years following their association with the audit, unless the Chairman of the Audit Committee gives prior consent. Annually, the Audit Committee will be advised of any new hires caught by this policy. However, there have been no instances of this occurring.
- The Audit Committee will monitor on an ongoing basis the relationship with the External Auditors, to ensure their continuing independence, objectivity and effectiveness by reviewing their tenure, quality and fees.

Management threat
This occurs when the audit firm performs non-audit services and management make judgements based on that work.

- The Group will not use PwC for any services which would be considered management responsibility.

Risk management and internal control

The Audit Committee has a key role in ensuring appropriate governance and challenge around risk management. It also sets the tone and culture within the organisation regarding risk management and internal control.

Key elements of the Group's system of internal control include:
- a comprehensive system of financial reporting.
- an organisational and management Board structure with clearly defined levels of authority and division of responsibilities.
- a Risk Committee, which is chaired by the Chief Executive Officer and is attended by representatives from Senior Management and operational staff.

The Risk Committee formally reports to the Audit Committee at least twice a year on strategic and key operational risks, emerging issues and any internal control review work undertaken.

The Group aims to continuously strengthen its risk management processes with the involvement of the Audit Committee to ensure these processes are embedded throughout the organisation. The Audit Committee has reviewed the Group's system of controls including financial, operational, compliance and risk management during the year with no significant failings or weaknesses identified.

However, any such system can only provide reasonable and not absolute assurance against any material misstatement or loss.

Further information on the Group's risks is detailed on pages 32 to 39.

Whistleblowing

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

Code of Conduct

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

Chris Girling
Chairman of the Audit Committee
6 June 2017

Directors' Remuneration Report

Remuneration Committee activities in 2016/17

Policy review

- **Conducted a comprehensive review of executive remuneration in preparation for the Group's second binding vote on the new Remuneration Policy at the July 2017 AGM.**
- **Consulted with shareholders and governance bodies on the proposed new Remuneration Policy.**

Operational

- **Determined salary and benefits for the Executive Directors and monitored the relationship between pay and benefits of other employees.**
- **Operation of the annual bonus scheme, including setting of performance targets and objectives for the year ahead.**
- **Determined awards under the annual bonus scheme for Executive Directors and reviewed the awards of other employees in the Group.**
- **Ratified the vesting of the 2013 LTIP award.**
- **Determined the annual LTIP awards and reviewed the performance conditions for the 2016 Awards.**
- **Reviewed and approved the Annual Remuneration Report for inclusion in the Annual Report.**

Advisors and best practice

- **Appointment of new advisor.**
- **Monitored remuneration advisor and fees.**
- **Considered and adopted emerging best practice in remuneration and reporting.**
- **Reviewed the terms of reference of the Committee.**
- **Reviewed the effectiveness of the Committee through the evaluation process, which, for the year under review, was conducted internally.**

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The Remuneration Committee met 12 times during the year ended 31 March 2017.

• Present Absent

	Apr 2016	May 2016	Jun 2016	Jul 2016	Sep 2016	Oct 2016	Nov 2016	Jan 2017	Feb 2017	Mar 2017
Maria Moloney	•	•	•	•	•	•	•	•	•	•	•	•
Daniel Kitchen	•	•	•	•	•	•	•	•	•	•	•	•
Chris Girling	•	•	•	•	•	•	•	•	•	•	•	•
Stephen Hubbard	•	•	•	•	•	•	•	•	•	•	•	•
Damon Russell	•	•	•	•	•	•	•	•	•	•	•	•

Role of the Committee
The Remuneration Committee met formally on 12 occasions during the year under review. Attendance by individual Committee members at meetings is detailed on page 71.

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.

Composition of the Committee
- Maria Moloney – Chairman
- Daniel Kitchen
- Chris Girling
- Stephen Hubbard
- Damon Russell

For full biographies see pages 54 and 55.

On the following pages we set out:
- the Annual Report on Remuneration (pages 106 to 115), which includes this letter and which will be subject to an advisory vote at our AGM on 14 July 2017; and
- our revised Remuneration Policy (pages 100 and 105), which we will be asking you to formally approve at the AGM.

A new simplified Remuneration Policy provides the framework to appropriately incentivise our high-calibre executive team to continue to drive Company success and market-leading returns for our shareholders.

Maria Moloney
Chairman of the Remuneration Committee

Letter from the Chairman of the Remuneration Committee

Dear Shareholders

A very active year
This last year has been one of considerable activity for the Workspace Remuneration Committee. Our revised Policy is being presented for Shareholder approval at the July 2017 AGM as the Policy approved by Shareholders in July 2014 will have reached the end of its three-year approval period. This current Policy has operated effectively and provided rewarding alignment between the Executive Directors and our Shareholders. However, as the Company has grown considerably over these three years and as we continuously aim to be fully up to date with regulatory developments, we have conducted a comprehensive review of our Remuneration Policy over the past year to ensure that the Policy will continue to be closely linked to the strategic priorities of the business.

I will cover the key elements of the proposed new Policy later in this letter but first of all, I would like to outline the key remuneration themes.

Ethos
The Committee considers its main objective is to help promote the long-term success of the Company, by:
- Supporting an effective pay for performance culture which allows us to retain, motivate and attract highly skilled executives, who have a clear purpose and the necessary calibre to execute the Company's strategy of driving both strong growth and financial returns for our Shareholders.
- Achieving a strong alignment between Executive and Shareholder interests when deciding on executive remuneration. The Committee receives a report setting out the remuneration levels, proposed discretionary bonus and LTIP awards for Senior Managers.
- Promoting a long-term ownership culture by encouraging the acquisition and retention of shares amongst the Executive Directors and members of the Executive Committee.
- Keeping in touch with all regulatory debates and developments and with wider stakeholder views, including with Government pronouncements on remuneration, as well as with our external advisers to ensure that we are totally au fait with the constantly changing regulatory environment.

We have worked hard as a Committee to ensure that our new Remuneration Policy, outlined below, supports our ethos so that rewards are in line with the Company's fundamental aims and principles.

Reward philosophy tied to business strategy
Our key objective is to achieve an appropriate balance between fixed and variable remuneration based on short and long-term performance criteria which are tied to the strategy and risk appetite of the Company.

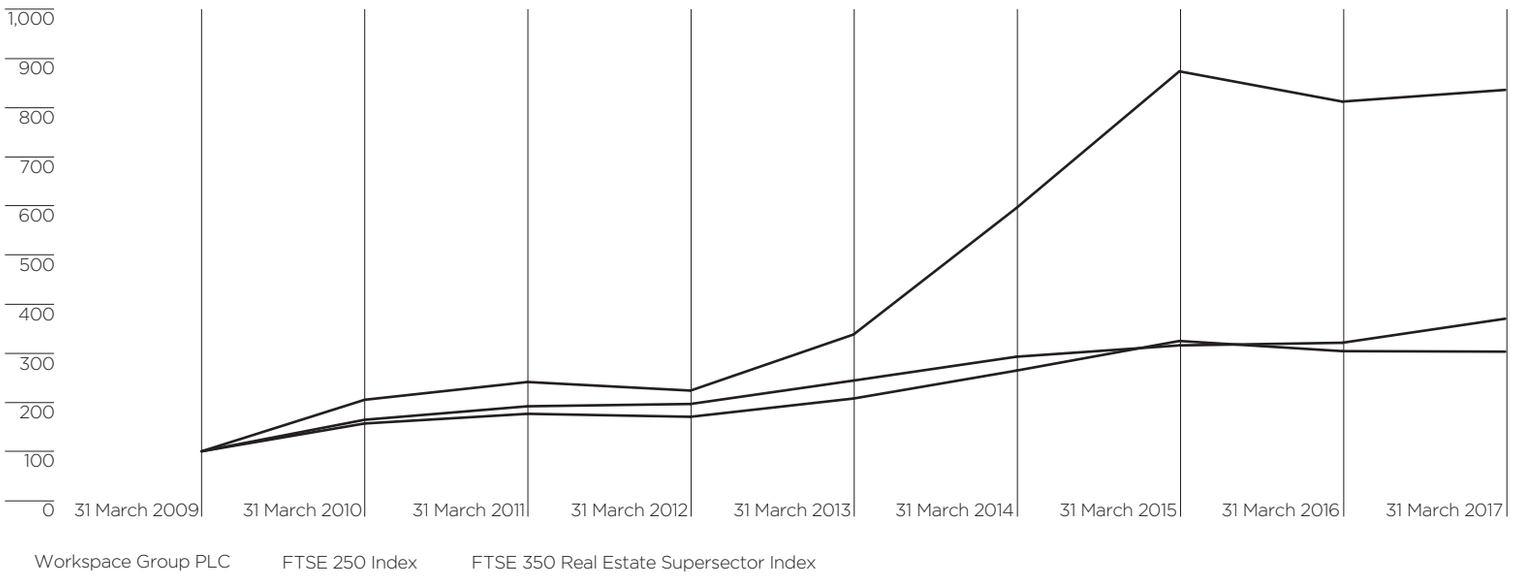
Each year we set a range of stretching core performance metrics aligned to our strategic priorities. A view of the overall performance is taken by looking at the delivery of individual performance objectives.

As well as the annual performance measures outlined on page 103 the remaining measures in the annual and long-term incentive plan (page 110) are also tied to the Company's strategic approach. In this way, rewards are achieved by successful delivery of the short and long-term objectives which deliver strong returns and value for our Shareholders.

2016/17 Continued robust performance
Once again, the business has delivered a very solid operational and financial performance, with our results meeting and exceeding expectations across many of our KPIs.

- Despite a challenging macro environment, the differential advantages of our successful business model have allowed us to, once again, capture the strong demand for high-quality, managed office space.
- The business out performed against the profit, total return and customer satisfaction measures under the annual bonus as outlined on page 108. This has resulted in bonuses paying out at 120% of salary for both Executive Directors. 33% of the bonus will be deferred into shares for three years.
- We have delivered trading profit after interest of £50.7m, with the Board approving a 40% increase in the final dividend this year as a result.
- Over the LTIP performance period, Workspace Absolute Total Shareholder Return has been 13.2% p.a, which is once again, one of the highest among London office players. Please see the TSR chart below.
- For the 2014 LTIP, we achieved performance above upper quartile against both relative TSR and relative NAV, resulting in maximum payouts under these measures and an overall vesting level of 88.7% of maximum.

Eight-year Total Shareholder Return



2017-2020 The proposed Remuneration Policy
I outline below the outcome of our work on the proposed new DRR, which has included an extensive Shareholder consultation covering over 70% of the share register and their representative bodies. I would like to thank those who provided feedback to the Committee.

The full details of the proposed changes are set out on pages 100 to 106. We have again included an 'at a glance' summary which includes remuneration in respect of 2016/17 (see page 98) and the proposed implementation of Policy in 2017/18 (see page 99). We have also provided an overview of the wider context of remuneration on page 107.

In the proposed new Remuneration Policy, there will be no changes to the overall quantum of reward. We are, however, proposing the following changes to the Policy to simplify and align it with best practice.

Simplification/clarity/transparency
We are proposing to:
- Simplify our long-term incentives by removing the matching plan so that under the new Policy, only an annual bonus and a single Long Term Incentive Plan (LTIP) are operated.
- Remove the link between the annual bonus and the long-term incentive by removing the matching/co-investment element.
- Maintain incentive maximums at current levels. The annual bonus will remain at a maximum of 120% of salary and the LTIP maximum opportunity will be 200% of salary (previously 100% of salary Performance Shares plus 100% of salary Matching Shares).

Alignment with shareholder best practice
- Shareholding guidelines will be increased from 150% of salary to 200% of salary.
- The holding period on the LTIP will be increased from one to two years.
- The time period during which malus and clawback provisions can be applied will be increased under both the annual bonus and the LTIP, as you will see in the 'at a glance' section on page 99.
- Bonus deferral will be increased from 25% to 33% of the total bonus.
- The Remuneration Committee is aware of Shareholder concerns regarding Executive Director pension provisions. As a result, the Committee considered it appropriate to remove the exceptional maximum which formed part of the existing Policy and instead agreed to maintain a maximum pension provision of 16.5% p.a. in the new Policy.

Performance alignment
- No changes are proposed to the performance measures used for the annual bonus as we are happy that the current measures are providing a good balance of rewarding the operational excellence achieved over recent years, together with the strengthened customer relationships and deep market knowledge, all of which are foundations for our future growth.
- The structure will be simplified by removing the multiplier and switching to an additive approach.
- For the LTIP, we have introduced a combination of Total Shareholder Return ('TSR') and Total Property Return ('TPR'), a balance which underlines our strategy of driving income growth and enhancing Shareholder value over the long term.
- We have extended the underpin for the LTIP.

In conclusion
Another very successful year and a Remuneration Policy fit for the future and for the continued long-term sustainability of the business.

As a Committee, we always aim to make the Remuneration Report as clear, concise and straightforward as possible. We were pleased that the 2015/16 Remuneration Report, received 99.28% support from Shareholders at the AGM last year.

The Committee takes our duty to Shareholders extremely seriously and continues to encourage an open and constructive dialogue with Shareholders and their representative bodies. We will consult with major Shareholders on any material changes to the Remuneration Policy or how it is implemented.

The Board and the Committee are fully aware that performance and value for Shareholders do not come from remuneration alone. However, as part of good corporate governance, it forms an integral part of our ethos to support the corporate drive of our strong leadership team and the success of our focused business model. As such, we recommend the revised Policy to Shareholders.

Maria Moloney
Chairman of the Remuneration Committee
6 June 2017

Remuneration Report at a glance

Business context

2016/17 out-turns against KPIs

15.5%
Trading profit after interest
Up 15.5 % to £50.7m

2.4%
Total return of 2.4% greater than the IPD Benchmark

88%
Customer satisfaction

3.3%
Net Asset Value per share
Up 3.3% to £9.53

40%
Final dividend per share
Up 40% to 14.27p

13.2%
Absolute TSR achieved p.a over the three financial years to 31 March 2017 which is the performance period for the 2014 LTIP

The Remuneration Report is colour-coded as follows:

Fixed elements:

Fixed elements
- Salary
- Benefits
- Pension

Variable elements:

SIP/SAYE

Annual bonus

Long Term Incentives

Shareholding:

Shareholding guidelines

Remuneration in respect of 2016/17

Below is a summary of the remuneration earned by Executive Directors during the 2016/17 financial year.

Fixed components

Jamie Hopkins, CEO

Fixed pay
£468,000 (effective from 1 April 2016)

Pension
16.5% of base salary

Benefits
Benefits include car allowance, private health insurance and other benefits

Graham Clemett, CFO

Fixed pay
£286,000 (effective from 1 April 2016)

Pension
16.5% of base salary

Benefits
Benefits include car allowance, private health insurance and other benefits

Variable components

Annual bonus out-turn
Maximum of 120% of salary. 33% of bonus subject to three-year deferral.

CEO – Jamie Hopkins	120% of base salary
CFO – Graham Clemett	120% of base salary

Performance measures

Trading profit after interest (50% of salary) + Total Property Return (30% of salary) + Customer satisfaction (10% of salary) x Personal performance multiplier (0.67 to 1.33)

Total Financial (% of maximum)

x **Personal performance multiplier**
(0.67x to 1.33x)
CEO: 1.33
CFO: 1.33

See page 108.

2014 LTIP Vesting
Performance Shares
Maximum of 100% of base salary. Vested awards subject to one-year holding period.

CEO – Jamie Hopkins	88.7% of maximum
CFO – Graham Clemett	88.7% of maximum

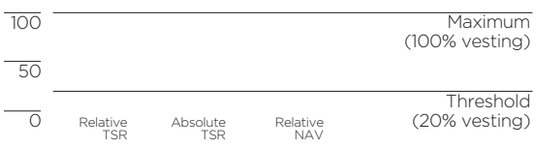
Matching Shares
Maximum of 100% of base salary, subject to investment. Vested awards subject to one-year holding period.

CEO – Jamie Hopkins	88.7% of maximum
CFO – Graham Clemett	88.7% of maximum

Performance measures

Absolute TSR (1/3 of LTIP) + Relative TSR (1/3 of LTIP) + Relative Net Asset Value (1/3 of LTIP)

Total Financial (% of maximum)



Shareholding guidelines

Shareholding guidelines for Executive Directors of 150% of salary.

Proposed implementation of Policy in 2017/18

Below is a summary of how we propose to pay our Executive Directors in 2017/18.

The overarching objectives of the new Policy are:

Simplification + **Shareholder alignment** + **Performance alignment**

Fixed components

Jamie Hopkins, CEO

Fixed pay
£479,700 (increased by 2.5%)

Pension
No change to pension provision of 16.5% of salary

Benefits
No change to benefits

Graham Clemett, CFO

Fixed pay
£293,200 (increased by 2.5%)

Pension
No change to pension provision of 16.5% of salary

Benefits
No change to benefits

Variable components

Annual bonus
- Maximum opportunity remains unchanged: 120% of salary.
- No change to performance measures.
- Removal of personal performance multiplier and move to an additive approach:

Performance measures

Trading profit after interest: (60% of salary) + Total Property Return: (24% of salary) + Customer satisfaction: (12% of salary) + Personal performance: (24% of salary)

- Deferral increased to 33% of any bonus earned (previous policy of 25%) deferred for three years.
- Malus and clawback extended to the end of three-year deferral period.

Long-Term Incentive Plan
- Removal of matching plan and co-investment element.
- Total maximum opportunity remains unchanged: 200% of salary.
- Change in performance measures:

Performance measures

Total Shareholder Return vs. FTSE 350 Real Estate: (50% of LTIP) + Total Property Return vs. IPD: (50% of LTIP)

- Holding period extended to two years.
- Malus and clawback extended to the end of the holding period.

Shareholding guidelines

Increased to 200% of salary.

Directors' Remuneration Policy

This section sets out the Director's Remuneration Policy. A binding Shareholder resolution to approve this section will be proposed at the 2017 Annual General Meeting ('AGM') of the Company on 14 July 2017. The Policy will be effective from the 2017 AGM subject to Shareholder approval and will be available to view at www.workspace.co.uk/investors in the corporate governance section.

Summary of Policy design changes
The main structural changes to the Remuneration Policy, from the previous Policy approved by Shareholders at the 2014 AGM, and as described in the Chairman's letter, are as follows:

Simplification

- We are proposing to remove the matching/co-investment element of our incentive structure.
- We will operate only an annual bonus and a single Long-Term Incentive Plan ('LTIP').
- There will be no increase to the total incentive opportunity:
  - The annual bonus opportunity will remain at a maximum of 120% of salary.
  - The usual LTIP opportunity will be a maximum of 200% of salary (previously 100% of salary performance shares plus 100% of salary matching shares). The exceptional maximum limit will remain unchanged.
- The maximum pension provision will remain unchanged at 16.5% p.a. and the ability to provide a higher provision in exceptional circumstances is being removed.

Shareholder alignment

- The deferral of any bonus earned has been increased to 33% of the bonus earned from 25% of bonus earned. There is no change to the three-year deferral period.
- Holding period on LTIP increased from one year to two years and applies to all shares vesting.
- Shareholding guidelines have been increased to 200% of salary from 150% of salary for all Executive Directors.

Performance alignment

- Extending the time period over which malus and clawback provisions can be applied to the end of the deferral period for the annual bonus and to the end of the holding period for the LTIP.
- This means that malus/clawback extends to three years for the whole of the annual bonus and two years from vesting for the LTIP (previously only one year for annual bonus and LTIP).
- The changes to performance measures for the 2017 LTIP award and 2017/18 annual bonus are as follows:
  - Annual bonus – Removing the personal performance multiplier and moving to a simpler additive approach.
  - LTIP – Performance measures based on Total Shareholder Return (TSR) and Total Property Return (TPR).
  - LTIP – Extension of underpin to apply to both elements (previously TSR only).
- Dividend equivalents may be accrued on awards under the deferred bonus plan and LTIP.

Consideration of Shareholder views
The Committee is committed to ongoing dialogue with Shareholders and welcomes feedback on Directors' remuneration. As part of the Policy review the Committee consulted with major Shareholders and investor bodies. In total we consulted with Shareholders who held, in aggregate, over 70% of the Company's issued share capital. The Committee was pleased with the support received.

