

# What makes us different?



# We are income focused:

Adjusted trading profit after interest

**£60.7m** +20%

Like-for-like rental growth

**+8.6%**

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

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

As a property company, Workspace values ownership of its assets. We nurture our properties, seeking and capturing opportunities to reposition,

refurbish and redevelop them over time in order to meet changing customer requirements and deliver income growth.

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

# We are customer focused:

Customer enquiries per month in 2017/18

# 1,016

Buildings that are Wired Certified Gold or Platinum

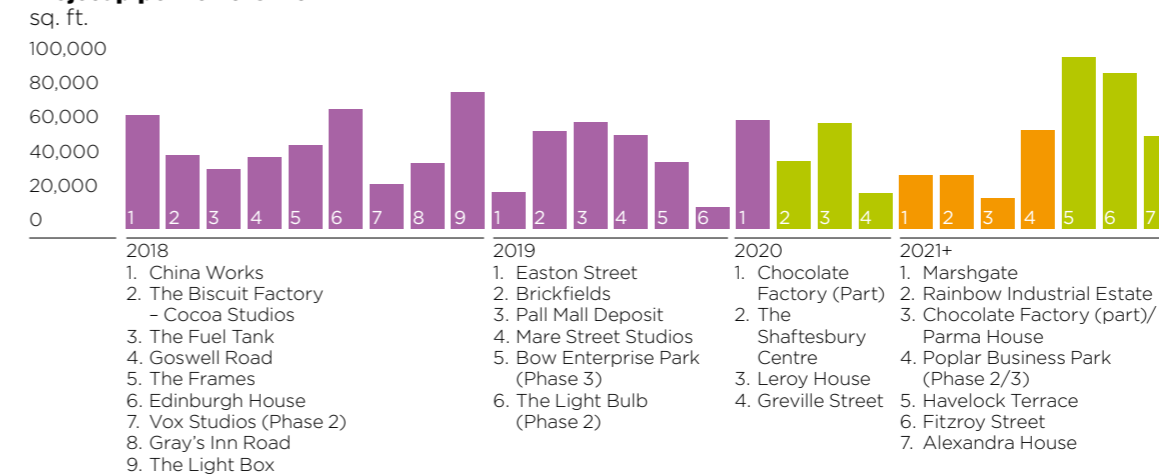
# 15

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

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

# We are future focused:

Project pipeline 2018–2021



Projects to be completed in 2018/19

# 9

● Projects underway  
● Projects with planning  
● Pipeline design

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

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

We have an extensive pipeline of refurbishment and redevelopment projects, and during the coming year we will complete nine projects, bringing 456,000 sq. ft. of new and upgraded space to the market. In the last year, we have also acquired three large properties, adding significant rental income to our portfolio. Some of these

properties come with longer-term leases in place but provide attractive repositioning opportunities in the future alongside our existing project pipeline.

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

**Jamie Hopkins**  
Chief Executive Officer

# The right strategy drives future performance.



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

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

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

Our Executive Directors and senior management team spend a significant amount of time out and about in the business, visiting centres,

talking to centre managers and meeting customers, as well as analysing the competition.

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

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

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

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

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

**Strategic priorities that drive Portfolio value**

**Right market**

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

**Right properties**

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

**Strategic priorities that drive Platform value**

**Right customers**

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

**Right people**

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

**Right brand**

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

Fuel Tank, Deptford (opening Summer 2018).

Strategic priorities that drive Portfolio value

**Strategic priority:  
Right market**

**Description**

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

**What we said we would do in 2017/18**

Seek opportunities to grow our footprint in London and add value by acquiring new freehold properties.

**The market trends that influenced our progress  
Relevant London trends**

- London is still seen as a global hub for business.
- London continues to attract significant investment capital.

**Relevant customer trends**

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

**What we achieved in 2017/18**

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

**What we aim to do in 2018/19**

Continue to pursue acquisitions in London where we see opportunities to create value.

**Link to relevant principal risks**

1, 2, 3, 4, 5, 10

**Link to relevant KPIs**

Financial: 3, 5, 6, 7, 8  
Non-financial: 2, 5

**Strategic priority:  
Right properties**

**Description**

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

**What we said we would do in 2017/18**

Continue to deliver on our strong project pipeline to improve the estate and further grow our footprint.

**The market trends that influenced our progress  
Relevant London trends**

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

**Relevant customer trends**

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

**What we achieved in 2017/18**

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

**What we aim to do in 2018/19**

Progress our extensive project pipeline to drive income and capital growth.

**Link to relevant principal risks**

1, 2, 3, 4, 5, 8, 10

**Link to relevant KPIs**

Financial: 1, 2, 3, 4, 5, 6, 7, 8  
Non-financial: 2, 4, 5, 6

Strategic priorities that drive Platform value

**Strategic priority:  
Right customers**

**Description**

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

**What we said we would do in 2017/18**

Open our offer to all businesses, no matter their sector or size. Roll out the brand campaign to raise our profile among prospects.