Remuneration Policy table

The table below describes the Policy in relation to the components of remuneration for Executive Directors.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary To reflect market value of the role and an individual's experience, performance and contribution.	Salaries are normally reviewed annually. Salary levels take account of: – The individual's role, performance and experience. – Business performance and the external economic environment. – Salary levels for similar roles at relevant comparators. – Salary increases across the Group.	Base salary increases are applied in line with the outcome of the review. There is no prescribed maximum. Salary increases for Executive Directors will typically be in line with those of the wider workforce. Increases may be above this level where the Committee considers it appropriate including (but not limited to) 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.	Both Company and individual performance are considered when setting Executive Director base salaries.
Pension To provide market competitive pensions.	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.	None
Benefits 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 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. There is no overall maximum.	None
Annual bonus To reinforce and reward delivery of annual strategic business priorities, based on performance measures relating to both Group and individual performance. Bonus deferral provides alignment with Shareholder interests.	A portion of the annual bonus is deferred into shares, typically for a period of three years. The minimum deferral is normally 33% of bonus earned. Dividend equivalents may be accrued on deferred shares. The Committee may apply malus and clawback in circumstances of gross misconduct, material misstatement of the Group's results, or an error in calculation, up to the end of the deferral period.	The maximum bonus potential for Executive Directors is 120% of salary p.a. The maximum opportunity is unchanged from the 2014 Policy.	Performance is measured relative to financial, operational, strategic and individual objectives in the year aligned with the Company's strategic plan. Performance measures and weightings are reviewed each year to ensure they remain appropriate and reinforce the business strategy. At least 60% of the total bonus will be based on financial measures. Bonus awards are at the Committee's discretion and the Committee will consider the Company's performance in the round. The Committee may override the formulaic bonus outcome within the limits of the plan where it believes the outcome is not reflective of performance, to ensure fairness to both Shareholders and participants. The bonus pays out on a straight-line basis from threshold to 100% at maximum performance.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
LTIP To reward and align to the delivery of sustained long-term sector outperformance and to align the interests of participants with those of Shareholders.	The Committee may grant annual awards of Performance Shares. Awards may be in the form of nominal or nil priced options or conditional shares, which normally vest after three years, subject to performance conditions. The performance period is usually three years and runs from the start of the financial year in which the awards are granted. Vested shares are normally subject to a further two-year holding period. The Committee has discretion to apply malus and clawback to awards in circumstances of gross misconduct, material misstatement of the Group's results, or an error in calculation, up to the end of the holding period. Dividend equivalents may be accrued on shares in respect of the performance and holding period.	Normal maximum award of up to 200% of salary per annum. An award of 300% of salary per annum may be made in exceptional circumstances. The maximum opportunities are unchanged from the 2014 Policy.	Performance share plan awards will be based on a combination of financial, share price and strategic measures aligned with the Company's strategic plan. For 2017 awards the performance measures will be: – 50% Total Shareholder Return (TSR) relative to FTSE 350 property companies. – 50% Total Property Return (TPR) versus IPD. A performance underpin will apply which allows the Committee to reduce vesting if performance is inconsistent with the overall performance of the business. For threshold performance, vesting is typically 20% of maximum. The Committee may, in the context of the underlying business strategy, use different measures and/or vary the weightings of the measures. The Committee would consult with major Shareholders prior to making any significant changes.

Shareholding guidelines
Shareholding guidelines of 200% of salary.

Legacy share awards
Payments can also be made to Executive Directors in respect of awards made prior to 14 July 2017 under the legacy LTIP plan which had both the Performance Share and Matching Share elements. These were the arrangements prior to the new LTIP.

The table below sets out the main elements for Non-Executive Directors' remuneration:

Purpose and link to strategy	Key structural changes	Performance metrics
Fees To reflect the time commitment in performing the duties and responsibilities of the role.	The Chairman receives an annual fee. Non-Executive Directors receive an annual base fee. 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. Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, including any tax due on the expenses. Non-Executive Directors do not normally receive any benefits, however these may be provided in the future if in the view of the Board this was considered appropriate. Total fees paid to Non-Executive Directors will remain within the limit stated in the Articles of Association.	None

Notes to the Remuneration Policy table
Share awards will be operated in accordance with the rules of the relevant plan. In accordance with those rules, the Committee has discretion in the following areas:

- In the event of a variation of share capital or a demerger, delisting, special dividend, rights issue or other similar event which may, in the Committee's opinion, affect the current or future value of shares, the number of shares subject to an award and/or any performance condition attached to awards, may be adjusted.
- The Committee may determine that awards may be settled in cash.
- The Committee may determine the basis on which dividends will be calculated which may include notional reinvestment.

The Committee may increase the time horizons for deferral or holding periods.

Performance measures and targets
As part of the review of the Policy, the Committee gave careful consideration to performance measures and targets for incentives to ensure that they are aligned to the Company's strategy and to performance for our Shareholders.

The annual bonus measures are intended to provide a good balance of rewarding operational excellence, customer relationships and building deep market knowledge which are the foundations of the Company's future growth.

For the LTIP, the performance measures for the 2017 award will be Total Shareholder Return performance against other FTSE 350 property companies, and Total Property Return versus IPD. The Committee believes that the balance of the two measures selected is well aligned to the Company's strategy of driving income growth and enhancing Shareholder value over the longer term, and continued out-performance for our Shareholders. The Committee considered it important to include an underpin based on underlying performance of the business.

The Committee may, in the context of the underlying business strategy, use different performance measures and/or vary the weightings of the measures. Major Shareholders would be consulted prior to any significant changes.

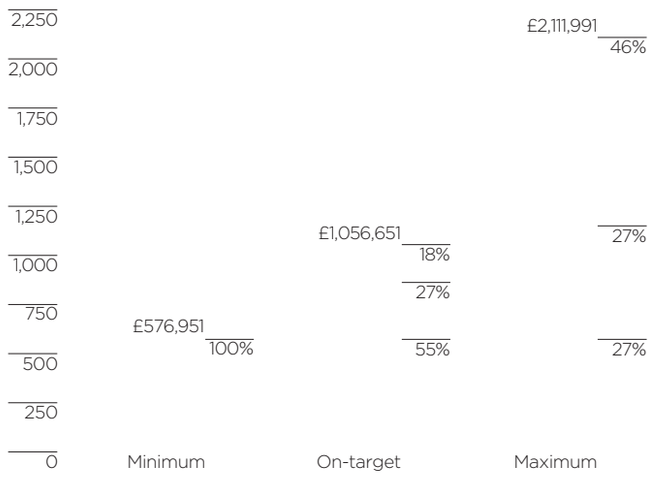
The Committee will set Group financial targets for the annual bonus with reference to the prior year and forward-looking business forecasts, ensuring the levels of performance required are appropriately challenging. The LTIP targets for the 2017 award will be based on threshold vesting for median performance and maximum vesting for upper quartile performance.

The measurement of performance against performance targets is at the Committee's discretion, which may include appropriate adjustments to financial or non-financial elements and/or consideration of overall performance in the round.

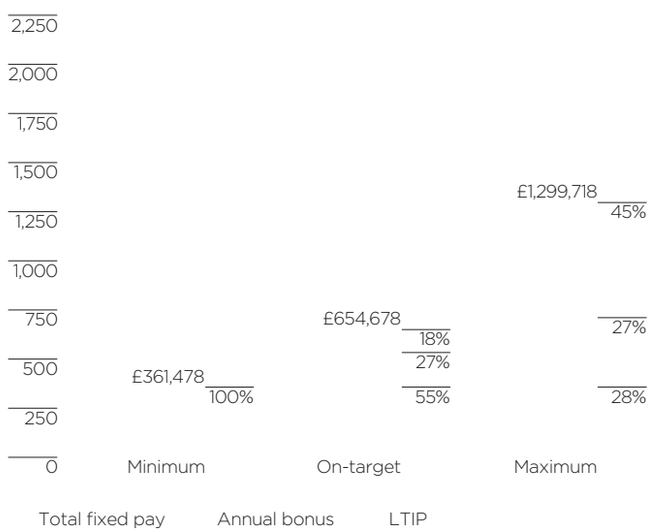
Performance conditions and targets may be varied if an event occurs or circumstances arise which cause the Committee to determine that they have ceased to be appropriate. If they are varied, they must, in the opinion of the Committee, be fair, reasonable and materially no less difficult than the original condition when set.

Illustrations of future application of Remuneration Policy
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'.

Chief Executive Officer (£'000)



Chief Financial Officer (£'000)



Minimum	Fixed remuneration (salary, pension and benefits) only. No bonus award or LTIP vesting.
On-target	Fixed remuneration. 50% of maximum bonus award. 20% of maximum LTIP vesting which would represent median performance.
Maximum	Fixed remuneration. 100% of maximum bonus award. 100% of maximum LTIP vesting.

No assumptions on share price growth or dividends have been included in the charts above.

Recruitment and promotion policy

The Committee will appoint new Executive Directors with a package that is in line with the Remuneration Policy in place and agreed by Shareholders at the time.

Component	Approach
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. Base salary may be higher or lower than the previous incumbent. Salaries may be set at an initially lower level with the intention of increasing salary at a higher than usual rate as the executive gains experience in the role.
Pension	New appointees will be eligible to participate in the Group's defined contribution pension plan or receive a cash alternative, in line with the Policy.
Benefits	New appointees will be eligible to receive benefits in line with the Policy, including relocation benefits if appropriate.
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. The Committee retains the flexibility to determine that for the first year of appointment any annual incentive award will be subject to such terms as it may determine.
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.

The maximum aggregate value of incentives (excluding buyouts) on appointment will be in line with the aggregate maximums in the Policy table.

To facilitate recruitment the Committee may need to 'buy out' remuneration forfeited on joining the Company. This will be considered on a case-by-case basis and may comprise cash or shares. In general:

- If such remuneration was in the form of shares, compensation will be in the Company's shares.
- If remuneration was subject to achievement of performance conditions, compensation will normally be subject to performance.
- The timing of any compensation will, where practicable, match the vesting schedule of the remuneration forfeited.

The over-riding principle would be that the value of any replacement buy out awards should be no more than the commercial value of awards which have been forfeited.

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. Similarly, if an Executive Director is appointed following a merger or an acquisition of a company by Workspace, legacy terms and conditions may be honoured.

For interim positions a cash supplement may be paid rather than salary (for example a Non-Executive Director taking on an executive function on a short-term basis).

In the case of appointing a new Non-Executive Director, the Committee will follow the Policy as set out in the Policy table.

Service contracts

The Executive Directors are employed under contracts of employment with Workspace Group PLC. Executive Directors have service contracts with a notice period of 12 months from the Company and the Executive Director. For new appointments notice periods would not exceed 12 months.

The Chairman and Non-Executive Directors have letters of appointment. The notice period for the Chairman is 6 months and the notice period for Non-Executive Directors is 3 months.

Termination

Payments in lieu of notice are limited to the Executive Director's basic salary for the unexpired portion of the notice period. A payment may be made in lieu of unused holiday entitlement. The Company may make phased payments which are paid in monthly instalments and subject to mitigation.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payment may include but is not limited to paying any reasonable level of fees for outplacement assistance and/or the Director's legal or professional advice fees in connection with his cessation of office or employment.

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.

The table below outlines the treatment of outstanding incentive awards on cessation of employment:

Component	Approach
Annual bonus	There is no automatic entitlement to an annual bonus. The Committee retains discretion to award bonuses for leavers taking account of the circumstances of departure. Leavers during the plan year normally lose any entitlement to bonus unless the individual is considered a 'good leaver'[1]. 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.
Deferred bonus	Deferred bonus shares are focused on alignment rather than retention and are not forfeitable on leaving except in the case of gross misconduct. Awards normally continue and are released at the usual time, although the Committee has the discretion to allow earlier release. On death, awards typically vest immediately.
LTIP	Under the LTIP, unvested shares normally lapse unless the individual is considered a 'good leaver'[1], 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. On death, awards will typically vest immediately subject to the satisfaction of performance conditions as determined by the Committee. LTIP awards which are subject to an additional holding period will typically be retained and released at either (i) the end of the holding period or (ii) two years from cessation – whichever is soonest, although the Committee has the discretion to allow earlier release.
All-employee plans	For all-employee HMRC registered plans such as SAYE and SIP, leavers will be treated in accordance with the approved plan rules.

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; 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.

Any buyout award to be made, the leaver provisions may be determined at the time of the award.

Treatment of corporate events

In the event of a change of control or winding up of the Company, the LTIP awards will vest based on the extent to which the Committee determines that the performance conditions have been or would have been met. Pro-rating for service in the vesting period will apply unless the Committee decides otherwise. Outstanding deferred bonus awards will vest in full as soon as practicable in such circumstances.

In the event of a variation of share capital, demerger, special dividend or any other transaction which will materially impact the value of shares the Committee may, at its discretion, allow deferred bonus and LTIP awards to vest on the same basis as for a change of control described above. Alternatively, an adjustment may be made to the number of shares if considered appropriate.

Consideration of employment conditions elsewhere in the Company

When setting remuneration for Executive Directors the Committee takes into account contextual information about pay and conditions within the Group, including:

- Salary increases for all employees.
- Bonus awards for all employees.

The Committee members receive regular updates from the Executive Directors on employee feedback on pay and employment conditions elsewhere in the Group. While the Committee does not specifically consult with employees, they do monitor information on bonus payments and share awards.

We are committed to sharing business success across the organisation with all employees participating in a short-term incentive plan. At more senior levels, remuneration is increasingly long term and larger proportions are dependent on both Group and individual performance and paid in the form of shares. We operate both an SAYE and a SIP open to all employees in the Company. The illustration on page 107 provides an overview of remuneration throughout Workspace and the way in which our share incentive plans cascade through the organisation.

Legacy commitments

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed: (i) before 16 July 2014 (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Minor amendments

The Committee may make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining Shareholder approval.

Annual Report on Remuneration

Application of Policy in 2017/18
As explained in the Remuneration Committee Chairman's letter, we are seeking shareholder approval for a new Directors' Remuneration Policy at the AGM on 14 July 2017. On the basis that it is approved by shareholders, it will be implemented as set out below.

Base salary
The Committee reviewed Executive Directors' salaries during the year taking into account a number of factors, and the following salaries are effective from 1 April 2017.

Chief Executive Officer

Chief Financial Officer

The average salary increase across the Group for the year commencing 1 April 2017 is 3.7%.

Benefits and pension
There is no change to the implementation of our Policy in relation to benefits and pension for 2017/18. Executive Directors will receive a contribution to a defined contribution plan or a cash allowance in lieu of contribution of 16.5% of salary.

Annual bonus
There is no change to the annual bonus maximum potential in 2017/18 and this will continue to be 120% of salary for Executive Directors.

From 2017/18, we are proposing to remove the personal performance multiplier on the annual bonus, moving to a simpler additive approach. No changes are being made to the performance measures and they will be:

Trading profit after interest (60% of salary)	+	Total Property Return (24% of salary)	+	Customer satisfaction (12% of salary)	+	Personal performance (24% of salary)

Full disclosure on the targets, performance achieved and resulting bonus payouts for 2017/18 will be provided in next year's report.

Deferral is being increased, and from 2017/18, 33% of the total bonus paid will be deferred into shares for three years. Dividend equivalents may be accrued on deferred shares.

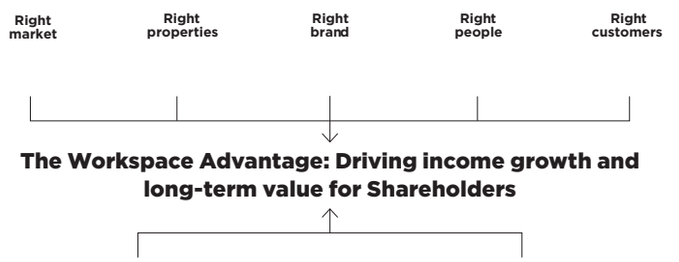
Long-Term Incentive Plan (LTIP)
Following the review, the performance measures will be re-balanced so that 50% will be based on Total Property Return against a London focused IPD index and 50% will be based on relative TSR against FTSE 350 Real Estate companies. The targets for the two elements are as follows:

	Total Shareholder Return relative to FTSE 350 Real Estate Supersector index excluding agencies	Total Property Return versus London focused IPD index
Threshold vesting (20% of maximum)	Median	Median
Maximum vesting (100% of maximum)	Upper quartile	Upper quartile

An extended holding period of two years (increased from one year) will apply to any vested shares under the LTIP.

To ensure any payouts are fully reflective of underlying performance, the LTIP underpin is being extended. It allows the Committee to reduce vesting if the Committee believes that the relative TSR and/or relative TPR performance is inconsistent with the overall performance of the business.

Performance measures and their alignment to our strategy
As part of the Policy review, the Committee carefully considered the performance measures under both the annual bonus and LTIP and the alignment to our strategy of driving outperformance and delivering Shareholder value over the longer term. The diagram below sets out the rationale for the performance measures proposed under our incentive plans from 2017/18:



Annual bonus
Performance measures
- Trading profit
- Total property return
- Customer satisfaction
- Personal performance

Link to strategy
Measures provide a good balance of rewarding operational excellence, customer relationships and building deep market knowledge which are the foundations of Workspace's future growth.

LTIP
Performance measures
- Relative Total Shareholder Return
- Relative Total Property Return

Link to strategy
The balance of these two measures is well aligned to our strategy of driving income growth and enhancing Shareholder value over the longer term.

Malus and clawback
The time period during which malus and clawback provisions can be applied is being extended, such that they can be applied up to the end of the deferral period for the annual bonus and to the end of the holding period for the LTIP.

Shareholding guidelines
The shareholding guidelines for Executive Directors is being increased from 150% of salary to 200% of salary.

Non-Executive Director fees
The fees for Non-Executive Directors are reviewed and agreed annually. The fees, which are effective from 1 April 2017, are set out in the table below.

	2017 fee	2016 fee	% change
Chairman	**£178,500**	£175,000	2.0%
NED base fee	**£48,195**	£47,250	2.0%
Chair of Audit Committee fee	**£10,500**	£10,500	0.0%
Chair of Remuneration Committee fee	**£10,500**	£10,500	0.0%

Wider approach to remuneration throughout the Company

The Group's wider people policies are reported separately on pages 28 to 30. All staff in the Company are eligible to participate in the Company's bonus scheme, all-employee share schemes, pension scheme, life assurance arrangements and medical insurance benefits. Additionally, all employees participate in an annual bonus plan. All members of the Executive Committee and some senior staff are eligible to participate in the Company's LTIP. During the year, we extended LTIP participation to a wider group of employees for a third consecutive year to further reinforce the strong performance culture.

Executive Committee members are also required to adhere to the Company's shareholding guidelines.

When making remuneration decisions for the Executive Directors, the Committee considers pay and employment conditions elsewhere in the Group. The Committee receives regular updates from the Executive Directors on employee feedback. The Committee also monitors bonus payout and share award data. The following diagram demonstrates how Workspace's key objectives are reflected consistently in plans operating at all levels within the Company.

Eligibility	Number of eligible participants[1]	Element	Details
Executive Committee	4	Shareholding guidelines	Supports alignment of Executives' interests with Shareholders.
Executive Committee and Senior Management	25	LTIP	The LTIP reinforces delivery of long-term sector outperformance. We extended LTIP participation for a third consecutive year to further reinforce the strong performance culture.
All employees	203 (as at 31 March 2017)	Annual bonus	All employees participate in annual bonuses. Opportunities and performance conditions may be tailored to reflect an individual's role and responsibilities.
		SAYE and SIP	Encourages employee engagement and reinforces our strong performance culture. Enables all employees to share in the long-term success of the Company and aligns participants with Shareholder interests.
		Fixed (salary, benefits, pension with a 2:1 match)	Salaries are set to reflect market value of the role and aid recruitment and retention. All employees are eligible for a 2:1 match on employee pension contributions of 3% or 5% of salary and receive a combination of benefits relevant for the role.

1. Subject to requirements on timing of awards as detailed in the relevant plan rules and/or completion of probationary periods.

Implementation of Policy in 2016/17

Single figure of Executive Directors

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 March 2017 and the prior year:

	Jamie Hopkins		Graham Clemett	
	2016/17 £000	2015/16 £000	**2016/17 £000**	2015/16 £000
Salary	**468.0**	450.0	**286.0**	275.0
Benefits[1]	**18.1**	17.6	**19.9**	19.2
Annual bonus[2]	**561.6**	514.7	**343.2**	314.5
LTIP[3]	**917.7**	1,200.6	**629.7**	865.6
Other – SAYE, SIP	**4.5**	5.5	**2.3**	3.2
Pension[4]	**77.2**	74.3	**47.2**	45.4
Total	**2,047.1**	2,262.7	**1,328.3**	1,522.9

1. **Benefits:** Taxable value of benefits received in the year by Executive Directors includes a car allowance, private health insurance and death in service cover.
2. **Annual bonus:** This is the total bonus earned in respect of performance during the relevant year. For 2015/16, the Committee set a minimum deferral requirement of 25% of the bonus earned. For 2016/17 the deferral was 33%, this deferral was equivalent to £185,328 for Mr Hopkins and £113,256 for Mr Clemett.
3. **LTIP:** The 2016/17 figure includes the estimated value of 88.7% of the 2014 LTIP shares that vested based on performance to 31 March 2017. The share price used is the three-month average to 31 March 2017 of £7.73. This will be updated in next year's report to reflect the share price on the date of vesting. The 2015/16 figures have been updated to reflect the share price on the date of vesting of £6.86.
4. **Pension:** During 2016/17 each of Messrs Hopkins and Clemett received a cash allowance in lieu of pension contribution.

Annual bonus payout in respect of 2016/17

For 2016/17 the maximum bonus opportunity for the Executive Directors was 120% of salary subject to the assessment of performance against stretching financial, strategic and personal performance targets. Payouts are calculated on a straight-line basis from 0% at threshold to 100% at maximum performance. Executive Directors will be required to defer 33% of their bonus into Company shares for three years. The increased deferral policy of 33% of the total bonus agreed as part of the recent review is being implemented a year early so that it will apply to bonus payouts in respect of 2016/17 (previous policy of 25% of bonus).

The performance measures, targets and outcomes for each measure is shown below:

	Weighting as a % of salary	Measure	Achieved		**Opportunity** and **outcome** as a % of salary	
			Threshold	Maximum	Jamie Hopkins	Graham Clemett
Corporate	50%	Trading profit after interest	**£40.7m**	**£44.3m**	**50%**	**50%**
				£50.7m	**50%**	**50%**
	30%	Total property return from portfolio versus a defined comparator Benchmark compiled by IPD	**Benchmark**	**Benchmark+2%**	**30%**	**30%**
				Benchmark+2.4%	**30%**	**30%**
	10%	Customer satisfaction	**70%**	**80%**	**10%**	**10%**
				88%	**10%**	**10%**
Individual performance	Corporate performance bonus may be adjusted by a factor of 0.67 to 1.33 (with factors greater than 1.0 reflecting superior performance)				**1.33**	**1.33**
					1.33	**1.33**
			Annual bonus	**Opportunity**	**120%**	**120%**
				Outcome (% of salary)	**120%**	**120%**

Assessment of personal objectives
The Committee also assesses performance against strategic and personal objectives and is pleased to note that during the year the Executive Directors outperformed on every measure. The Committee noted the following achievements in particular:

Objectives and achievements

Objective	Result
Financial and Operating Performance Deliver stretch trading profit after interest	– Target exceeded by 14.4%.
	– Trading profit £50.7m, up 15.5% versus prior year.
	– Increase in the final dividend for 2016/17 of 40%, to 14.27p.
	– Net Asset Value up 3.3% to £9.53 per share.
Develop portfolio offering in response to customer demand	– Outperformed IPD quarterly Universe by 3.6%.
	– Outperformed the comparator benchmark by 2.4%.
	– Property Valuation up 2.1% to £1,844m.
Financing	– Loan to value at 13%.
	– Undrawn bank facilities and cash available of £123m.
Develop marketing plan and enhance brand awareness in response to changing customer demand, ensuring the Workspace offer is clearly understood by a broader target market	– Promoted technology as a core element of the brand offering.
	– Roll out of WiredScore accreditation programme.
	– An increase in responses received from customers on the annual customer satisfaction survey, with overall score of 88% achieved.
	– Launch of the Workspace Advantage, marketing campaign. This involved a wide reaching presence across digital and social platforms, as well as creative visuals placed in train carriages and stations all over London, to target commuters on their way to and from work.
Active Asset Management	– Conclusion of the BlackRock Workspace Property Trust with eight properties sold for £131m in May and June 2016.
	– Planning consents achieved for one mixed-use redevelopment and four refurbishments.
	– Three residential developments contracted for sale in October 2016.
	– Strong pipeline of redevelopment and refurbishment projects that will deliver around one million sq. ft. of business space over the next three years.
Acquisitions and Disposals	– New Flagship business centre opened in Holborn in May 2017.
	– Disposal of three residential developments in October 2017.
	– Acquired 13-17 Fitzroy Street in April 2017 for £98.5m.
	– Disposal of Uplands Business Park in Walthamstow, E17 in May 2017 for £50m.
Grow alternative income streams	– Grow alternative services to customers such as ClubWorkspace, meeting rooms and client connected services.
Deliver progressive dividend	– Total rent roll up 14.5% to £89.5m.

+40%
Increase in final dividend to 14.27p.

£1,844m
Underlying increase of 2.1% in property portfolio.

13.2%p.a.
Absolute TSR achieved over the previous three financial years.

+2.4%
Outperformed IPD benchmark.

+3.3%
Increase in Net Asset Value to £9.53.

Following consideration of the above, the Committee awarded Jamie Hopkins and Graham Clemett a gross bonus of £561,600 and £343,200 respectively.

LTIP award vesting in respect of 2016/17

The 2014 LTIP awards measured performance over the period 1 April 2014 to 31 March 2017. Details of the performance targets and achievement against them is set out in the table below:

Weighting	Measure	Achieved in full: Threshold	Achieved in full: Maximum	Payout as % maximum
1/3 of award	Relative NAV	**51st percentile**	**75th percentile** **Rank 1 = 100th percentile**	**100%**
1/3 of award	Relative TSR	**51st percentile**	**75th percentile** **Rank 5 = 100th percentile**	**100%**
1/3 of award	Absolute TSR	**8.0% p.a.**	**17.0% p.a.** **13.2% p.a.**	**66.1%**
LTIP (% maximum) vesting				**88.7%**

	CEO	CFO
Number of shares vesting	118,722	81,458
Date vesting	26 June 2017	

The Committee considered performance set out in the table above together with the underlying business performance of Workspace and concluded that 88.7% of the 2014 LTIP award should vest. These awards will be subject to a one-year holding period and malus and clawback provisions.

LTIP awards made during the 2016/17 financial year

Under the previous Policy, awards under the LTIP were as follows:
- Performance Shares up to a maximum of 100% of salary.
- Matching Shares up to a maximum of 100% of salary.

Matching Shares were granted subject to participant investment on a 2:1 basis. Both elements of the LTIP are subject to the performance conditions detailed in the table below measured over the period 1 April 2016 to 31 March 2019. Subject to Shareholder approval of the new arrangements, this is the final award to be made under the current LTIP (i.e. both Performance and Matching Share elements).

	Growth in Net Asset Value vs. sector group (1/3 of award)	Relative TSR vs. sector group[1] (1/3 of award)	Absolute TSR[2] (1/3 of award)
Threshold[3] (20% vesting)	51st percentile	51st percentile	8% p.a.
Maximum[3] (100% vesting)	75th percentile	75th percentile	17% p.a.

1. The comparator group for the 2016 LTIP cycle is the constituents of the FTSE 350 Real Estate Index excluding agencies.
2. 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.
3. There is straight-line vesting between the 'Threshold' and 'Maximum' performance levels.

The following awards were granted during the year under the 2016 LTIP:

	Date of grant	Market price at date of award[1]	Performance Share award: Number of shares	Performance Share award: Face value £	Performance Share award: Face value % of salary	Matching Share award: Number of shares	Matching Share award: Face value £	Matching Share award: Face value % of salary
CEO	23 June 2016	£8.2816	56,510	467,993	100%	56,510	467,993	100%
CFO	23 June 2016	£8.2816	34,534	285,996	100%	34,534	285,996	100%

1. The share price for calculating the levels of awards was £8.2816, the average mid-market closing price over the three dealing days 20, 21 and 22 June 2016, in accordance with the LTIP plan rules.

Payments for loss of office (audited)

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

Payments to past Directors (audited)

There were no payments to past Directors during the year.

Single figure for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2017 and the prior year:

Non-Executive Director	Daniel Kitchen 2016/17 £000	Daniel Kitchen 2015/16 £000	Maria Moloney 2016/17 £000	Maria Moloney 2015/16 £000	Chris Girling 2016/17 £000	Chris Girling 2015/16 £000	Damon Russell 2016/17 £000	Damon Russell 2015/16 £000	Stephen Hubbard 2016/17 £000	Stephen Hubbard 2015/16 £000
Base fee	**175.0**	135.0	**47.3**	45.0	**47.3**	45.0	**47.3**	45.0	**47.3**	45.0
Additional fees[1]	**–**	–	**10.5**	10.0	**10.5**	10.0	**–**	–	**–**	–
Total[2]	**175.0**	135.0	**57.8**	55.0	**57.8**	55.0	**47.3**	45.0	**47.3**	45.0

1. Additional fees were paid to Maria Moloney as Chair of the Remuneration Committee and to Chris Girling as Chairman of the Audit Committee.
2. Expenses incurred by the Non-Executive directors represent the total cost to the Group, being gross of taxation. These represent an increase on last year due to the additional time commitment required as part of the Remuneration Policy review and external audit tender process. In 2016/17, Daniel Kitchen, Maria Moloney and Chris Girling were reimbursed for out-of-pocket expenses incurred in attending meetings in connection with the discharge of their duties, of £5,150, £17,785 and £4,098 respectively.

Share ownership and share interests (audited)

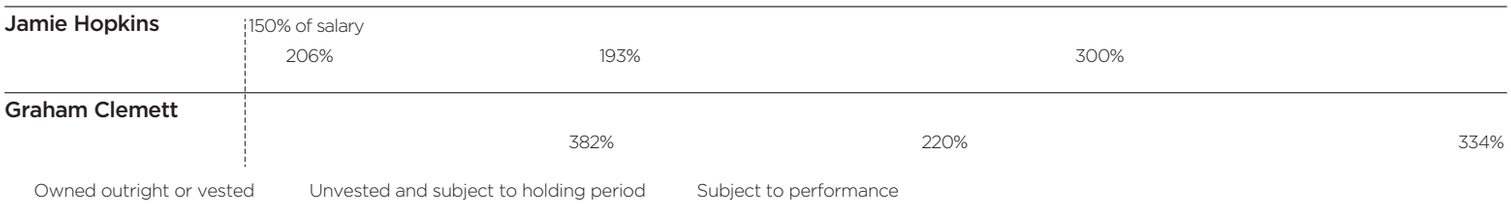
The shareholding guideline for Executive Directors during the year was 150% of salary, and this will increase to 200% of salary from 2017/18. The Remuneration Committee will monitor Executive Directors' shareholdings on an annual basis, and will set internal guidelines from time to time, as appropriate.

The table below shows the interests of the Directors and connected persons in shares (owned outright or vested). There have been no changes in the interests in the period between 31 March 2017 and 6 June 2017.

	31 March 2017	31 March 2016
Chairman		
Daniel Kitchen[1]	**44,700**	37,500
Executive Directors		
Jamie Hopkins	**130,525**	77,431
Graham Clemett	**147,674**	106,506
Non-Executive Directors		
Maria Moloney	**2,027**	2,027
Chris Girling	**Nil**	Nil
Damon Russell	**Nil**	Nil
Stephen Hubbard	**15,290**	8,150

1. Daniel Kitchen acquired 1,000 6% sterling Bonds on 2 October 2012 at a price of £100 per Bond.

Share interests



Calculated using annual average share price to 31 March 2017 of £7.395.

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

Executive Director	Type	Owned outright or vested[2]	Unvested and subject to holding period[3]	Subject to performance[4]	Total
Jamie Hopkins	Shares	130,525	118,722	189,656	438,903
	Market value options[1]	Nil	3,474	Nil	3,474
Graham Clemett	Shares	147,674	81,458	129,236	358,368
	Market value options[1]	Nil	3,697	Nil	3,697

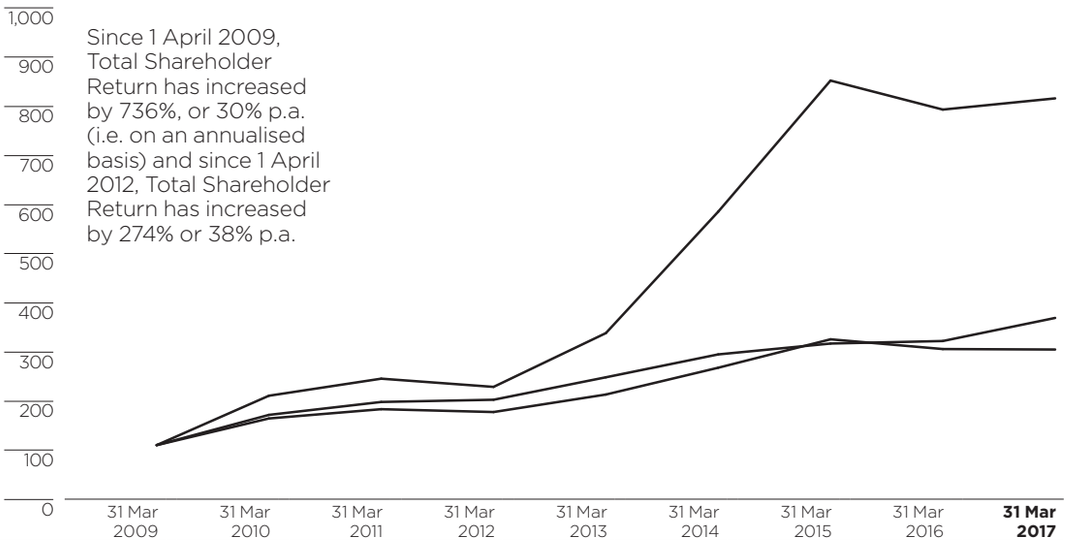
1. Market value options include SAYE options outstanding not yet matured as at 31 March 2017. The exercise price of these was set at 80% (in accordance with HMRC and the plan rules) of the market value of a share at the invitation date. See page 115 for further details.
2. Total shares owned outright or vested shares.
3. The interests in shares comprise those LTIP awards granted in 2014 which are no longer subject to performance but are due to vest on 26 June 2017, of 81,458 shares for Mr Clemett and 118,722 shares for Mr Hopkins.
4. The interest in shares of 129,236 for Mr Clemett and the interest in shares of 189,656 for Mr Hopkins consist of the total LTIP awards made in 2015 and 2016, details of which can be found on page 114 of this Report.

External appointments

It is the Board's policy to allow Executive Directors to take up one Non-Executive position on the Board of another company, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. Mr Clemett was appointed a Non-Executive Director and Chairman of the Audit Committee of The Restaurant Group plc, effective 1 June 2016.

Workspace's eight-year relative TSR performance

The chart below compares the Total Shareholder Return ('TSR') performance of the Group against the FTSE 250 and the FTSE 350 Real Estate indices. These have been chosen as appropriate comparisons as Workspace is a constituent of the FTSE 250 and measures performance under the LTIP against the FTSE 350 Real Estate index.



	31 Mar 2009	31 Mar 2010	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015	31 Mar 2016	**31 Mar 2017**
CEO single figure of total remuneration (£000)									
Jamie Hopkins[1]		–	–	27.4	960.3	966.9	3,533.1	2,262.7	**2,047.1**
Harry Platt[2]		573.7	748.7	1,359.6	–	–	–	–	**–**
Annual bonus pay-out									
Jamie Hopkins (% of maximum opportunity)		–	–	–	100%	97.8%	97.2%	95.3%	**100%**
£000		–	–	–	480.0	479.5	488.6	514.7	**561.6**
Harry Platt (% of maximum opportunity)		41.7%	85.5%	75%	–	–	–	–	**–**
£000		165.3	339.4	303.7	–	–	–	–	**–**
LTIP vesting									
Jamie Hopkins (% of maximum opportunity)		–	–	–	–	–	100%	100%	**88.7%**
£000		–	–	–	–	–	2,545.1	1,374.1	**917.7**
Harry Platt (% of maximum opportunity)		0%	0%	66.5%	–	–	–	–	**–**
£000		–	–	642.9	–	–	–	–	**–**

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 203 (2016: 214). All employees are eligible for consideration for an annual bonus.

	CEO			All other employees
Executive Director	**2017 £000**	2016 £000	% change	% change
Salary	**468.0**	450.0	4.0%	9.1%
Taxable benefits	**18.1**	17.6	2.8%	11.0%
Annual variable	**561.6**	514.7	9.1%	13.7%
Total	**1,047.7**	982.3	6.7%	10.5%

Relative importance of spend on pay
The chart below shows the Company's actual expenditure on Shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 March 2016 and ended 31 March 2017.

Employee remuneration

Distribution to Shareholders

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. All Non-Executive Directors' appointments and subsequent re-appointments are subject to election and annual re-election by Shareholders at the AGM. Dates of the Directors' letters of appointment are set out below:

Name	Date of original appointment (date of reappointment)	Date of appointment/last reappointment at AGM	Notice period
Daniel Kitchen[1]	6 June 2011 (6 June 2017)	2016	6 months
Maria Moloney	22 May 2012 (22 May 2015)	2016	3 months
Chris Girling	7 February 2013 (7 February 2016)	2016	3 months
Damon Russell	29 May 2013 (29 May 2016)	2016	3 months
Stephen Hubbard[2]	16 July 2014 (16 July 2017)	2016	3 months

1. On 22 March 2017 and on the recommendation of the Nomination Committee, the Board agreed to renew Mr Kitchen's letter of appointment, extending his tenure for a further three year term from 6 June 2017.
2. On 22 March 2017 and on the recommendation of the Nomination Committee, the Board agreed to renew Mr Hubbard's letter of appointment, extending his tenure for a further three year term from 16 July 2017.

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.

Advisors to the Committee
During the year, the Committee appointed Deloitte LLP as independent adviser to the Committee, following a selection process. Deloitte LLP is a founding member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the Deloitte LLP engagement partner and team, that provide remuneration advice to the Committee, do not have connections with the Group that may impair their objectivity and independence. The fees charged by Deloitte LLP for the provision of independent advice to the Committee since their appointment in September 2016 were £119,225. The Committee retained Kepler Associates as its advisers for the first half of the year. Kepler Associates, who are also founding members and signatories of the Remuneration Consultants Group, provided independent advice. The fees paid to Kepler Associates were £31,600.

Other than in relation to advice on remuneration, neither Deloitte LLP nor Kepler Associates provided any other services to the Company.

Voting at the Company's AGMs

The table below sets out the results of the most recent Shareholder votes on the Policy Report (2014 AGM) and the advisory vote on the 2015/16 Annual Report on Remuneration at the 2016 AGM on 14 July 2016. The Committee views this level of Shareholder support as a strong endorsement of the Company's Policy and its implementation.

	Percentage of votes cast		Number of votes cast		
	For and Discretion	Against	For and Discretion	Against	Withheld
Policy Report (2014 AGM)	99.26%	0.74%	86,708,943	649,528	43,394
Annual Report on Remuneration (2016 AGM)	99.28%	0.72%	113,553,838	818,745	93,167

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

Share-based awards and dilution

The Company's share schemes are funded through a combination of shares purchased in the market and new-issue shares, as appropriate. The Company monitors the number of shares issued under these schemes and their impact on dilution limits. The Company's usage of shares compared to the relevant dilution limits set by the Investment Association ('IA') in respect of all shares plans (10% in any rolling 10-year period) and executive share plans (5% in any rolling 10-year period) as at 31 March 2017 is detailed below.

As of 31 March 2017, around 3.8% and 3.2% shares have been, or may be, issued to settle awards made in the previous 10 years in connection with all share schemes and executive share schemes respectively. Awards that are made but then lapse or are forfeited are excluded from the calculations.

All Share Plans

Executive Share Plans

Supplementary information on Directors' remuneration

Outstanding LTIP awards

Details of current awards outstanding to the Executive Directors are detailed below.

	At 1 April 2016			Lapsed during the year		Vested during the year			At 31 March 2017		
Name	Performance[2]	Invested[3]	Matching[4]	Performance	Matching	Performance	Invested	Matching	Performance	Invested	Matching
Jamie Hopkins											
26/06/2013	100,945	19,631	74,079	–	–	(100,945)	(19,631)	(74,079)	–	–	–
26/06/2014[1]	73,469	16,000	60,378	–	–	–	–	–	73,469	16,000	60,378
26/06/2015[1]	49,229	7,263	27,407	–	–	–	–	–	49,229	7,263	27,407
23/06/2016[1]	–	–	–	–	–	–	–	–	56,510	14,975	56,510
Graham Clemett											
26/06/2013	63,091	16,719	63,091	–	–	(63,091)	(16,719)	(63,091)	–	–	–
26/06/2014[1]	45,918	12,168	45,918	–	–	–	–	–	45,918	12,168	45,918
26/06/2015[1]	30,084	7,972	30,084	–	–	–	–	–	30,084	7,972	30,084
23/06/2016[1]	–	–	–	–	–	–	–	–	34,534	9,151	34,534

1. Awards will vest subject to the satisfaction of performance conditions detailed on page 110 over the three-year performance period.
2. Performance Awards made to the Executive Directors: In June 2013, awards were in respect of 100% of salary based on a share price at date of award of £4.0497, in June 2014 awards were in respect of 100% of salary based on a share price at date of award of £5.7033, in June 2015 awards were in respect of 100% of salary based on a share price at date of award of £9.1408 and in June 2016, awards were in respect of 100% of salary based on a share price at date of award of £8.2816.
3. Participants are entitled to dividends payable on the Invested Shares. The Invested Shares, which are beneficially owned by participants, are included in the table detailing Ordinary Shares held by Directors on page 111 of this Report.
4. Matching Awards were granted to participants who purchased Invested Shares. In 2013, matching shares granted were up to 100% of salary for Mr Clemett and 73% of salary for Mr Hopkins, in 2014 matching shares granted were up to 100% of salary for Mr Clemett and 82% of salary for Mr Hopkins, in 2015 matching shares granted were up to 100% of salary for Mr Clemett and 56% of salary for Mr Hopkins and in 2016, matching shares were granted up to 100% of salary for each of Messrs Clemett and Hopkins.