**The market trends that influenced our progress  
Relevant London trends**

- Small businesses are driving the economy.
- The spotlight on flexible space continues to grow, along with demand from across the business spectrum.

**Relevant customer trends**

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

**What we achieved in 2017/18**

- 131 customer events held during the year.
- 351 customers expanded within Workspace during the year.

**What we aim to do in 2018/19**

Bring upgraded space to the market for our customers and launch online benefits platform.

**Link to relevant principal risks**

3, 4, 5, 6, 9, 10, 11

**Link to relevant KPIs**

Financial: 1, 5, 6  
Non-financial: 1, 2, 3, 4, 5, 6, 8

**Strategic priority:  
Right people**

**Description**

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

**What we said we would do in 2017/18**

Ensure understanding of and engagement with The Workspace Advantage across different departments and teams.

**The market trends that influenced our progress  
Relevant customer trends**

- Employers are increasingly focused on providing healthy workplaces.
- There is a drive for companies to articulate a wider purpose beyond making a profit.

**What we achieved in 2017/18**

- Worked with people across the business to articulate our company values, which will help us to deliver The Workspace Advantage.

**What we aim to do in 2018/19**

Launch the new Workspace values, ensure engagement with all employees and reward successes.

**Link to relevant principal risks**

3, 4, 6, 7, 8, 9, 11

**Link to relevant KPIs**

Financial: 1, 2, 5, 6  
Non-financial: 1, 5, 6, 7, 8

**Strategic priority:  
Right brand**

**Description**

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

**What we said we would do in 2017/18**

Roll out our brand campaign to ensure The Workspace Advantage is well recognised and understood by customers and prospects. Put in place a brand tracker survey to analyse awareness.

**The market trends that influenced our progress  
Relevant London trends**

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

**Relevant customer trends**

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

**What we achieved in 2017/18**

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

**What we aim to do in 2018/19**

Continue brand tracker survey and drive further engagement with the brand through social media.

**Link to relevant principal risks**

3, 4, 5, 6, 7, 8, 9, 11

**Link to relevant KPIs**

Financial: 1, 2, 5, 6, 9  
Non-financial: 1, 2, 3, 4, 5, 6, 8

# Measuring strategic success

Financial KPIs

**1. Net rental income £m**

2018	95.6
2017	79.2
2016	74.1

**+21%**

**Definition**

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

**Why this is important to Workspace**

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

**Movement in 2017/18**

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

**Time period measured**

Monthly



**2. Adjusted trading profit after interest £m**

2018	60.7
2017	50.7
2016	43.9

**+20%**

**Definition**

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

Further details in note 8 to the financial statements.

**Why this is important to Workspace**

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

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

**Movement in 2017/18**

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

**Time period measured**

Monthly



Financial KPIs  
continued

3. EPRA NAV  
per share £

2018	10.37
2017	9.53
2016	9.23

**+8.8%**

**Definition**

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

Further details in note 9 to the financial statements.

**Why this is important to Workspace**

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

**Movement in 2017/18**

Our EPRA NAV at 31 March 2018 was £10.37, up 8.8% from the prior year.

**Time period measured**

Six monthly



4. Dividend per  
share pence

2018	27.39
2017	21.07
2016	15.05

**+30%**

**Definition**

The dividend payment per share in issue.

**Why this is important to Workspace**

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

**Movement in 2017/18**

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

**Time period measured**

Six monthly



5. Like-for-like rent  
roll growth %

2018	8.6
2017	13.7
2016	15.4

**+8.6%**

**Definition**

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

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

**Why this is important to Workspace**

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

**Movement in 2017/18**

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

**Time period measured**

Weekly



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

2018	7.6
2017	12.9
2016	16.4

**+7.6%**

**Definition**

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

**Why this is important to Workspace**

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

**Movement in 2017/18**

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

**Time period measured**

Weekly



7. Property  
valuation £m

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

**+5%\***

\*Underlying

**Definition**

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

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

**Why this is important to Workspace**

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

**Movement in 2017/18**

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

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

**Time period measured**

Six monthly



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

Financial KPIs  
continued

8. Total Property Return %

2018	11.3
2017	8.2
2016	26.3

11.3%

Definition

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

See Glossary of Terms on page 187.

Why this is important to Workspace

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

Movement in 2017/18

Capital and income returns have led us to outperform compared to the IFD benchmark.

Time period measured

Six monthly



9. Total Shareholder Return %

2018	29.4
2017	0.8
2016	(7)

29.4%

Definition

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

See Glossary of Terms on page 187.