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

	At 01/04/2016	Granted during the year	Lapsed during the year	Vested in year	At 31/03/2017	Exercise price	Normal exercise date From	Normal exercise date To
Jamie Hopkins	2,475	–	(2,475)	–	–	£7.27	–	–
	107[1]	–	–	–	107	–	18.09.2018	–
	–	3,474	–	–	3,474	£5.18	01.09.2019	01.03.2020
Graham Clemett	1,960	–	–	–	1,960	£4.59	01.09.2017	01.03.2018
	1,237	–	(1,237)	–	–	£7.27	–	–
	–	1,737	–	–	1,737	£5.18	01.09.2019	01.03.2020
	107[1]	–	–	–	107[1]	–	18.09.2018	–

1. The 2012 SIP Award of 292 shares vested in March 2016. The Award was not exercised by either Messrs Hopkins or Clemett. It can be exercised at any time between 22 March 2016 to 22 March 2018.

There have been no changes in Directors' interests over options in the period between the balance sheet date and 6 June 2017.

The Directors' Remuneration Report has been approved by the Board of Workspace Group PLC.

By order of the Board

Dr Maria V Moloney
Chairman of the Remuneration Committee
6 June 2017

Report of the Directors

The Directors present their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2017.

Workspace Group PLC is incorporated in the UK and registered as a public limited company in England and Wales. Its headquarters are in London and it is listed on the main market of the London Stock Exchange.

This section of the Annual Report sets out the information required to be disclosed by the Company in the Directors' Report. Certain matters that would otherwise be disclosed in the Directors' Report have been reported elsewhere in the Annual Report and consequently, this Directors' Report should be read in conjunction with the Strategic Report on pages 2 to 47, which provides a description of the Company's business model and strategy. It also includes our report on Resources and Relationships, Principal Risks and Uncertainties and the Going Concern and Viability Statement.

The Corporate Governance Report and Chairman's Governance Report for the year ended 31 March 2017 on pages 48 to 93, are incorporated by reference into this Directors' Report.

Principal activities and business review
The Group is engaged in property investment and letting business space to London businesses. As at 31 March 2017 the Company had eight active subsidiaries, four of which are property investment companies owning properties in Greater London. The other four companies are: Workspace Management Limited; Workspace 16 (Jersey) Limited, LI Property Services Limited and Workspace Glebe Limited. The Group currently has only one joint venture, Generate Studio Limited, having sold its BlackRock Workspace Property Trust joint venture in June 2016. A full list of the Company's subsidiaries and other related undertakings appears on page 156.

Significant events which occurred during the year are detailed in the Chairman's statement on page 2, the Chief Executive Officer's strategic review on pages 16 to 23 and the Business Review on page 41.

A description of the principal risks and uncertainties facing the Company can be found on pages 32 to 39. Details of the Company's health and safety policies can be found on page 118 and information on its environmental and community engagement activities can be found on pages 41 to 46.

Profit and dividends
The Group's profit after tax for the year attributable to shareholders amounted to £88.7m (2016: £388.9m).

The interim dividend of 6.80 pence (2016: 4.86 pence) was paid in February 2017 and the Board is proposing to recommend the payment of a final dividend of 14.27 pence (2016: 10.19 pence) per share to be paid on 7 August 2017 to shareholders whose names are on the Register of Members at the close of business on 7 July 2017. This makes a total dividend of 21.07 pence (2016: 15.05 pence) for the year.

Directors
There are currently seven Directors on the Board of Workspace Group PLC. Unless otherwise determined by ordinary resolution of the Company, the Directors shall not be less than two or more than 10 in number.

In accordance with the requirements of the UK Corporate Governance Code, all the Directors will offer themselves for re-election at the Annual General Meeting on 14 July 2017.

The Directors of the Company all held office throughout the year. The current Directors and their biographies can be found on pages 54 and 55. Details of Directors' remuneration are provided in the Remuneration Report on pages 106 to 115. Details of the Directors' shareholdings in the share capital of the Company and options over shares are provided on pages 111 and pages 114 to 115.

Directors' indemnity
Under the Company's Articles of Association, to the extent permitted by the Companies Act, the Company indemnifies any Director, Secretary or other Officer of the Company against any liability and may purchase and maintain insurance against such liability. The Board understands that the provision of such indemnification is in keeping with current market practice and believes that it is in the best interest of the Group to provide such indemnities in order to attract and retain high-calibre Directors and Officers. The Company purchased and maintained Directors' and Officers' liability insurance during the year and at the date of approval of the Directors' Report.

Directors' conflicts of interest
During the year, no Director had any beneficial interest in any contract significant to the Company's business, other than a contract of employment.

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

Going Concern and the Viability Statement
The Company's Going Concern and Viability Statements can be found on page 40.

The Group's activities, strategy and performance are explained in the Strategic Report on pages 2 to 47.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 126 to 157.

Employees

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

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

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

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

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

The Group provides retirement benefits for the majority of its employees. Details of the Group pension arrangements are set out in note 26 on page 157.

Further information on Group employees can be found on pages 28 to 30, 107 and 136.

Share capital and control

As at 31 March 2017, the Company's issued share capital comprised a single class of 163,199,045 Ordinary Shares of £1.00 each. Details of the Company's issued share capital are set out on page 151.

Full details of share options and awards under the terms of the Company's share incentive plans can be found on pages 152 to 154.

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

Restrictions on transfer of shares

There are no restrictions on the transfer of ordinary shares in the Company other than in relation to certain restrictions that are imposed from time to time by laws and regulations (for example insider trading laws). In addition, pursuant to the Listing Rules of the Financial Conduct Authority, Directors and certain officers and employees of the Group require the approval of the Company to deal in ordinary shares of the Company.

Substantial shareholdings in the Company

As at 31 March 2017, the following interests in voting rights over the issued share capital of the Company had been notified.

Shareholder	Number of shares	Percentage held
The London & Amsterdam Trust Company Limited*	44,691,035	27.38%
Old Mutual	16,673,259	10.22%
BlackRock Inc	13,151,968	8.06%
Prudential Group	8,477,755	5.19%
Aberdeen Group	6,705,426	4.11%
Standard Life PLC	6,509,224	3.99%
Legal and General Group	5,003,657	3.07%
Schroders	4,909,118	3.01%

* Full name of shareholders include Rovida Holdings Limited, RR Investment Company Ltd, Mr SN Roditi, Mrs P Roditi and The Belvedere Realty Investment Company Limited.

As at 24 May 2017 the following interests in voting rights over the issued share capital of the Company had been notified.

Shareholder	Number of shares	Percentage held
The London and Amsterdam Trust Company Limited	44,691,035	27.38%
Old Mutual	16,910,404	10.36%
BlackRock Inc	12,709,711	7.79%
Prudential Group	8,476,287	5.19%
Aberdeen Group	6,691,871	4.10%
Standard Life PLC	6,422,322	3.94%
Schroders	4,935,999	3.02%

Purchase of own shares

Under the Company's Articles of Association, the Company may purchase any of its own shares. The Company was granted authority at the 2016 Annual General Meeting to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2017 Annual General Meeting and a resolution will be proposed to renew this authority. No ordinary shares were purchased under this authority during the year.

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

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

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

Financial risk management
The financial risk management objectives and policies of the Company are set out in note 17 to the financial statements and in the Corporate Governance section of this report on page 93.

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

Political donations
The Company and its subsidiaries made no political donations during the year (2016: Nil).

Greenhouse gas ('GHG') emissions
In line with the requirements of The Greenhouse Gas Emissions (Directors' Reports) Regulations 2013 we have continued to benchmark and report our emissions that result from our business activities. Emissions are calculated from the following sources:

Scope 1 emissions – direct emissions
- **On-site fuel combustion:**
  Gas or oil purchased for our assets. This includes tenant consumption where we procure gas on their behalf.
- **Fugitive emissions:**
  Refrigerant leaks from owned air-conditioning ('RAC') equipment.
- **Company vehicles:**
  Fuel combustion and refrigerant leakage.

Scope 2 emissions – indirect emissions
- **Purchased electricity:**
  Electricity purchased for our assets. This includes tenant consumption where we procure electricity on their behalf.
- **Purchased heat:**
  Heat purchased for our assets. This includes tenant consumption where we procure district heat on their behalf.

Carbon emissions by source (tCO_2e)
In order to satisfy the requirements we report both absolute emissions and emissions as an intensity ratio. This is based on net lettable and occupied area.

Source of emissions	2012/13	2013/14	2014/15	2015/16	**2016/17**	% Change
Scope 1 (direct emissions)	4,222	3,846	3,515	3,375	**3,181**	-25%
Workspace						
Gas	3,959	3,535	3,194	2,847	**2,849**	
Fugitive emissions	169	216	244	458	**319**	
Vehicle emissions	2	2	4	7	**4**	
Joint venture						
Gas	60	64	51	42	**5**	
Heating oil	31	28	20	20	**3**	
Fugitive emissions	0	2	2	2	**0**	
Scope 2 (indirect emissions)	10,822	11,290	12,405	12,366	**10,110**	-7%
Workspace						
Purchased electricity	10,510	10,956	12,037	12,129	**10,005**	
Purchased heat	0	0	0	84	**92**	
Joint venture						
Purchased electricity	312	334	368	153	**14**	
Total	15,044	15,136	15,920	15,741	**13,292**	-12%
Net lettable area tCO_2e/m^2	0.030	0.031	0.035	0.036	**0.037**	
Occupied space area tCO_2e/m^2	0.035	0.036	0.040	0.041	**0.044**	

1. Previous data has been recalculated to account for changes and additions.
2. Emissions from vacant units have been omitted from data collection as they are considered to be immaterial.
3. Calculations based upon a 5% materiality threshold.
4. Joint venture emissions as a proportion of our equity share.
5. DEFRA Environmental Reporting Guidelines and the financial control approach applied.

The 2016/17 Greenhouse Gas (GHG) emissions across the portfolio have decreased by 12% against our 2012/13 baseline. Compared to the previous year, GHG emissions across the portfolio have decreased by 16%.

This decrease can mostly be attributed to the divestment of 10 assets over this year, including eight properties within the Blackrock Joint Venture. However, a number of energy efficiency projects, such as boiler upgrades and lighting controls, were implemented within our existing portfolio towards the end of the last financial year and throughout this year which have also contributed to this year on year reduction. Furthermore, a number of energy efficiency measures such as natural ventilation and LED lighting have been incorporated into our new developments which have reduced their operational emissions.

Since 2012, the portfolio has grown in size and we have been increasing the amount of air-conditioned floor space we let, which has contributed to the increase in our overall portfolio carbon intensity. To tackle our GHG emissions, we will continue to focus on designing and implementing energy efficiency initiatives within our buildings and actively engage with both our site staff and customers to implement energy conservation measures. We have set new and challenging objectives and targets for the next year and will be monitoring our performance throughout the year to ensure that we achieve our goal of reducing GHG emissions.

Disclosure required under the Listing Rules
For the purpose of LR9.8.4C R, the information required to be disclosed by LR 9.8.4R can be found in the Annual Report in the following locations:

Section	Topic	Location in the Annual Report
1	Interest capitalised	Financial Statements, page 135, note 4
4	Details of long-term incentive schemes	Remuneration Report, pages 110, 112 and 114

All the information cross-referenced above is hereby incorporated by reference into this Directors' Report.

Post Balance sheet events
Details of post Balance sheet events can be found on page 157.

2017 Annual General Meeting
The 31st Annual General Meeting of the Company will be held at Canterbury Court, Kennington Park, 1-3 Brixton Road, London SW9 6DE on Friday 14 July 2017 at 10.00am. The Notice of the Meeting, together with an explanation of the business to be dealt with at the Meeting, is included as a separate document sent to shareholders who have elected to receive hard copies of shareholder information and is also available on the Company's website.

By Order of the Board

Carmelina Carfora
Company Secretary
6 June 2017

Statement of Directors' responsibilities

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

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

In preparing those financial statements, the Directors are required to:
- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively.
- Prepare financial statements on the Going Concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Each of the Directors, whose names and functions are detailed on pages 54 and 55 of the Annual Report, confirm that, to the best of their knowledge:
- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group.
- The Strategic Report contained on pages 2 to 47 includes a fair review of the development and performance of the business and position of the Group, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board on 6 June 2017 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, Workspace Group PLC's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31 March 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Accounts (the 'Annual Report'), comprise:

- the Consolidated balance sheet as at 31 March 2017;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of cash flows for the year then ended;
- the Consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

Our audit approach

Overview

Materiality	– Overall Group materiality: £18.4 million which represents approximately 1% of total assets. – Specific materiality of £3.2 million used for certain Consolidated income statement line items, being a percentage of profit before tax, net finance costs and investment property valuation movements.
Audit scope	– All work in support of the Group audit opinion is performed by the Group audit team.
Areas of focus	– Valuation of investment properties due to materiality and the level of judgement involved. – Compliance with the REIT regime due to the impact of the tax exempt status on the Group's business and the financial statements.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Valuation of investment properties *Refer to page 90 (Audit Committee Report), pages 139 to 141 (Notes to the financial statements – note 10) and page 130 (Significant judgements, key assumptions and estimates, Significant accounting policies).* We focused on this area due to the magnitude of the investment property balance and because the assumptions used in determining the fair value of the investment properties involve significant judgements and estimates. The Group's investment properties were valued at £1,839.0 million as at 31 March 2017 and the revaluation gain of £39.5 million is included within 'Change in fair value of investment properties' in the Consolidated income statement. The property valuations are carried out by external valuers in accordance with the RICS Valuation – Professional Standards and Workspace's Group accounting policies which incorporate the requirements of International Accounting Standard 40, 'Investment Property.' The Group's property portfolio consists of office and industrial properties located in London and includes: Properties held at investment value – These are existing properties that are currently let and generate rental income. They are valued using the income capitalisation method as explained in note 10. Properties held at development value – These are properties currently being refurbished, under development or identified for future development. They have a different risk and investment profile to the properties held at investment value and are valued using the residual value method as explained in note 10. The most significant judgements affecting all the valuations includes yield and Estimated Rental Value ('ERV') movements (as described in note 10 of the financial statements). For properties held at development value, other assumptions including costs to complete, property specific factors, timing and the likelihood of achieving planning consent are also factored into the valuation. Where available, the valuations take into account evidence of market transactions for properties and locations comparable to those of the Group.	In order to assess the accuracy of the valuation of the property portfolio as at 31 March 2017 and to identify those properties which needed further investigation, we undertook an analysis of each property valuation and compared the yield adopted and movement in capital value over the year with expected market benchmarks. We evaluated the underlying valuation methodology and assumptions used by the valuer and met with the Group's Development Director to understand property specific factors. The external valuer used by the Group is CBRE. We assessed the competence, capabilities and objectivity of CBRE and verified its qualifications. Consistent with previous years and as part of our evaluation, we assessed the independence of CBRE given the Non-Executive Director role of Stephen Hubbard. We also discussed the scope of its work and reviewed the terms of its engagement. We found no unusual terms or fee arrangements that might affect its objectivity. We met with CBRE to discuss and challenge the valuation process, key assumptions and the rationale behind the more significant movements since 1 April 2016. Where relevant, we were able to corroborate the explanations for yields and ERV movements with comparable property transactions and market benchmarks. We found that yields and ERVs were predominantly consistent with comparable benchmarking information for the asset location and that the assumptions applied appropriately reflected comparable market transactions. Where assumptions did not fall within our expected range, we assessed whether additional evidence presented in arriving at the final valuation was appropriate, and whether this had been robustly challenged by the external independent valuers. We were satisfied that variances were predominantly due to property specific factors such as new lettings at higher rents, increased average rents or capital improvements to the properties. We noted that the overall valuation primarily increased as a result of higher rents achieved, growth in ERVs and a contracted disposal. In addition, we were able to obtain evidence to support the valuation from the results of the following procedures which did not identify any material misstatements. We: – checked the accuracy of the underlying lease and occupancy data used by CBRE in their valuation of the portfolio by tracing the data back to the Workspace accounting records and signed leases on a sample basis; – for the properties held at development value, evaluated the underlying assumptions for the gross development value, construction costs and property specific factors within the development appraisals by comparing them to available market information and underlying project plans; – agreed the acquisitions and disposals in the year to the underlying agreements, cash payments and receipts and title deeds; and – agreed a sample of capital expenditure items to invoices, quantity surveyor reports and cash to check that they had been correctly capitalised.

Area of focus	How our audit addressed the area of focus
Compliance with the REIT regime *Refer to page 90 (Audit Committee Report), pages 136 to 137 (Notes to the financial statements – note 6) and page 130 (Significant judgements, key assumptions and estimates).* Workspace converted to a Real Estate Investment Trust ('REIT') in 2007. The UK REIT regime grants companies tax exempt status provided they meet the specific requirements of the regime. We focused on this area because the rules are complex and the tax exempt status has a significant impact on the Group's business and the Group financial statements. If the level of income generated from the property rental business were to fall below 75% of its total accounting profits in the current year, Workspace may be deemed to fail the Balance of Business test. Two consecutive years would represent a minor breach of the REIT regime criteria. In 2016, the Group recognised a performance fee of £24.1m from the BlackRock Workspace Property Trust for services provided in its capacity as the property manager of the joint venture. As a result, Workspace generated less than 75% of its total accounting profits from its property rental business for the period. We therefore considered the Balance of Business test for 2017 to understand whether 75% of its total accounting profits were generated from its property rental business thereby avoiding a minor breach in the second consecutive period.	We confirmed our understanding of management's overall approach to checking their compliance with the REIT regime requirements to our satisfaction. We obtained management's calculations and supporting documentation for the current and preceding year Balance of Business tests, testing the inputs, calculation and application of the rules. For 2016, based on our work on the calculations and supporting documentation, we were satisfied with management's conclusion that Workspace generated more than 50% and less than 75% of its total accounting profits from its property rental business. For 2017, we are satisfied that the Group generated approximately 96% of its total accounting profits from the property rental business. Consequently, there is not a second year of the test result being below 75% and we do not consider there to be a breach to any of the REIT criteria.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Workspace Group PLC provides commercial property to let throughout London. The Group financial statements are a consolidation of the nine active entities, nineteen dormant entities and the Group's one joint venture.

Except for the joint venture, where we focused our work on the share of profits and net assets that are recognised in the Group financial statements, all active entities were identified as requiring an audit of their complete financial information, either due to their size or their risk characteristics and all the audit work was performed by the Group audit team.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£18.4 million (2016: £18.8 million).
How we determined it	Approximately 1% of total assets.
Rationale for benchmark applied	The key driver of the business and determinant of the Group's value is direct property investments. Due to this, the key area of focus in the audit is the valuation of investment properties. On this basis, consistent with last year, we set an overall Group materiality level based on total assets.
Specific materiality	£3.2 million (2016: £5.5 million).
How we determined it	A percentage of profit before tax, net finance costs and investment property valuation movements.
Rationale for benchmark applied	A number of key performance indicators of the Group are driven by income statement items and we therefore applied a lower specific materiality to the components of profit before tax, excluding net finance costs and investment property valuation movements.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.6 million (2016: £0.4 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going Concern
Under the Listing Rules we are required to review the Directors' statement, set out on page 40, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting
Consistency of other information and compliance with applicable requirements

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

In our opinion, based on the work undertaken in the course of the audit:
- 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 Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

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 Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
– the statement given by the Directors on page 120, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for Members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.
– the section of the Annual Report on page 89, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

– the Directors' confirmation on page 88 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
– the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
– the Directors' explanation on page 40 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

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

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

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit
Our responsibilities and those of the Directors
As explained more fully in the Statement of Directors' responsibilities set out on page 120, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:
- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter
We have reported separately on the Parent Company financial statements of Workspace Group PLC for the year ended 31 March 2017 and on the information in the Directors' Remuneration Report that is described as having been audited.