Why this is important to Workspace

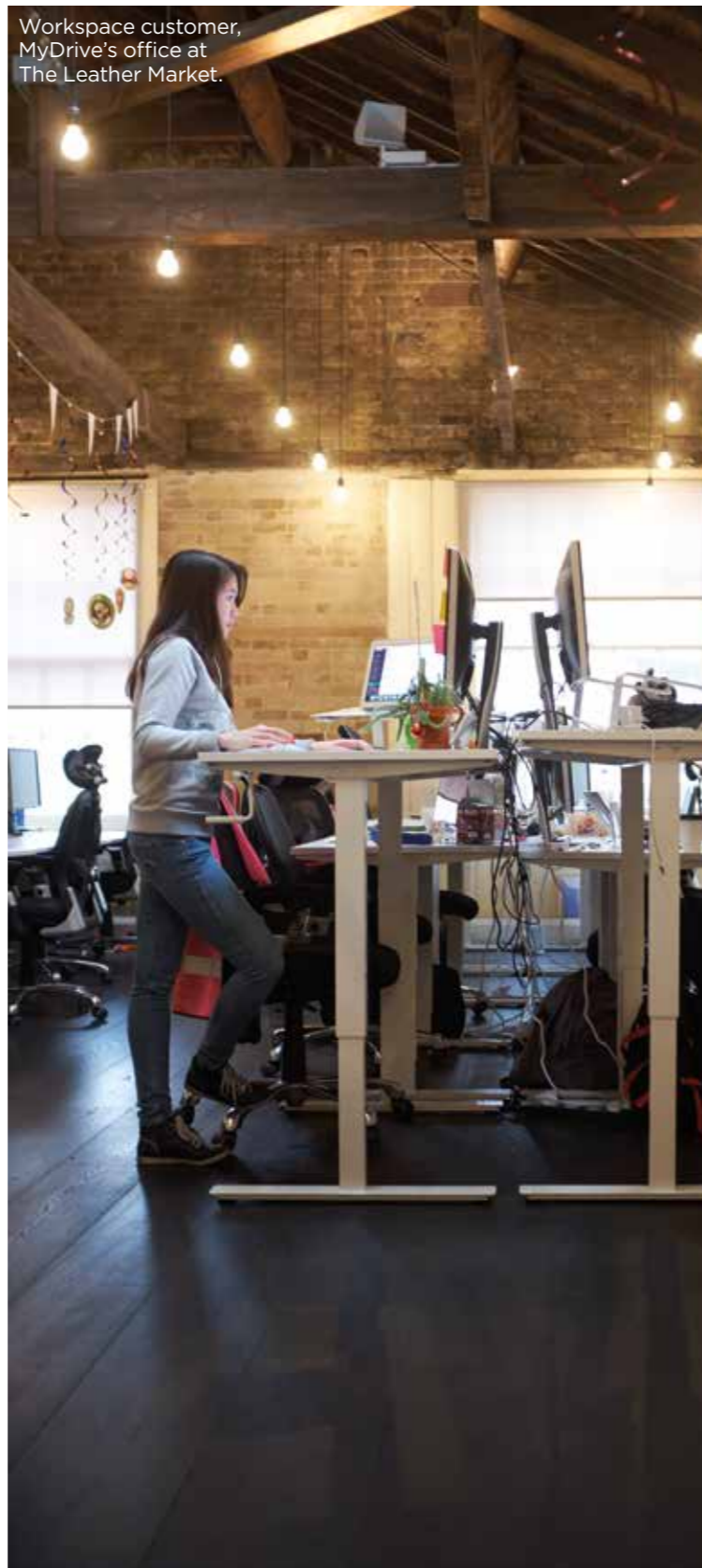
This measure is important to Workspace as it shows the value that our shareholders receive from investing in Workspace shares. This measure forms part of the performance criteria within our LTIP scheme for the senior management team.

Movement in 2017/18

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

Time period measured

Annually



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

Non-financial KPIs

1. Customer advocacy %

2018	90
2017	88

90%

Definition

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

Why this is important to Workspace

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

Movement in 2017/18

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

Time period measured

Six monthly



2. Customer enquiries monthly average

2018	1,016
2017	1,060

1,016

Definition

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

Why this is important to Workspace

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

Movement in 2017/18

Customer enquiries remained steady year-on-year thanks to continued demand for our space.

Time period measured

Daily



3. Website visits million per year

2018	1.14
2017	0.85

1.14m

Definition

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

Why this is important to Workspace

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

Movement in 2017/18

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

Time period measured

Daily



4. Offer letters monthly average

2018	317
2017	323

317

Definition

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

Why this is important to Workspace

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

Movement in 2017/18

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

Time period measured

Daily



**Non-financial KPIs**  
continued

**5. New lettings**  
monthly average

2018	93
2017	99

**93**

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

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

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

**Time period measured**  
Weekly  


**6. Renewals**  
monthly average

2018	43
2017	53

**43**

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

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

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

**Time period measured**  
Weekly  


**7. Employee volunteering days**

2018	121
2017	79

**121**

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

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

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

**Time period measured**  
Annually  


**8. Customer events**

2018	131
2017	180

**131**

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

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

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

**Time period measured**  
Monthly  




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