Sonia Copeland
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 June 2017

Consolidated income statement
For the year ended 31 March 2017

	Notes	2017 £m	2016 £m
Revenue	1	**108.8**	101.2
Direct costs	1	**(29.6)**	(27.1)
Net rental income	1	**79.2**	74.1
Administrative expenses	2	**(15.1)**	(14.6)
Trading profit excluding share of joint ventures		**64.1**	59.5
(Loss)/profit on disposal of investment properties	3(a)	**(0.6)**	8.1
Loss on disposal of joint ventures	3(b)	**(0.2)**	(0.1)
Other income	3(c)	**2.1**	39.0
Other expenses	3(d)	**(1.2)**	–
Change in fair value of investment properties	10	**39.5**	296.6
Operating profit	2	**103.7**	403.1
Finance income	4	**0.1**	0.1
Finance costs	4	**(13.7)**	(17.0)
Exceptional finance costs	4	**(1.4)**	–
Change in fair value of derivative financial instruments	16(f)	**–**	0.9
Gains from share in joint ventures	12(a)	**0.1**	4.2
Profit before tax		**88.8**	391.3
Taxation	6	**(0.1)**	(2.4)
Profit for the year after tax		**88.7**	388.9
Basic earnings per share (pence)	8	**54.5p**	240.3p
Diluted earnings per share (pence)	8	**53.5p**	237.3p

Consolidated statement of comprehensive income
For the year ended 31 March 2017

	Notes	2017 £m	2016 £m
Profit for the financial year		**88.7**	388.9
Other comprehensive income:			
Items that may be classified subsequently to profit or loss:			
Change in fair value of derivative financial instruments (cash flow hedge)	16(f)	**(2.2)**	1.4
Total comprehensive income for the year		**86.5**	390.3

The notes on pages 130 to 157 form part of these financial statements.

Consolidated balance sheet
As at 31 March 2017

	Notes	2017 £m	2016 £m
Non-current assets			
Investment properties	10	**1,839.0**	1,749.4
Intangible assets		**0.7**	0.6
Property, plant and equipment	11	**2.9**	2.0
Investment in joint ventures	12(a)	**0.3**	22.3
Other investments	12(b)	**3.1**	4.2
Trade and other receivables	13	**7.3**	14.2
Derivative financial instruments	16(e) & (f)	**12.1**	3.9
		1,865.4	1,796.6
Current assets			
Trade and other receivables	13	**25.2**	52.0
Cash and cash equivalents	14	**6.5**	27.8
		31.7	79.8
Total assets		**1,897.1**	1,876.4
Current liabilities			
Trade and other payables	15	**(52.2)**	(48.4)
Deferred tax	6	**(0.9)**	(1.1)
		(53.1)	(49.5)
Non-current liabilities			
Borrowings	16(a)	**(265.5)**	(309.3)
		(265.5)	(309.3)
Total liabilities		**(318.6)**	(358.8)
Net assets		**1,578.5**	1,517.6
Shareholders' equity			
Share capital	19	**163.2**	162.4
Share premium	19	**135.4**	135.9
Investment in own shares	21	**(8.9)**	(8.9)
Other reserves	20	**18.7**	19.0
Retained earnings		**1,270.1**	1,209.2
Total shareholders' equity		**1,578.5**	1,517.6
EPRA net asset value per share	9	**£9.53**	£9.23

The notes on pages 130 to 157 form part of these financial statements.

The financial statements on pages 126 to 157 were approved and authorised for issue by the Board of Directors on 6 June 2017 and signed on its behalf by:

J Hopkins
G Clemett
Directors

Consolidated statement of changes in equity
For the year ended 31 March 2017

	Notes	Attributable to owners of the parent					Total share-holders' equity £m
		Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	
Balance at 31 March 2015		161.1	136.8	(8.8)	15.7	841.5	1,146.3
Profit for the year		–	–	–	–	388.9	388.9
Change in fair value of derivatives	20	–	–	–	1.4	–	1.4
Total comprehensive income		–	–	–	1.4	388.9	390.3
Transactions with owners:							
Share issues	19	1.3	(0.9)	–	–	(0.1)	0.3
Own shares purchase (net)		–	–	(0.1)	–	–	(0.1)
Dividends paid	7	–	–	–	–	(21.1)	(21.1)
Share based payments	22	–	–	–	1.9	–	1.9
Balance at 31 March 2016		162.4	135.9	(8.9)	19.0	1,209.2	1,517.6
Profit for the year		**–**	**–**	**–**	**–**	**88.7**	**88.7**
Change in fair value of derivatives	20	**–**	**–**	**–**	**(2.2)**	**–**	**(2.2)**
Total comprehensive income		**–**	**–**	**–**	**(2.2)**	**88.7**	**86.5**
Transactions with owners:							
Share issues	19	**0.8**	**(0.5)**	**–**	**–**	**(0.1)**	**0.2**
Own shares purchase (net)		**–**	**–**	**–**	**–**	**–**	**–**
Dividends paid	7	**–**	**–**	**–**	**–**	**(27.7)**	**(27.7)**
Share based payments	22	**–**	**–**	**–**	**1.9**	**–**	**1.9**
Balance at 31 March 2017		**163.2**	**135.4**	**(8.9)**	**18.7**	**1,270.1**	**1,578.5**

The notes on pages 130 to 157 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 March 2017

	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Cash generated from operations	18	**69.7**	67.6
Interest received		**0.1**	0.1
Interest paid		**(15.0)**	(17.9)
Tax		**(1.4)**	–
Net cash inflow from operating activities		**53.4**	49.8
Cash flows from investing activities			
Purchase of investment properties/deposits		**(10.8)**	(107.4)
Capital expenditure on investment properties		**(56.8)**	(55.4)
Proceeds from disposal of investment properties (net of sale costs)		**7.8**	123.0
Purchase of intangible assets		**(0.4)**	(0.4)
Purchase of property, plant and equipment		**(1.8)**	(0.8)
Capital distributions from joint ventures	12(a)	**2.7**	6.3
Proceeds from disposal of joint ventures		**18.7**	3.1
Other income (overage receipts)		**23.8**	0.7
Performance fee from joint venture		**24.5**	–
Purchase of investments		**–**	(1.7)
Movement in funding balances with joint ventures		**0.4**	0.2
Income distributions from joint ventures	12(a)	**0.6**	1.2
Net cash inflow/(outflow) from investing activities		**8.7**	(31.2)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	19	**0.2**	0.3
Finance costs for new/amended borrowing facilities		**(0.3)**	(1.0)
Exceptional finance costs		**(0.9)**	–
Settlement and re-couponing of derivative financial instruments		**–**	(1.7)
Repayment of bank borrowings	16(b)	**(55.0)**	(10.0)
Own shares purchase (net)		**–**	(0.1)
Dividends paid	7	**(27.4)**	(20.9)
Net cash outflow from financing activities		**(83.4)**	(33.4)
Net decrease in cash and cash equivalents		**(21.3)**	(14.8)
Cash and cash equivalents at start of year	18	**27.8**	42.6
Cash and cash equivalents at end of year	18	**6.5**	27.8

The notes on pages 130 to 157 form part of these financial statements.

Workspace Group PLC (the 'Company') and its subsidiaries (together 'the Group') are engaged in property investment in the form of letting of high-quality business accommodation to businesses across London.

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

The registered number of the Company is 2041612.

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

The 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.

Compliance with the Real Estate Investment Trust ('REIT') taxation regime
The Group is a REIT and is thereby exempt from tax on both rental profits and chargeable gains from its UK property rental business. In order to retain REIT status, certain ongoing criteria must be maintained. The main criteria are as follows:
- at the start of each accounting period, the assets of the tax exempt business must be at least 75% of the total value of the Group's assets;
- at least 75% of the Group's total profits must arise from the tax exempt business; and
- at least 90% of the tax exempt business must be distributed.

During the prior year, the Group recorded Other income of £24.1m for the performance fee relating to the BlackRock Workspace Property Trust joint venture causing the Group to fail the 75% Balance of Business income test for the prior year. Two consecutive breaches are required for the Group to incur a minor breach. There is no reason to expect that any further breaches will occur in future periods and so no impact on the Group's tax exempt status is expected.

The Directors intend that the Group should continue as a REIT for the foreseeable future, with the result that deferred tax is not recognised on temporary differences relating to the property rental business which is within the REIT structure.

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 2017. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

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

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

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

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

Investment properties are recognised as 'assets held for sale' when it is considered highly probable that sale completion will take place. This is assumed when a sale has exchanged by the balance sheet date and completed before the date of signing the financial statements.

Income from the sale of assets is recognised when the significant risks and returns have been transferred to the buyer. In the case of sales of properties this is generally taken on completion of the contract. In the case of a part disposal agreement, the part of the asset being disposed will be derecognised from investment property when completion is reached or when a finance lease agreement is signed (i.e. when the risks and rewards of this part of the site transfer to the developer). Profit or loss on disposal is taken as the consideration receivable (net of costs) less the latest valuation (net book value) and is taken to other operating income/expense.

Consideration can take the form of cash, new commercial buildings and a right to future overage (generally being a share in the proceeds of any future sale of the residential development to be constructed by the developer). Revenue is recognised when all relevant criteria in IAS 18 are met, specifically when the inflow of economic benefit is probable and when the amount can be measured reliably.

Consideration (including overage) is measured at the fair value of the consideration received/receivable.

Commercial property to be received is fair valued using the residual method described in note 10 and is included in investment property. Changes in fair value are recognised through the Consolidated income statement in accordance with IAS 40.

Overage is only recognised once an agreement has been signed with a residential developer. Overage represents a financial asset and is designated as a financial asset at fair value through profit or loss upon initial recognition. The carrying value of overage is assessed at each period end and changes in fair value are taken to Other operating income.

Intangible assets
Intangible assets are stated at historical cost, less accumulated amortisation. Acquired computer software licences and external costs of implementing or developing computer software programs and websites are capitalised. These costs are amortised over their estimated useful lives of five years on a straight-line basis.

Costs associated with maintaining computer software programs are recognised as an expense as they fall due.

Property, plant and equipment
Equipment and fixtures
Equipment and fixtures are stated at historical purchase cost less accumulated depreciation. Historical cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Subsequent expenditure is charged to the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of each item can be reliably measured. All other repairs and maintenance costs are charged to the Consolidated income statement during the period in which they are incurred.

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

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

Joint ventures
Joint ventures are those entities over which the Group, either directly or indirectly, is in a position to jointly control the financial and operating policies of the entity. Joint ventures are accounted for under the equity method whereby the Group's investment is initially accounted for at cost and adjusted thereafter to recognise the Group's share of the gains or losses in the joint venture. These are adjusted for any gains or losses arising from transactions between the Group and the joint venture.

Other investments
Investment in unlisted shares are accounted for at cost where the fair value cannot be reliably measured. Subsequently they are reviewed for impairment by management on an annual basis.

Impairments and reversals are recognised through the Consolidated income statement.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment where it is established there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The provision is recorded in the Consolidated income statement.

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

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 Consolidated income statement, except when deferred in Other comprehensive income as qualifying cash flow hedges.

Derivative financial instruments and hedge accounting
The Group enters into derivative transactions in order to manage its exposure to foreign currency fluctuations and interest rate risks. Financial derivatives are recorded at fair value calculated by valuation techniques based on market prices, estimated future cash flows and forward interest rates.

For financial derivatives (where hedge accounting is not applied) movements in fair value are recognised in the Consolidated income statement. In line with IFRS 13, fair values of financial derivatives are measured at the estimated amount that the Group would receive or pay to terminate the agreement at the balance sheet date, taking into account the current interest expectations and current credit value adjustment of the counterparties.

The Group applies hedge accounting for certain derivatives that are designated and effective as hedges of future cash flows (cash flow hedges). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in note 16. Movements on the hedging reserve in other comprehensive income are shown in note 20.

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

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

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

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision maker is the Executive Committee of the Company. The Group considers that it has only one operating segment being a single portfolio of commercial property providing business accommodation for rent in London.

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

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

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

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

Exceptional items
Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

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

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

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

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

Taxation
Current income tax is tax payable on the taxable income for the year and any prior year adjustment, and is calculated using tax rates that have been substantively enacted by the balance sheet date.

Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

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 2017 the Group adopted the following accounting standards and guidance:
   - Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures – amendments regarding the consolidation exemption.
   - Amendments to IFRS 11 Joint Arrangements – amendments regarding the accounting for acquisitions of an interest in a joint operation.
   - Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative.

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

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

Standard or interpretation	Content
Annual improvements 2014	Changes to IFRS 5/IFRS 7/IAS 19/ IAS 34
IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
Amendment: IAS 1	Presentation of financial statements on the disclosure initiative
Amendment: IFRS 11	Joint venture arrangements on acquisition of an interest in a joint operation
Amendment: IFRS 10 and IAS 28	Consolidated financial statements and investments in associates and joint ventures
Amendment: IAS 7	Statement of cash flows on disclosure initiatives
Amendment: IAS 12	Recognition of deferred tax assets for unrealised losses
IFRS 16	Leases

1. Analysis of net rental income and segmental information

	2017			2016		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**86.8**	**(2.0)**	**84.8**	79.6	(1.9)	77.7
Service charges	**15.4**	**(18.5)**	**(3.1)**	16.3	(18.5)	(2.2)
Empty rates and other non-recoverables	**–**	**(4.8)**	**(4.8)**	–	(3.6)	(3.6)
Services, fees, commissions and sundry income	**6.6**	**(4.3)**	**2.3**	5.3	(3.1)	2.2
	108.8	**(29.6)**	**79.2**	101.2	(27.1)	74.1

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:

	2017 £m	2016 £m
Depreciation[1]	**0.9**	0.8
Staff costs (including share based costs)[1] (note 5)	**17.1**	16.2
Repairs and maintenance expenditure on investment properties	**2.7**	2.9
Trade receivables impairment (note 13)	**0.2**	0.2
Amortisation of intangibles	**0.2**	0.3
Operating lease rentals payable	**0.1**	0.1
Audit fees payable to the Company's auditors	**0.2**	0.2

1. Charged to direct costs and administrative expenses based on the underlying nature of the expenses.

Auditors' remuneration: Services provided by the Company's auditors and its associates	**2017 £000**	2016 £000
Audit fees:		
Audit of Parent Company and consolidated financial statements	**155**	149
Audit of subsidiary financial statements	**33**	32
	188	181
Fees for other services:		
Audit related assurance services	**35**	34
Tax advisory, tax compliance and legal services	**20**	15
	55	49

	2017 £m	2016 £m
Total administrative expenses are analysed below:		
Staff costs	**8.3**	7.5
Cash settled share based costs	**0.4**	0.9
Equity settled share based costs	**1.9**	1.9
Other	**4.5**	4.3
	15.1	14.6

3(a). (Loss)/profit on disposal of investment properties

	2017 £m	2016 £m
Proceeds from sale of investment properties (net of sale costs)	**7.8**	122.7
Book value at time of sale (including assets held for sale)	**(8.5)**	(115.0)
(Loss)/profit on disposal	**(0.7)**	7.7
Realisation of profits on sale of properties out of joint ventures (note 12)	**0.1**	0.4
	(0.6)	8.1

£0.1m (2016: £0.4m) above relates to previously unrealised profit from the sale of property by the Group to joint ventures.

3(b). Loss on disposal of joint ventures

	2017 £m	2016 £m
Proceeds from disposal of joint ventures (net of costs)	**18.7**	3.1
Carrying value at time of disposal (note 12)	**(18.9)**	(3.2)
Loss on disposal	**(0.2)**	(0.1)

3(c). Other income

	2017 £m	2016 £m
Joint venture performance fee	**0.4**	24.1
Change in fair value of deferred consideration	**(0.5)**	9.5
Rights of light compensation	**2.2**	–
Lease surrender premium	**–**	5.4
	2.1	39.0

The Group, as property manager to the BlackRock Workspace Property Trust joint venture, received a performance fee based on the returns achieved over the five-year term of the fund. The five-year term came to an end in February 2016 and the Group agreed with its partner to sell the remaining properties to bring the joint venture to a conclusion. Based on the returns achieved over the life of the fund and the valuation at 31 March 2016 of the remaining properties the fee was estimated at £24.1m. Subsequent to the sale of the joint venture in June 2016, an additional fee of £0.4m was recognised and the total amount settled in the financial year.

The value of deferred consideration (cash and overage) from the sale of investment properties has been re-valued by CBRE Limited at 31 March 2017 and 31 March 2016. The amounts receivable are included in the Consolidated balance sheet under non-current and current trade and other receivables (note 13).

3(d). Other expenses

	2017 £m	2016 £m
Impairment of other investments	**(1.2)**	–
	(1.2)	–

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

4. Finance income and costs

	2017 £m	2016 £m
Interest income	**0.1**	0.1
Finance income	**0.1**	0.1
Interest payable on bank loans and overdrafts	**(1.2)**	(2.7)
Interest payable on other borrowings	**(12.8)**	(13.9)
Amortisation of issue costs of borrowings	**(0.7)**	(0.8)
Interest payable on finance leases	**(0.5)**	(0.5)
Interest capitalised on property refurbishments (note 10)	**1.5**	0.9
Foreign exchange losses on financing activities	**(10.3)**	(2.2)
Cash flow hedge – transfer from equity	**10.3**	2.2
Finance costs	**(13.7)**	(17.0)
Exceptional finance costs	**(1.4)**	–
Total finance costs	**(15.1)**	(17.0)

The exceptional finance cost of £1.4m arose on the repayment of UK fund debt in September 2016 and comprises of a £0.9m repayment fee and £0.5m unamortised finance costs.

5. Employees and Directors

Staff costs for the Group during the year were:	**2017 £m**	2016 £m
Wages and salaries	**13.9**	12.8
Social security costs	**1.7**	1.4
Other pension costs (note 26)	**0.7**	0.8
Cash settled share based costs (note 22)	**0.4**	0.9
Equity settled share based costs (note 22)	**1.9**	1.9
	18.6	17.8
Less costs capitalised	**(1.5)**	(1.6)
	17.1	16.2

The monthly average number of people employed during the year was:	**2017 Number**	2016 Number
Head office staff (including Directors)	**98**	92
Estates and property management staff	**108**	119
	206	211

The emoluments and pension benefits of the Directors are determined by the Remuneration Committee of the Board and are set out in detail in the Directors' Remuneration Report on pages 94 to 115. These form part of the financial statements.

6. Taxation

	2017 £m	2016 £m
Current tax:		
UK corporation tax	**0.6**	1.3
Adjustments to tax in respect of previous periods	**(0.3)**	–
	0.3	1.3
Deferred tax:		
On origination and reversal of temporary differences	**(0.2)**	1.1
	(0.2)	1.1
Total taxation charge	**0.1**	2.4

The tax on the Group's profit for the year differs from the standard applicable corporation tax rate in the UK of 20% (2016: 20%). The differences are explained below:

	2017 £m	2016 £m
Profit on ordinary activities before taxation	**88.8**	391.3
Adjust gains from share in joint ventures	**(0.1)**	(4.2)
	88.7	387.1
Tax at standard rate of corporation tax in the UK of 20% (2016: 20%)	**17.7**	77.4
Effects of:		
REIT exempt income	**(10.3)**	(10.3)
Changes in fair value not subject to tax as a REIT	**(7.9)**	(59.3)
Change in fair value of derivatives not subject to tax	**–**	(0.5)
Share based payment adjustments	**(0.5)**	(3.0)
Overage income subject to tax when received	**1.2**	0.2
Adjustments to tax in respect of previous periods	**(0.3)**	–
Losses carried forward previously unrecognised	**–**	0.3
Utilisation of losses unrecognised brought forward	**–**	(2.4)
Other non-taxable expenses	**0.2**	–
Total taxation charge	**0.1**	2.4

The Group is a Real Estate Investment Trust ('REIT'). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Group's other income is subject to corporation tax. Other income of £2.1m has been recorded this year (note 3(c)). £0.8m (2016: £30.7m) of this income is subject to 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.

Changes to the UK corporation tax rates were 'substantively enacted' and 'fully enacted' on 6 and 15 September 2016 respectively as part of the Finance Bill 2016. These changes include reductions to the main rate of corporation tax from 19% to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using the rates expected to apply to the period when the asset is realised or the liability is settled.

The Group currently has an asset in relation to unrecognised tax losses carried forward of £1.0m (2016: £1.4m) calculated at a corporation tax rate of 19% (2016: 19%).

	2017 £m	2016 £m
Deferred tax assets:		
– Deferred tax to be recovered within 12 months	**0.9**	3.1
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered within 12 months	**(1.8)**	(4.2)
Deferred tax liabilities (net)	**(0.9)**	(1.1)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	**Other income (overage receipts) £m**	Total £m
At 1 April 2015	**2.3**	2.3
Charged to income statement	**1.9**	1.9
At 31 March 2016	**4.2**	4.2
Credited to income statement	**(2.4)**	(2.4)
At 31 March 2017	**1.8**	1.8

Deferred tax assets	**Expenses (share based payment) £m**	**Tax losses £m**	Total £m
At 1 April 2016	**–**	**(2.3)**	(2.3)
(Credited)/charged to income statement	**(1.1)**	**0.3**	(0.8)
At 31 March 2016	**(1.1)**	**(2.0)**	(3.1)
Charged to income statement	**0.2**	**2.0**	2.2
At 31 March 2017	**(0.9)**	**–**	(0.9)

7. Dividends

Ordinary dividends paid	Payment date	Per share	**2017 £m**	2016 £m
For the year ended 31 March 2015:				
Final dividend	August 2015	8.15p	**–**	13.2
For the year ended 31 March 2016:				
Interim dividend	February 2016	4.86p	**–**	7.9
Final dividend	August 2016	10.19p	**16.5**	–
For the year ended 31 March 2017:				
Interim dividend	February 2017	6.80p	**11.2**	–
Dividends for the year			**27.7**	21.1
Timing difference on payment of withholding tax			**(0.3)**	(0.2)
Dividends cash paid			**27.4**	20.9

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 March 2017 of 14.27 pence per ordinary share which will absorb an estimated £23.3m of revenue reserves and cash. If approved by the shareholders at the AGM, it will be paid on 7 August 2017 to shareholders who are on the register of members on 7 July 2017. The dividend will be paid as a REIT Property Income Distribution ('PID') net of withholding tax where appropriate.

8. Earnings per share

Earnings used for calculating earnings per share:	**2017 £m**	2016 £m
Basic and diluted earnings	**88.7**	388.9
Change in fair value of investment properties	**(39.5)**	(296.6)
Loss/(profit) on disposal of investment properties	**0.6**	(8.1)
Loss on disposal of joint ventures	**0.2**	0.1
Movement in fair value of derivative financial instruments	**–**	(0.9)
Group's share of EPRA adjustments of joint ventures	**–**	(5.6)
EPRA adjusted earnings	**50.0**	77.8
Adjustment for non-trading items:		
Group's share of joint ventures other expenses	**0.1**	2.7
Other expenses	**1.2**	–
Exceptional finance costs	**1.4**	–
Other income	**(2.1)**	(39.0)
Taxation	**0.1**	2.4
Adjusted underlying earnings	**50.7**	43.9

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').

Adjusted underlying earnings represents trading profits after interest, including trading profits of joint ventures but excluding exceptional items. Taxation in the Consolidated income statement for both years is in respect of non-trading items.

Number of shares used for calculating earnings per share:	**2017 Number**	2016 Number
Weighted average number of shares (excluding own shares held in trust)	**162,833,428**	161,843,774
Dilution due to share option schemes	**2,892,100**	2,018,833
Weighted average number of shares for diluted earnings per share	**165,725,528**	163,862,607

In pence:	**2017**	2016
Basic earnings per share	**54.5p**	240.3p
Diluted earnings per share	**53.5p**	237.3p
EPRA earnings per share[1]	**30.2p**	47.5p
Adjusted underlying earnings per share[1]	**30.6p**	26.8p

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

9. Net assets per share

Net assets used for calculating net assets per share:	**2017 £m**	2016 £m
Net assets at end of year (basic)	**1,578.5**	1,517.6
Derivative financial instruments at fair value	**(12.1)**	(3.9)
EPRA net assets	**1,566.4**	1,513.7

Number of shares used for calculating net assets per share:	**2017 Number**	2016 Number
Shares in issue at year-end	**163,199,045**	162,404,600
Less own shares held in trust at year-end	**(118,274)**	(122,362)
Number of shares for calculating basic net assets per share	**163,080,771**	162,282,238
Dilution due to share option schemes	**1,227,537**	1,673,407
Number of shares for calculating diluted adjusted net assets per share	**164,308,308**	163,955,645

	2017	2016
EPRA net assets per share	**£9.53**	£9.23

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

	2017 £m	2016 £m
Balance at 1 April	**1,749.4**	1,408.9
Purchase of investment properties	**–**	107.4
Capital expenditure	**57.1**	54.3
Capitalised interest on refurbishments (note 4)	**1.5**	0.9
Disposals during the year	**(8.5)**	(114.7)
Change in fair value of investment properties	**39.5**	296.6
Balance at 31 March	**1,839.0**	1,753.4
Less: classified as trade and other receivables	**–**	(4.0)
Total investment properties	**1,839.0**	1,749.4

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 5.2% (2016: 4.8%). The total amount of capitalised interest included in investment properties is £8.2m (2016: £6.7m).

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

Investment properties include buildings under finance leases of which the carrying amount is £7.1m (2016: £7.1m). Investment property finance lease commitment details are shown in note 16(h).

Valuation

The Group's investment properties are held at fair value and were revalued at 31 March 2017 by the external valuer, CBRE Limited, a firm of independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards 2014. All the properties are revalued at period end regardless of the date of acquisition. This includes a physical inspection of all properties, at least once a year. In line with IFRS 13, all investment properties are valued on the basis of their highest and best use. For like-for-like properties their current use equates to the highest and best use. For properties undergoing refurbishment or redevelopment, most of these are currently being used for business accommodation in their current state. However, the valuation is based on the current valuation at the balance sheet date including the impact of the potential refurbishment and redevelopment as this represents the highest and best use.

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

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

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

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

10. Investment properties continued

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

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

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

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

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

	2017 £m	2016 £m
Total per CBRE valuation report	**1,844.0**	1,778.6
Deferred consideration on sale of property	**(12.1)**	(36.3)
Head leases treated as finance leases under IAS 17	**7.1**	7.1
Total investment properties per balance sheet	**1,839.0**	1,749.4

The Group's Investment properties are carried at fair value and under IFRS 13 are required to be analysed by level depending on the valuation method adopted. The different valuation methods are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2 – Use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data.
Level 3 – Use of a model with inputs that are not based on observable market data.

As noted in the Significant judgements, key assumptions and estimates section, property valuations are complex and involve data which is not publicly available and involves a degree of judgement. All the investment properties are classified as Level 3, due to the fact that one or more significant inputs to the valuation are not based on observable market data. If the degree of subjectivity or nature of the measurement inputs changes then there could be a transfer between Levels 2 and 3 of classification. No changes requiring a transfer have occurred during the current or previous year.

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

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	1,001	1	£9–£84	£32	5.0%–8.0%	6.5%
Completed projects	134	1	£40–£70	£47	5.9%–6.8%	6.3%
Refurbishments	369	2	£14–£80	£41	5.0%–6.8%	5.8%
Redevelopments	196	2	£13–£35	£23	5.4%–7.1%	6.3%
Other	132	1	£16–£51	£39	2.6%–7.3%	5.1%
Head leases	7	n/a				
Total	**1,839**					

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	+100/-100	-37/+40
Completed projects (refurbishments)	+13/-13	-5/+6
Refurbishments	+53/-53	-9/+18
Redevelopments	+8/-8	-2/+3
Other	+13/-13	-6/+7

11. Property, plant and equipment

Cost or valuation	Equipment and fixtures £m	Total £m
Balance at 31 March 2015	7.9	7.9
Additions during the year	0.8	0.8
Disposals during the year	(3.6)	(3.6)
Balance at 31 March 2016	5.1	5.1
Additions during the year	1.8	1.8
Disposals during the year	(0.8)	(0.8)
Balance at 31 March 2017	**6.1**	**6.1**
Accumulated depreciation		
Balance at 31 March 2015	5.9	5.9
Charge for the year	0.8	0.8
Disposals during the year	(3.6)	(3.6)
Balance at 31 March 2016	3.1	3.1
Charge for the year	0.9	0.9
Disposals during the year	(0.8)	(0.8)
Balance at 31 March 2017	**3.2**	**3.2**
Net book amount at 31 March 2017	**2.9**	**2.9**
Net book amount at 31 March 2016	2.0	2.0

12(a). Investment in joint ventures
The Group's investment in joint ventures represents:

	2017 £m	2016 £m
Balance at 1 April	**22.3**	28.6
Capital distributions received*	**(2.7)**	(6.3)
(Repayment)/payment of loans to joint ventures	**–**	(0.2)
Share of gains	**0.1**	4.2
Income distributions received*	**(0.6)**	(1.2)
Disposal of joint ventures (note 3(b))	**(18.9)**	(3.2)
Realisation of profits on sale of properties out of joint ventures (note 3(a))	**0.1**	0.4
Balance at 31 March	**0.3**	22.3

* Capital distributions are from proceeds on disposal of investment properties. Income distributions are from trading profits.

The Group had the following joint ventures during the year:

	Partner	Established	Ownership	Measurement method
BlackRock Workspace Property Trust*	BlackRock UK Property Fund	February 2011	20.1%	Equity
Generate Studio Limited	Whitebox Creative Limited	February 2014	50%	Equity

* The Company sold its share in this joint venture in June 2016.

12(a). Investment in joint ventures continued

BlackRock Workspace Property Trust ('BWPT') was a Jersey property unit trust established in February 2011 whose aim was to build a fund of up to £100m of office and industrial property in and around London. Prior to disposing of its share in the BWPT joint venture, the Group held a 20.1% interest. Strategic decisions were taken with the agreement of both parties and no one party had control on their own. The Group was also property manager with significant delegated powers including responsibility for asset management and recommending acquisitions and disposals. As a result there was shared control and so the joint venture was equity accounted in the Consolidated financial statements.

Generate Studio Limited is engaged in the design and project management of office fit outs and workplace consultancy both for Group properties and third parties.

The Group has no funding commitments relating to its joint ventures.

The summarised balance sheets and income statements of the joint ventures are shown below:

Balance sheet: Generate Studio Limited (2016: BWPT and Generate Studio Limited)	**2017 £m**	2016 £m
Investment properties	**–**	130.6
Cash and cash equivalents	**0.4**	6.3
Other current assets	**0.8**	1.8
Current liabilities	**(0.6)**	(27.8)
Net assets	**0.6**	110.9

The net assets of BlackRock Workspace Property Trust included above are nil (2016: £110.5m).

Income statement of joint ventures (includes income from Generate Studio Limited and BWPT joint venture until date of sale)	**2017 £m**	2016 £m
Revenue	**4.0**	9.5
Direct costs	**(1.1)**	(2.9)
Net rental income	**2.9**	6.6
Administrative expenses	**(1.0)**	(1.8)
Other expenses	**(0.4)**	(13.9)
Profit on disposal of investment properties	**0.3**	0.8
Change in fair value of investment properties	**(1.2)**	27.5
Profit before tax	**0.6**	19.2
Taxation	**–**	(0.1)
Profit after tax	**0.6**	19.1

There are no differences in accounting policies between the Group and the joint ventures.

The reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in the joint ventures is shown below:

Summarised financial information	**2017 £m**	2016 £m
Opening net assets 1 April	**110.9**	134.7
Profit for the period	**0.6**	19.1
Capital distributions	**(13.6)**	(31.5)
Income distributions	**(3.4)**	(4.7)
Loans to joint ventures	**–**	(0.4)
Disposal of joint ventures	**(93.9)**	(6.3)
Closing net assets 31 March	**0.6**	110.9
Group's interest	**0.3**	22.4
Unrealised surplus on sale of properties to joint ventures	**–**	(0.1)
Carrying amount	**0.3**	22.3

12(b). Other investments

The Group holds the following investments:

	2017 £m	2016 £m
8% of share capital of Mailstorage Ltd	–	1.2
10% of share capital of The Excell Group plc	**3.1**	3.0
	3.1	4.2

The Group wrote off the investment in Mailstorage Ltd of £1.2m in the financial year (see note 3(d)).

13. Trade and other receivables

Non-current trade and other receivables	2017 £m	2016 £m
Prepayments, other receivables and accrued income	**3.0**	7.2
Deferred consideration on sale of investment properties (see below)	**4.3**	7.0
	7.3	14.2

	2017 £m	2016 £m
Deferred consideration on sale of investment properties:		
Balance at 1 April	**7.0**	8.7
(Cash received)/additions	**(1.7)**	1.6
Less: classified as current	–	(12.8)
Change in fair value	**(1.0)**	9.5
Balance at 31 March	**4.3**	7.0

The deferred consideration arising on the sale of investment properties relates to cash and overage. The conditional value of the portion of the receivable that relates to overage is held at fair value through profit and loss. It has been fair valued by CBRE Limited on the basis of residual value, using appropriate discount rates, and will be revalued on a regular basis. This is a Level 3 valuation of a financial asset, as defined by IFRS 13. The methodology and significant assumptions used in the valuation are consistent with those disclosed in note 10. The change in fair value recorded in the Consolidated income statement, including both current and non-current elements, was a loss of £0.5m (31 March 2016: £9.5m gain) (note 3(c)).

Current trade and other receivables	2017 £m	2016 £m
Trade receivables	**3.5**	3.4
Less provision for impairment of receivables	**(0.3)**	(0.4)
Trade receivables – net	**3.2**	3.0
Prepayments, other receivables and accrued income	**14.2**	19.7
Deferred consideration on sale of investment properties	**7.8**	29.3
	25.2	52.0

Prepayments, other receivables and accrued income (non-current and current) includes £10.8m (2016: £nil) in respect of deposits paid to acquire investment properties. In the prior year this included £24.1m in relation to the performance fee for the BlackRock Workspace Property Trust joint venture.

Receivables at fair value:
Included within deferred consideration on sale of investment properties is £9.4m (2016: £33.3m) of overage which is held at fair value through profit and loss. Where the amount is receivable within the following 12 months it has been classified from non-current to current receivables.

Receivables at amortised cost:
The remaining receivables are held at amortised cost. There is no material difference between the above amounts and their fair values due to the short-term nature of the receivables. Trade receivables are impaired when there is evidence that the amounts may not be collectable under the original terms of the receivable. All the Group's trade and other receivables are denominated in Sterling.

Movements on the provision for impairment of trade receivables are shown below:

	2017 £m	2016 £m
Balance at 1 April	**0.4**	0.4
Increase in provision for impairment of trade receivables	**0.2**	0.2
Receivables written off during the year	**(0.3)**	(0.2)
Balance at 31 March	**0.3**	0.4

13. Trade and other receivables continued
As at 31 March 2017, the ageing of trade receivables past due but not impaired was as follows:

	Total 2017 £m	**Impaired 2017 £m**	**Not impaired 2017 £m**	Total 2016 £m	Impaired 2016 £m	Not impaired 2016 £m
Up to 3 months past due	**2.7**	**(0.1)**	**2.6**	2.6	(0.1)	2.5
3 to 6 months past due	**0.3**	**(0.1)**	**0.2**	0.3	(0.1)	0.2
Over 6 months past due	**0.5**	**(0.1)**	**0.4**	0.5	(0.2)	0.3
	3.5	**(0.3)**	**3.2**	3.4	(0.4)	3.0

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

	2017 £m	2016 £m
Cash at bank and in hand	**2.7**	24.5
Restricted cash – tenants' deposit deeds	**3.8**	3.3
	6.5	27.8

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

15. Trade and other payables

	2017 £m	2016 £m
Trade payables	**4.6**	3.7
Other tax and social security payable	**2.0**	0.5
Corporation tax payable	**0.3**	1.3
Tenants' deposit deeds (note 14)	**3.8**	3.3
Tenants' deposits	**18.0**	16.0
Accrued expenses	**20.2**	20.3
Amounts due to related parties (note 23)	**–**	0.4
Deferred income – rent and service charges	**3.3**	2.9
	52.2	48.4

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

16. Borrowings
(a) Balances

	2017 £m	2016 £m
Non-current		
Bank loans (unsecured)	**28.4**	38.3
6% Retail Bond (unsecured)	**57.1**	56.9
5.6% Senior US Dollar Notes 2023 (unsecured)	**80.1**	69.7
5.53% Senior Notes 2023 (unsecured)	**83.8**	83.8
Senior Floating Rate Notes 2020 (unsecured)	**9.0**	9.0
Other term loan (unsecured)	**–**	44.5
Finance lease obligations	**7.1**	7.1
	265.5	309.3

(b) Net Debt

	2017 £m	2016 £m
Borrowings per (a) above	**265.5**	309.3
Adjust for:		
Finance leases	**(7.1)**	(7.1)
Cost of raising finance	**2.3**	3.2
Foreign exchange differences	**(15.7)**	(5.4)
	245.0	300.0
Cash at bank and in hand (note 14)	**(2.7)**	(24.5)
Net Debt	**242.3**	275.5

At 31 March 2017 the Group had £120m (2016: £110m) of undrawn bank facilities and £2.7m of unrestricted cash (2016: £24.5m).

(c) Maturity

	2017 £m	2016 £m
Repayable between two years and three years	**57.5**	–
Repayable between three years and four years	**9.0**	57.5
Repayable between four years and five years	**30.0**	49.0
Repayable in five years or more	**148.5**	193.5
	245.0	300.0
Cost of raising finance	**(2.3)**	(3.2)
Foreign exchange differences	**15.7**	5.4
	258.4	302.2
Finance leases:		
Repayable in five years or more	**7.1**	7.1
	265.5	309.3

(d) Interest rate and repayment profile

	Principal at period end £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	–	Base+2.25%	Variable	On demand
Non-current				
Private Placement Notes:				
5.6% Senior US Dollar Notes	64.5	5.6%	Half yearly	June 2023
5.53% Senior Notes	84.0	5.53%	Half yearly	June 2023
Senior Floating Rate Notes	9.0	LIBOR+3.5%	Half yearly	June 2020
Revolver loan	30.0	LIBOR+1.65%	Monthly	June 2021
6% Retail Bond	57.5	6.0%	Half yearly	October 2019
	245.0			

16. Borrowings continued
(e) Derivative financial instruments
The following derivative financial instruments are held:

	Amount	Rate payable (%)	Term/expiry
Cash flow hedge – cross currency swap	$100m/£64.5m	5.66%	June 2023

The Group has a cross currency swap to ensure the US Dollar liability streams generated from the US Dollar Notes are fully hedged into Sterling for the life of the transaction. Through entering into the cross currency swap the Group has created a synthetic Sterling fixed rate liability totalling £64.5m. This swap has been designated as a cash flow hedge with changes in fair value dealt with in other comprehensive income.

(f) Financial instruments and fair values

	2017 Book value £m	**2017 Fair value £m**	2016 Book value £m	2016 Fair value £m
Financial liabilities held at amortised cost				
Bank loans	**28.4**	**28.4**	38.3	38.3
6% Retail Bond	**57.1**	**61.7**	56.9	59.7
Private Placement Notes	**172.9**	**172.9**	162.5	162.5
Other term loan	**–**	**–**	44.5	44.5
Finance lease obligations	**7.1**	**7.1**	7.1	7.1
	265.5	**270.1**	309.3	312.1
Financial (assets)/liabilities at fair value through other comprehensive income				
Derivative financial instruments:				
Cash flow hedge – derivatives used for hedging	**(12.1)**	**(12.1)**	(3.9)	(3.9)
	(12.1)	**(12.1)**	(3.9)	(3.9)
Financial assets at fair value through profit or loss				
Deferred consideration	**9.4**	**9.4**	33.3	33.3

The fair value of the Retail Bond has been established from the quoted market price at 31 March 2017 and is thus a Level 1 valuation as defined by IFRS 13.

In accordance with IFRS 13 disclosure is required for financial instruments that are carried in the financial statements at fair value. The fair values of all the Group's financial derivatives have been determined by reference to market prices and discounted expected cash flows at prevailing interest rates and are Level 2 valuations. There have been no transfers between levels in the year.

The different levels of valuation hierarchy as defined by IFRS 13 are set out in note 10.

The total change in fair value of derivative financial instruments recorded in other comprehensive income was a £2.2m loss (2016: profit of £1.4m).

In the prior year we recognised a gain on the change in fair value of derivative financial instruments of £0.9m. This interest rate hedge was cancelled during the prior year.

(g) Financial instruments by category

Assets	2017 £m	2016 £m
a) Derivatives used for hedging		
Derivative financial instruments	**–**	3.9
b) Assets at value through profit or loss		
Financial assets at fair value through profit or loss	**9.4**	33.3
c) Loans and receivables		
Cash and cash equivalents	**6.5**	27.8
Trade and other receivables excluding prepayments[1]	**9.6**	6.0
	16.1	33.8
Total	**25.5**	71.0

Liabilities	2017 £m	2016 £m
Other financial liabilities at amortised cost		
Borrowings (excluding finance leases)	**258.4**	302.2
Finance lease liabilities	**7.1**	7.1
Trade and other payables excluding non-financial liabilities[2]	**46.6**	43.7
	312.1	353.0
Total	**312.1**	353.0

1. Trade and other receivables exclude prepayments of £6.4m (2016: £26.9m) and non-cash deferred consideration of £9.4m (2016: £33.3m).
2. Trade and other payables exclude other tax and social security of £2.0m (2016: £0.5m), corporation tax of £0.3m (2016: £1.3m) and deferred income of £3.3m (2016: £2.9m).

(h) Finance leases

Finance lease liabilities are in respect of leased investment property.

Minimum lease payments under finance leases fall due as follows:

	2017 £m	2016 £m
Within one year	**0.5**	0.5
Between two and five years	**1.8**	1.8
Beyond five years	**48.3**	48.7
	50.6	51.0
Future finance charges on finance leases	**(43.5)**	(43.9)
Present value of finance lease liabilities	**7.1**	7.1

17. Financial risk management objectives and policy

The Group has identified exposure to the following financial risks:
- Market risk.
- Credit risk.
- Liquidity risk.
- Capital risk management.

The policies for managing each of these risks and the principal effects of these policies on the results for the year are summarised below:

(a) Market risk

Market risk is the risk that changes in market conditions will affect the Group's interest rates. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group finances its operations through a mixture of retained profits and borrowings. The Group borrows at both fixed and floating rates of interest and then uses interest rate and cross currency swaps and caps to generate the desired interest and risk profile. The Group has entered into a cross currency swap to ensure the US Dollar liability streams generated from the US Dollar private placement notes are fully hedged into Sterling for the life of the transaction. At 31 March 2017 84% (2016: 69%) of Group borrowings were fixed or fixed through the use of interest rate and cross currency swaps.

All transactions entered into are approved by the Board and are in accordance with the Group's treasury policy. The Board also monitors variances on interest rates to budget and forecast rates to ensure that the risk relating to interest rates is being sufficiently safeguarded against. Based upon year end variable rate loan balances, a reasonably possible interest rate movement of +/-0.5% would have increased and decreased net interest payable and equity respectively by £0.2m (2016: £0.5m).

(b) Credit risk

The Group's main financial assets are cash and cash equivalents, deposits with banks and financial institutions and trade and other receivables.

Credit risk is the risk of financial loss if a tenant or a counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to this risk principally relates to the receivables from tenants, deferred consideration on the sale of investment property and cash and cash equivalent balances held with counterparties.

The Group's exposure to credit risk in relation to receivables from tenants is influenced mainly by the characteristics of individual tenants occupying its rental properties. The Group has around 4,000 tenants over 68 properties. The largest 10 single tenants generate less than 10% of net rent roll. As such, the credit risk attributable to individual tenants is low.

The Group's credit risk in relation to tenants is further managed by requiring that tenants provide a deposit equivalent to three months' rent on inception of lease as security against default. Total tenant deposits held are £21.8m (2016: £19.3m). The Group monitors aged debt balances and any potential bad debts every week, the information being reported to the Executive Committee every month as part of the performance monitoring process. The Group's debtor recovery is consistently high and as such is deemed a low risk area.

Deferred consideration (cash and overage) on the sale of investment properties is contractual and valued regularly by the external valuer based on current and future market factors. Cash and cash equivalents and financial derivatives are held with major UK high street banks or building societies and strict counterparty limits are operated on deposits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017 £m	2016 £m
Cash and cash equivalents (note 14)	**6.5**	27.8
Trade receivables – current (note 13)	**3.2**	3.0
Deferred consideration – current (note 13)	**7.8**	29.3
Deferred consideration – non-current (note 13)	**4.3**	7.0
	21.8	67.1

(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 (2016: £4m) and a revolving loan facility of £150m (2016: £150m). At 31 March 2017 headroom excluding overdraft and cash was £120m (31 March 2016: £110m).

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.

31 March 2017	**Carrying amount £m**	**Due within 1 year £m**	**Due between 1 and 2 years £m**	**Due between 2 and 3 years £m**	**Due 3 years and beyond £m**	**Total contracted cash flows £m**
Financial liabilities						
Bank loans	**30.0**	**0.6**	**0.6**	**0.6**	**30.8**	**32.6**
6% Retail Bond	**57.5**	**3.5**	**3.5**	**59.4**	**–**	**66.4**
Private Placement Notes	**157.5**	**8.7**	**8.7**	**8.7**	**183.6**	**209.7**
Finance lease liabilities	**7.1**	**0.5**	**0.5**	**0.5**	**49.1**	**50.6**
Trade and other payables†	**46.6**	**46.6**	**–**	**–**	**–**	**46.6**
	298.7	**59.9**	**13.3**	**69.2**	**263.5**	**405.9**

31 March 2016	Carrying amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial liabilities						
Bank loans	40.0	0.9	0.9	0.9	41.0	43.7
6% Retail Bond	57.5	3.5	3.5	3.5	59.3	69.8
Private Placement Notes	157.5	8.7	8.7	8.7	192.1	218.2
Other term loan	45.0	1.8	1.8	1.8	51.5	56.9
Finance lease liabilities	7.1	0.5	0.5	0.5	49.5	51.0
Trade and other payables†	43.7	43.7	–	–	–	43.7
	350.8	59.1	15.4	15.4	393.4	483.3

† Trade and other payables exclude other tax and social security of £2.0m (2016: £0.5m), corporation tax of £0.3m (2016: £1.3) and deferred income of £3.3m (2016: £2.9m).

17. Financial risk management objectives and policy continued
(d) Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and monitor an appropriate mix of debt and equity financing.

Equity comprises issued share capital, reserves and retained earnings as disclosed in the Consolidated statement of changes in equity. Debt comprises term loan facilities, revolving loan facilities from banks, the Retail Bond, private placement notes less cash at bank and in hand.

The foreign currency risk on the US Dollar Private Placement Notes is fully hedged through a cross currency swap.

At 31 March 2017 Group equity was £1,578.5m (2016: £1,517.6m), and Group net debt (debt less cash at bank and in hand) was £242.3m (2016: £275.5m). Group gearing at 31 March 2017 was 17% (2016: 19%).

The Group's borrowings are all unsecured. The loan to value covenants applicable to these borrowings range between 60% and 75% and compliance is being met comfortably.

18. Notes to cash flow statement
Reconciliation of profit for the year to cash generated from operations:

	2017 £m	2016 £m
Profit before tax	**88.8**	391.3
Depreciation	**0.9**	0.8
Amortisation of intangibles	**0.2**	0.3
Loss/(profit) on disposal of investment properties	**0.6**	(8.1)
Loss on disposal of joint ventures	**0.2**	0.1
Other income	**(2.1)**	(33.6)
Other expenses	**1.2**	–
Net gain from change in fair value of investment property	**(39.5)**	(296.6)
Equity settled share based payments	**1.9**	1.9
Change in fair value of financial instruments	**–**	(0.9)
Finance income	**(0.1)**	(0.1)
Finance costs	**13.7**	17.0
Exceptional finance costs	**1.4**	–
Gains from share in joint ventures	**(0.1)**	(4.2)
Changes in working capital:		
Increase in trade and other receivables	**(2.2)**	(0.5)
Increase in trade and other payables	**4.8**	0.2
Cash generated from operations	**69.7**	67.6

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

	2017 £m	2016 £m
Cash at bank and in hand	**2.7**	24.5
Restricted cash – tenants' deposit deeds	**3.8**	3.3
	6.5	27.8

19. Share capital and share premium

	2017 Number	2016 Number
Issued: Fully paid ordinary shares of £1 each	**163,199,045**	162,404,600

	2017 £m	2016 £m
Issued: Fully paid ordinary shares of £1 each	**163.2**	162.4

Movements in share capital were as follows:	2017 Number	2016 Number
Number of shares at 1 April	**162,404,600**	161,107,649
Issue of shares	**794,445**	1,296,951
Number of shares at 31 March	**163,199,045**	162,404,600

The Group issued 794,445 shares (2016: 1,296,951 shares) during the year to satisfy the exercise of share options with net proceeds of £0.2m (2016: £0.3m).

	Share Capital		Share Premium	
	2017 £m	2016 £m	2017 £m	2016 £m
Balance at 1 April	**162.4**	161.1	**135.9**	136.8
Issue of shares	**0.8**	1.3	**(0.5)**	(0.9)
Balance at 31 March	**163.2**	162.4	**135.4**	135.9

20. Other reserves

	Equity settled share based payments £m	Merger reserve £m	Hedging reserve £m	Total £m
Balance at 31 March 2015	10.2	8.7	(3.2)	15.7
Share based payments	1.9	–	–	1.9
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	1.4	1.4
Balance at 31 March 2016	12.1	8.7	(1.8)	19.0
Share based payments	1.9	–	–	1.9
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	(2.2)	(2.2)
Balance at 31 March 2017	**14.0**	**8.7**	**(4.0)**	**18.7**

21. Investment in own shares

The Company has an Employee Share Ownership Trust ('ESOT') and a trust for the Share Incentive Plan ('SIP'). Shares are purchased in the market for distribution at a later date in accordance with the terms of the various share schemes. The shares are held by independent trustees. No shares were purchased for the ESOT during the year and no shares were transferred to employees on the exercise of share options. At 31 March 2017 the number of shares held by the ESOT totalled 75,226 (2016: 75,266).

The SIP is governed by HMRC rules (note 22). At 31 March 2017 the number of shares held for the SIP totalled 43,048 (2016: 47,136).

	2017 £m	2017 £m
Balance at 1 April	**8.9**	8.8
Shares purchased for the Trusts	**–**	0.2
Shares issued/sold from the Trusts	**–**	(0.1)
Balance at 31 March	**8.9**	8.9

22. 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 2016 LTIP scheme 479,057 performance and matching shares were awarded in June 2016 to Directors and Senior Management (2015 LTIP scheme: 402,421).

Details of the movements for the LTIP scheme during the year were as follows:

	LTIP Number
At 31 March 2015	2,489,613
Granted	402,421
Exercised	(1,141,871)
Lapsed	(27,348)
At 31 March 2016	1,722,815
Granted	479,057
Exercised	(740,263)
Lapsed	(67,714)
At 31 March 2017	**1,393,895**

For the 2013 LTIP the average closing share price at the date of exercise of shares exercised during the year was £6.85 (2016: £8.85).

For the 2016 LTIP 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:

	2017	2016
Share price at grant	**828p**	914p
Exercise price	**Nil**	Nil
Average expected life (years)	**3**	3
Risk free rate	**1%**	1%
Expected dividend yield	**2%**	2%
Average share price volatility	**28%**	25%
Fair value per option – Absolute TSR element	**316p**	305p
Fair value per option – Relative TSR element	**306p**	306p

The relative NAV is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 828 pence. At each balance sheet date, the Directors assess the likelihood of meeting the conditions under this element of the scheme. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity. The assessment at year end was that up to 50% of the relative NAV element will vest.

The expected Workspace share price volatility was determined by taking account of the daily share price movement over a three-year period. The respective FTSE 250 Real Estate share price volatility and correlations were also determined over the same period. The average expected term to exercise used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions and historical experience.

The risk free rate has been determined from market yield curves for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant. The expected dividend yield was determined by calculating the present value of expected future dividend payments to expiry.

II) Employee share option schemes
The Group operates a Save As You Earn ('SAYE') share option scheme. Grants under the SAYE scheme are normally exercisable after three or five year's saving. In accordance with UK practice, the majority of options under the SAYE schemes are granted at a price 20% below the market price ruling at the date of grant.

Details of the movements for the SAYE schemes during the year were as follows:

	SAYE	
Options outstanding	Number	Weighted exercise price
At 31 March 2015	354,506	£3.09
Options granted	86,251	£7.27
Options exercised	(155,081)	£1.93
Options lapsed	(17,983)	£5.33
At 31 March 2016	267,693	£4.95
Options granted	190,167	£5.18
Options exercised	(53,429)	£3.65
Options lapsed	(99,220)	£6.41
At 31 March 2017	**305,211**	**£4.85**

The average closing share price at the date of exercise for the SAYE options exercised (for the 3 year 2013 and the 5 year 2011 schemes) during the year was £7.16 (2016: £8.73).

190,167 SAYE share options were granted in the year (2016: 86,251 shares).

The fair value has been calculated using the Black-Scholes model. Inputs to the model are summarised as follows:

	2017 SAYE 3 year	**2017 SAYE 5 year**	2016 SAYE 3 year	2016 SAYE 5 year
Weighted average share price at grant	**622p**	**622p**	908p	908p
Exercise price	**518p**	**518p**	727p	727p
Expected volatility	**28%**	**28%**	25%	25%
Average expected life (years)	**3**	**5**	3	5
Risk free rate	**1%**	**1%**	1%	1%
Expected dividend yield	**2%**	**2%**	2%	2%
Possibility of ceasing employment before vesting	**25%**	**25%**	25%	25%

The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. The expected dividend yield is based on the present value of expected future dividend payments to expiry.

Fair values per share of these options were:

	2017		2016	
	Grant date	**Fair value of award**	Grant date	Fair value of award
SAYE – 3 year	**27 July 2016**	**149p**	24 July 2015	222p
SAYE – 5 year	**27 July 2016**	**164p**	24 July 2015	259p

III) Share incentive plan ('SIP')
All staff were granted £1,000 worth of shares in both March 2013 and September 2015. These shares are held in trust under an HMRC approved SIP. The shares can be exercised following three years of employment but must be held for a further two years in order to qualify for tax advantages. No new shares were granted in the year (2016: 20,651). 4,088 (2016: 12,643) shares were exercised in the year and 3,930 (2016: 3,426) shares lapsed.

22. Share based payments continued

IV) Year end summary

At 31 March 2017 in total there were 1,733,960 (2016: 2,034,218) share awards/options exercisable on the Company's ordinary share capital. These are analysed below:

Date of grant	Exercise price	Ordinary shares Number	Vested and exercisable	Exercisable between	
LTIP					
26 June 2014	–	559,556	–	26.06.2017	–
26 June 2015	–	374,545	–	26.06.2018	–
26 June 2016	–	459,860	–	26.06.2019	–
SAYE					
30 July 2012 – 5 year	£1.93	18,652	–	01.09.2017	01.03.2018
31 July 2013 – 5 year	£3.47	6,915	–	01.09.2018	01.03.2019
25 July 2014 – 3 year	£4.59	94,882	–	01.09.2017	01.03.2018
25 July 2014 – 5 year	£4.59	392	–	01.09.2019	01.03.2020
25 July 2015 – 3 year	£7.27	12,936	–	01.09.2018	01.03.2019
25 July 2015 – 5 year	£7.27	247	–	01.09.2020	01.03.2021
20 July 2016 – 3 year	£5.18	170,841	–	01.09.2019	01.03.2020
20 July 2016 – 5 year	£5.18	347	–	01.09.2021	01.03.2022
SIP					
22 March 2013	–	15,313	15,313	22.03.2016	22.03.2018
18 September 2015	–	19,474	–	18.09.2018	18.09.2020
Total		**1,733,960**	**15,313**		

The share awards/options outstanding at 31 March 2017 had a weighted average remaining contractual life of: LTIP – 1.2 years (2016: 1.1 years), SAYE – 1.6 years (2016: 1.6 years), SIP – 0.8 years (2016: 1.1 years).

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:

	2017 £m	2016 £m
Equity settled share based payments	**1.9**	1.9
Cash settled share based payments	**0.4**	0.9
	2.3	2.8

The total liability at the end of the year in respect of cash settled share based schemes was £0.8m (2016: £1.1m).

23. Related party transactions

	2017 £m	2016 £m
Transactions for the year ended 31 March:		
Capital distributions received from joint ventures (note 12(a))	**2.7**	6.3
Repayment/payment of loans to joint ventures (note 12(a))	**–**	0.2
Fee income and recharges to joint ventures (including performance fees)	**0.4**	25.1
Fee income and recharges from joint ventures	**(1.4)**	(1.2)
Income distributions received from joint ventures (note 12(a))	**0.6**	1.2
Fees paid to CBRE Limited	**(0.2)**	(0.2)
Balances with joint ventures at 31 March:		
Amounts payable to joint ventures (note 15)	**–**	(0.4)

Fee income and recharges to joint ventures includes a performance fee of £0.4m (2016: £24.1m). Refer to note 3(c) for details.

Fees paid to CBRE Limited are in respect of the property valuations.

Key management for the purposes of related party disclosure under IAS 24 are taken to be the Executive Board Directors, the Non-Board Executive Directors and the Non-Executive Directors. Key management compensation is set out below:

Key management compensation:	2017 £m	2016 £m
Short-term employee benefits	**3.2**	3.0
Post-employment benefits	**–**	0.2
Share based payments	**1.1**	1.2
	4.3	4.4

24. Capital commitments

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

	2017 £m	2016 £m
Construction or redevelopment of investment property	**27.9**	18.8

25. Subsidiary and other related undertakings

The Company's subsidiary and other related undertakings at 31 March 2017, and up to the date of signing the financial statements, are listed below.

Except where indicated otherwise, the Company owns 100% of the ordinary share capital of the following subsidiary undertakings incorporated and operating in the UK, all of which are consolidated in the Group's financial statements. The registered address of all subsidiaries is Canterbury Court, Kennington Park, 1-3 Brixton Road, London SW9 6DE:

Name	Nature of business
Workspace 12 Limited*	Property Investment
Workspace 13 Limited	Property Investment
Workspace 14 Limited	Property Investment
Workspace 16 (Jersey) Limited†	Investor in joint venture
Workspace Glebe Limited	Holding Company
Glebe Three Limited*	Property Investment
LI Property Services Limited	Insurance Agents
Workspace Management Limited	Property Management
Workspace 1 Limited*	Dormant
Workspace 2 Limited*	Dormant
Workspace 3 Limited*	Dormant
Workspace 4 Limited*	Dormant
Workspace 5 Limited*	Dormant
Workspace 6 Limited	Dormant
Workspace 7 Limited*	Dormant
Workspace 8 Limited*	Dormant
Workspace 9 Limited*	Dormant
Workspace 10 Limited	Dormant
Workspace 11 Limited	Dormant
Workspace 15 Limited	Dormant
Workspace Holdings Limited	Dormant
Anyspacedirect.co.uk Limited	Dormant
Enerjet Limited	Dormant
Redhill Workspace Limited	Dormant
London Industrial (Kingsland Viaduct) Limited	Dormant
Vylan Limited	Dormant
Workspace Newco 1 Limited	Holding Company
Workspace Newco 2 Limited	Dormant

* 100% of the ordinary share capital of these subsidiaries is held by other Group companies.
† Company registered in Jersey.

The Company's other related undertakings are as follows:

Name	Country of incorporation or operation	Class of shares held	Ownership
Generate Studio Limited	UK	Ordinary	50%

26. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for this scheme in the year was £0.7m (2016: £0.8m) representing contributions payable by the Group to the fund and is charged through operating profit.

The Group's commitment with regard to pension contributions, consistent with the prior year, ranges from 6% to 16.5% of an employee's salary. The pension scheme is open to every employee in accordance with the new Government auto-enrolment rules. The number of employees, including Directors, in the scheme at the year end was 177 (2016: 186).

27. Operating leases

As a lessee, the following future minimum lease payments are due under non-cancellable operating leases:

Motor vehicles and office equipment:	**2017 £m**	2016 £m
Due within one year	**0.1**	0.1
Due between two and five years	**0.1**	0.1
	0.2	0.2

As a lessor, the Group has determined that all tenant leases are operating leases within the meaning of IAS 17. The majority of the Group's tenant leases are granted with a rolling three-month tenant break clause. The future minimum non-cancellable rental receipts under operating leases granted to tenants are shown below.

Land and buildings:	**2017 £m**	2016 £m
Within one year	**41.2**	34.7
Between two and five years	**6.4**	5.0
Beyond five years	**1.5**	1.5
	49.1	41.2

28. Post balance sheet events

On 6 April 2017, the Group completed the acquisition of 13-17 Fitzroy Street for £98.5m.

In May 2017, the Group announced the simultaneous exchange and completion of contracts for the disposal of Uplands Business Park in Walthamstow, E17, for £50m. The property was sold at an uplift of £10m compared to the March 2017 valuation.

On 5 June 2017, the Group exercised the option to extend the maturity term of the revolver bank facility for a year to June 2022.

Independent Auditors' Report to the Members of Workspace Group PLC (Parent Company)

Report on the Parent Company financial statements
Our opinion
In our opinion, Workspace Group PLC's Parent Company financial statements (the 'financial statements'):
- give a true and fair view of the state of the Parent Company's affairs as at 31 March 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the Annual Report and Accounts (the 'Annual Report'), comprise:
- the Parent Company balance sheet as at 31 March 2017;
- the Parent Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law (United Kingdom Generally Accepted Accounting Practice).

Other required reporting
Consistency of other information and compliance with applicable requirements

Companies Act 2006 opinion

In our opinion, based on the work undertaken in the course of the audit:
- 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 Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Parent Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)') we are required to report to you if, in our opinion, information in the Annual Report is:
- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Directors' Remuneration Report – Companies Act 2006 opinion
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

Responsibilities for the financial statements and the audit
Our responsibilities and those of the Directors
As explained more fully in the Statement of Directors' responsibilities set out on page 120, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:
- whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter
We have reported separately on the Group financial statements of Workspace Group PLC for the year ended 31 March 2017.

Sonia Copeland
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 June 2017

Parent Company balance sheet
As at 31 March 2017

	Notes	2017 £m	2016 £m
Fixed assets			
Investments	C	**703.8**	612.6
Derivative financial instruments	F	**12.1**	3.9
		715.9	616.5
Current assets			
Debtors: amounts falling due after more than one year	D	**–**	7.2
Debtors: amounts falling due within one year	D	**243.6**	413.6
Cash and cash equivalents		**0.2**	0.2
		243.8	421.0
Total assets		**959.7**	1,037.5
Current liabilities			
Creditors: amounts falling due within one year	E	**(100.1)**	(115.9)
Current tax liabilities		**–**	(0.1)
		(100.1)	(116.0)
Creditors: amounts falling due after more than one year			
Borrowings	F	**(258.4)**	(302.2)
		(258.4)	(302.2)
Total liabilities		**(358.5)**	(418.2)
Net assets		**601.2**	619.3
Capital and reserves			
Share capital	G	**163.2**	162.4
Share premium	G	**135.4**	135.9
Investment in own shares	G	**(8.9)**	(8.9)
Other reserves	G	**18.7**	19.0
Retained earnings		**292.8**	310.9
Total shareholders' equity		**601.2**	619.3

The profit for the year is £9.7m (2016: £36.1m).

The notes on pages 161 to 163 form part of these financial statements.

The financial statements on pages 159 to 163 were approved by the Board of Directors on 6 June 2017 and signed on its behalf by:

J Hopkins
G Clemett
Directors
Workspace Group PLC
Registered number 2041612

Parent Company statement of changes in equity
For the year ended 31 March 2017

	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 31 March 2015	161.1	136.8	(8.8)	15.7	296.0	600.8
Profit for the year	–	–	–	–	36.1	36.1
Change in fair value of derivatives	–	–	–	1.4	–	1.4
Total comprehensive income	–	–	–	1.4	36.1	37.5
Transactions with owners:						
Share issues	1.3	(0.9)	–	–	(0.1)	0.3
Own shares purchase (net)	–	–	(0.1)	–	–	(0.1)
Dividends paid	–	–	–	–	(21.1)	(21.1)
Share based payments	–	–	–	1.9	–	1.9
Balance at 31 March 2016	162.4	135.9	(8.9)	19.0	310.9	619.3
Profit for the year	**–**	**–**	**–**	**–**	**9.7**	**9.7**
Change in fair value of derivatives	**–**	**–**	**–**	**(2.2)**	**–**	**(2.2)**
Total comprehensive income	**–**	**–**	**–**	**(2.2)**	**9.7**	**7.5**
Transactions with owners:						
Share issues	**0.8**	**(0.5)**	**–**	**–**	**(0.1)**	**0.2**
Dividends paid	**–**	**–**	**–**	**–**	**(27.7)**	**(27.7)**
Share based payments	**–**	**–**	**–**	**1.9**	**–**	**1.9**
Balance at 31 March 2017	**163.2**	**135.4**	**(8.9)**	**18.7**	**292.8**	**601.2**

The notes on pages 161 to 163 form part of these financial statements.

Notes to the Parent Company financial statements

A. Accounting policies
Although the Group Consolidated financial statements are prepared under IFRS as adopted by the EU, the Workspace Group PLC Company financial statements are prepared under Financial Reporting Standard 101 ('FRS 101') 'Reduced Disclosure Framework'.

Basis of accounting
The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. The financial statements are presented in Sterling.

In preparing the financial statements the Company has taken advantage of the following disclosure exemptions conferred by FRS 101:

a) The requirements of IAS 7 to provide a Statement of cash flows for the year;

b) The requirements of IAS 1 to provide a statement of compliance with IFRS;

c) The requirements of IAS 1 to disclose information on the management of capital;

d) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRS's that have been issued but are not yet effective;

e) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

f) The requirements of IFRS 7 on financial instruments disclosures; and

g) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

The above disclosure exemptions are allowed because equivalent disclosures are included in the Group Consolidated financial statements.

Significant Accounting Policies
i. Investments
Investments are carried in the Company's balance sheet at cost less impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Impairment and reversal of impairment is taken to the profit and loss account.

ii. Share based payment and investment in own shares
Incentives are provided to employees under share option schemes. The Company has established an Employee Share Ownership Trust ('ESOT') to satisfy part of its obligation to provide shares when Group employees exercise their options. The Company provides funding to the ESOT to purchase these shares.

The Company has also established an employee Share Incentive Plan ('SIP') which is governed by HMRC rules.

The Company itself has no employees. When the Company grants share options to Group employees as part of their remuneration, the expense of the share options is reflected in a subsidiary undertaking, Workspace Management Limited. The Company recognises this as an investment in subsidiary undertakings with a corresponding increase to equity.

The disclosure requirements for share based payments are met in note 22 of the Group Consolidated financial statements.

iii. Borrowings
Details of borrowings are described in note F to the Parent Company financial statements. Costs associated with the raising of finance are capitalised, amortised over the life of the instrument and charged as part of interest costs.

iv. Derivative financial instruments and hedge accounting
The accounting policy for derivative financial instruments and hedge accounting are the same as those for the Group and are set out on page 132. Disclosure requirements are provided in note 16 to the Consolidated financial statements.

v. Foreign currency translation
The accounting policy for foreign currency translation is the same as that for the Group and is set out on page 132.

Taxation
Current income tax is tax payable on the taxable income for the year and any prior year adjustment, and is calculated using tax rates that have been substantively enacted by the balance sheet date.

Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Dividend distributions
Final dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved, while interim dividends are recognised when paid.

B. Profit for the year
As permitted by the exemption in Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The profit attributable to shareholders, before dividend payments, dealt with in the financial statements of the Company was £9.7m (2016: £36.1m). £23.1m dividends were received in the year from subsidiary undertakings (2016: £14.4m).

Auditors' remuneration of £10,000 (2015: £10,000) has been borne by a subsidiary undertaking.

Dividend payments are disclosed in note 7 to the Consolidated financial statements.

C. Investments

	Investment in subsidiary undertakings £m	Other investments £m	Total £m
Cost			
Balance at 31 March 2016	736.1	1.2	737.3
Additions in the year	102.0	–	102.0
Balance at 31 March 2017	838.1	1.2	839.3
Impairment			
Balance at 31 March 2016	124.7	–	124.7
Impairment charge in the year	9.6	1.2	10.8
Balance at 31 March 2017	134.3	1.2	135.5
Net book value at 31 March 2017	**703.8**	**–**	**703.8**
Net book value at 31 March 2016	611.4	1.2	612.6

Other investments represent 8% of the share capital of Mailstorage Ltd, a company incorporated in the UK. The Company wrote off this investment during the year.

D. Debtors

Amounts falling due after more than one year	**2017 £m**	2016 £m
Prepayments, other receivables and accrued income	**–**	7.2
	–	7.2

Amounts falling due within one year	**2017 £m**	2016 £m
Amounts owed by Group undertakings	**241.6**	396.7
Corporation tax asset	**2.0**	–
Prepayments, other receivables and accrued income	**–**	16.9
	243.6	413.6

Prepayments and accrued income in the prior year (non-current and current) represented £24.1m in respect of a performance fee for the BlackRock Workspace Property Trust joint venture (see note 3(c) of the Consolidated financial statements). This was settled during the year.

Amounts owed by Group undertakings are unsecured and repayable on demand. Interest is charged to Group undertakings.

E. Creditors: amounts falling due within one year

	2017 £m	2016 £m
Amounts owed to Group undertakings	**95.0**	110.7
Taxation and social security	**1.0**	0.8
Accruals and deferred income	**4.1**	4.4
	100.1	115.9

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest is paid to Group undertakings.

F. Creditors: amounts falling due after more than one year

Borrowings and financial instruments	Interest rate	Repayable	**2017 £m**	2016 £m
Bank loan	LIBOR+1.65%	June 2020	**30.0**	40.0
5.6% Senior US Dollar Notes 2023	5.6%	June 2023	**80.2**	69.9
5.53% Senior Notes 2023	5.53%	June 2023	**84.0**	84.0
Senior Floating Rate Notes 2020	LIBOR+3.5%	June 2020	**9.0**	9.0
Other term loan	LIBOR+3.5%	May 2022 and May 2023	**–**	45.0
6% Retail Bond	6.0%	October 2019	**57.5**	57.5
Total borrowings			**260.7**	305.4
Less cost of raising finance			**(2.3)**	(3.2)
Net borrowings			**258.4**	302.2

All the above borrowings are unsecured.

Maturity analysis of borrowings:	**2017 £m**	2016 £m
Repayable between two and three years	**57.5**	–
Repayable between three and four years	**9.0**	57.5
Repayable between four and five years	**30.0**	49.0
Repayable in five years or more	**164.2**	198.9
	260.7	305.4

The following derivative financial instruments are held:

	Amount	Rate payable (%)	Term/ expiry	**2017 £m**	2016 £m
Cash flow hedge – cross currency swap	$100m/£64.5m	5.66%	June 2023	**12.1**	3.9
				12.1	3.9

G. Capital and reserves

Movements and notes applicable to share capital, share premium account, investment in own shares, other reserves and share based payment reserve are shown in notes 19 to 22 on pages 151 to 154 and in the Statement of changes in equity.

Other reserves:	Equity settled share based payments £m	Merger Reserve £m	Hedging Reserve £m	Total £m
Balance at 31 March 2015	10.2	8.7	(3.2)	15.7
Share based payments	1.9	–	–	1.9
Change in fair value of derivative financial instruments	–	–	1.4	1.4
Balance at 31 March 2016	12.1	8.7	(1.8)	19.0
Share based payments	1.9	–	–	1.9
Change in fair value of derivative financial instruments	–	–	(2.2)	(2.2)
Balance at 31 March 2017	**14.0**	**8.7**	**(4.0)**	**18.7**

Five-year performance (unaudited)
2013–2017

	31 March 2017 £m	31 March 2016 £m	31 March 2015 £m	31 March 2014 £m	31 March 2013 £m
Rents receivable	**86.8**	79.6	63.8	55.3	51.4
Service charges and other income	**22.0**	21.6	19.8	18.3	18.1
Revenue	**108.8**	101.2	83.6	73.6	69.5
Trading profit before interest including share of joint ventures	**64.3**	60.8	45.1	39.0	37.2
Net interest payable*	**(13.6)**	(16.9)	(18.5)	(18.5)	(19.3)
Trading profit after interest	**50.7**	43.9	26.6	20.5	17.9
Profit before taxation	**88.8**	391.3	360.0	252.5	76.4
Profit after taxation	**88.7**	388.9	359.9	252.4	76.4
Basic earnings per share	**54.5p**	240.3p	231.4p	166.8p	53.3p
Dividends per share	**21.07p**	15.05p	12.04p	10.63p	9.67p
Dividends (total)	**34.4**	24.4	19.4	15.5	13.9
Investment properties	**1,839.0**	1,749.4	1,408.9	1,068.3	825.9
Other assets less liabilities	**2.3**	53.0	14.5	(8.4)	2.1
Net borrowings	**(262.8)**	(284.8)	(277.1)	(333.8)	(327.6)
Net assets	**1,578.5**	1,517.6	1,146.3	726.1	500.4
Gearing	**17%**	19%	24%	46%	65%
Gearing on EPRA net assets	**17%**	19%	24%	46%	64%
Basic NAV per share	**£9.68**	£9.35	£7.12	£4.99	£3.48
EPRA NAV per share	**£9.53**	£9.23	£7.03	£4.96	£3.48

* Excludes exceptional items.

Performance metrics (unaudited)

	31 March 2017 £m	31 March 2016 £m	31 March 2015 £m	31 March 2014 £m	31 March 2013 £m
Workspace Group:					
Number of estates	**68**	69	75	83	86
Lettable floorspace (million sq. ft.)	**3.6**	3.8	4.2	4.5	4.7
Number of lettable units	**4,306**	4,554	4,525	4,653	4,626
Average unit size (sq. ft.)	**827**	834	919	967	1,011
Rent roll of occupied units	**£89.5m**	£78.2m	£69.4m	£58.3m	£52.7m
Overall rent per sq. ft.	**£28.41**	£24.32	£18.79	£15.12	£12.98
Overall occupancy	**87.0%**	85.8%	88.7%	85.8%	87.0%
Enquiries (number)	**12,724**	12,353	14,664	12,754	12,440
Lettings (number)	**1,182**	1,212	1,313	1,020	1,014
EPRA Measures					
EPRA Earnings per share	**30.2p**	47.5p	18.9p	15.4p	–
EPRA Net Asset Value per share	**£9.53**	£9.23	£7.03	£4.96	–
EPRA NNNAV	**£9.56**	£9.26	£7.01	£4.91	–
EPRA Cost Ratio	**28%**	31%	34%	33%	–

Property portfolio 2017 (unaudited)

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000s	ERV £000s
Alexandra House	N22 7TR	Like-for-like	54,843	675,000	1,371,075
Archer Street Studios	W1D 7AZ	Like-for-like	14,984	1,045,673	1,258,500
Arches Business Centre	UB2 4AU	Redevelopment	40,725	304,884	377,220
Barley Mow Centre	W4 4PH	Refurbishment	54,007	1,617,615	2,008,435
Belgravia Workshops	N19 4NF	Like-for-like	32,273	427,506	675,673
Bow Enterprise Park	E3 3QY	Redevelopment	9,018	144,618	249,470
Bow Office Exchange	E3 3QP	Like-for-like	36,962	357,974	418,900
Brickfields	E2 8HD	Refurbishment	0	0	0
Canalot Studios	W10 5BN	Like-for-like	49,747	1,604,870	1,721,346
Cannon Wharf	SE8 5EN	Acquisition	32,619	671,981	873,830
Cargo Works	SE1 9PG	Like-for-like	72,212	4,067,171	4,998,585
Chiswick Studios	W4 5PY	Like-for-like	14,255	360,159	416,429
Clerkenwell Workshops	EC1R 0AT	Like-for-like	52,879	3,550,880	3,861,278
E1 Studios	E1 1DU	Like-for-like	39,353	1,242,632	1,482,352
East London Works	E1 1DU	Like-for-like	38,605	1,279,531	1,492,180
Easton Street	WC1X 0DS	Acquisition	22,800	0	0
Edinburgh House	SE11 5DP	Acquisition	0	0	0
Exmouth House	EC1R 0JH	Like-for-like	58,512	3,367,159	3,700,900
Fleet Street	EC4A 2DQ	Acquisition	41,572	1,951,927	2,326,445
Garratt Lane	SW18 4LZ	Acquisition	43,000	688,000	688,000
Goswell Road	EC1V 7LQ	Acquisition	45,808	1,146,726	2,200,500
Grand Union Studios	W10 5AD	Redevelopment	64,725	1,718,215	2,534,141
60 Gray's Inn Road	WC1X 8AQ	Acquisition	39,440	1,406,355	2,043,124
12–13 Greville Street	EC1N 8SB	Refurbishment	3,787	53,861	0
14 Greville Street	EC1N 8SB	Refurbishment	10,961	369,026	610,731
Havelock Terrace	SW8 4AS	Like-for-like	58,156	1,234,229	1,390,451
Highway Business Park	E1 9HR	Redevelopment	19,786	307,895	340,772
Kennington Park	SW9 6DE	Like-for-like	365,071	8,449,354	11,568,635
Leroy House	N1 3QP	Like-for-like	46,564	1,091,817	1,274,254
Mallard Place	N22 6TS	Like-for-like	10,150	122,820	112,000
Mare Street Studios	E8 3QE	Redevelopment	38,313	412,531	596,661
Marshgate Business Centre	E15 2NH	Redevelopment	92,673	267,769	476,060
Metal Box Factory	SE1 0HS	Like-for-like	108,632	6,445,322	8,375,575
Morie Street	SW18 1SL	Like-for-like	21,698	600,075	711,336
Pall Mall Deposit	W10 6BL	Refurbishment	49,241	1,058,081	1,311,461
Parkhall Business Centre	SE21 8EN	Like-for-like	118,110	1,592,563	2,049,565
Parma House	N22 6XF	Like-for-like	34,984	447,111	543,130
Peer House	WC1X 8LZ	Like-for-like	10,234	404,944	492,100
Pill Box	E2 6GG	Like-for-like	50,409	1,771,711	2,088,145
Poplar Business Park	E14 9RL	Redevelopment	56,930	831,919	1,078,468
Q West	TW8 0GP	Redevelopment	55,129	596,644	710,700
Quality Court	WC2A 1HR	Like-for-like	16,923	1,032,836	1,100,276
Quicksilver Place	N22 6HX	Like-for-like	27,810	333,600	333,700
Rainbow Industrial Estate	SW20 0JK	Redevelopment	153,871	399,161	553,279
Riverside	SW18 4UQ	Like-for-like	100,398	1,592,730	1,649,409
ScreenWorks	N5 2EF	Like-for-like	64,494	2,446,187	3,327,220
Southbank House	SE1 7SJ	Refurbishment	51,720	1,428,190	3,219,740
Spectrum House	NW5 1LP	Like-for-like	46,532	803,873	1,176,345
Stratford Office Village	E15 4BZ	Redevelopment	52,139	771,296	921,880
The Biscuit Factory (1)	SE16 4DG	Redevelopment	0	0	0
The Biscuit Factory (2)	SE16 4DG	Like-for-like	236,967	4,159,490	4,909,932
The Chocolate Factory	N22 6XJ	Refurbishment	113,954	1,132,392	1,623,903
The Frames	EC2A 4PS	Refurbishment	0	0	0

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000s	ERV £000s
The Fuel Tank	SE8 3DX	Redevelopment	0	0	907,600
The Ivories	N1 2HY	Like-for-like	24,441	618,110	901,004
The Leather Market	SE1 3ER	Refurbishment	122,554	5,106,845	5,661,397
The Light Box	W4 5PY	Refurbishment	70,883	1,633,662	1,955,187
The Light Bulb	SW18 4GQ	Like-for-like	52,660	1,311,161	1,912,150
The Print Rooms	SE1 0LH	Refurbishment	45,806	2,327,369	3,209,085
The Record Hall	EC1N 7RJ	Refurbishment	0	0	0
The Shaftesbury Centre	W10 6BN	Like-for-like	12,628	284,583	314,478
Thurston Road	SE13 7SH	Redevelopment	0	0	73,020
Uplands Business Park*	E17 5QN	Like-for-like	290,843	1,641,084	2,304,419
Vestry Street Studios	N1 7RE	Like-for-like	23,194	459,273	1,070,300
Vox Studios	SE11 5JH	Refurbishment	103,470	3,559,150	4,131,926
Wenlock Studios	N1 7EU	Like-for-like	31,152	1,286,763	1,514,227
Westbourne Studios	W10 5JJ	Like-for-like	58,652	2,612,060	2,865,769
Zennor Road	SW12 0PS	Like-for-like	66,547	875,900	1,034,904

* Sold in May 2017.

Glossary of terms

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

Adjusted underlying earnings are based on trading profit after interest adjusted to exclude exceptional items.

BlackRock JV BlackRock Workspace Property Trust, a joint venture property fund with the BlackRock UK Property Fund in which the Group held a 20.1% interest until June 2016.

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 Consolidated income statement to enable a full understanding of the Group's financial performance.

Gearing is the Group's net debt as a percentage of net assets.

Gearing on EPRA net assets is the Group's net debt as a percentage of net assets excluding mark to market derivative adjustments.

Initial yield is the net rents generated by a property or by the portfolio as a whole expressed as a percentage of its valuation.

Interest cover is the number of times net interest payable is covered by operating profit.

IPD is the Investment Property Databank Ltd, a company that produces an independent benchmark of property returns.

IPD Quarterly Universe is the IPD quarterly universe property fund benchmark of approximately 240 (£196bn) UK domestic property funds.

LIBOR is the British Bankers' Association London Interbank Offer Rate.

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

Loan to value is net debt divided by the current value of properties owned by the Group.

Market rental values (see 'ERV').

Net asset value per share ('NAV') is net assets divided by the number of shares at the period end.

Net bank debt is the amount drawn on bank and other loan 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.

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

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

Unique web visits is the number of unduplicated (counted only once) visitors to a website over the course of a specified time period.

Investor information

Registrar
All general enquiries concerning ordinary shares in Workspace Group PLC should be addressed to:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
Telephone: +44 (0)870 707 1413

Alternatively, shareholders can contact Computershare online via their free Investor Centre facility. Shareholders have the ability to set up or amend bank details for direct credit of dividend payments, amend address details, view payment history and access information on the Company's share price. For more information or to register, please visit www.investorcentre.co.uk

Website
The Company has an investor website, which holds, amongst other information, a copy of the latest Annual Report and Accounts, a list of properties held by the Group and copies of all press announcements. The site can be found at www.workspace.co.uk

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Registered number: 2041612

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Liberum Capital Limited
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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

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