Chairman's statement

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

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

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

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

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

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

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

Daniel Kitchen
Non-Executive Chairman

Governance overview
To understand how governance underpins The Workspace Advantage:

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

1

IF YOU DON'T LISTEN, YOU CAN'T HEAR

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

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

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

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

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

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

Understanding and responding to market trends

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

To help us maintain our market advantage we:

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

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

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

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

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

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

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

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

5.8m
Workers in London[3]

Link to our strategy
- Right Market

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

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

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

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

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

London trend
London continues to attract significant investment capital

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

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

£2.25bn
Commercial deals in Q1 2018[5]

Link to our strategy
- Right Properties
- Right Market

London trend
Smaller businesses are driving the economy

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

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

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

Link to our strategy
- Right Customers

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

Overview
Strategic Report
Our Governance
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Additional Information

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

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

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

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

351
Customer expansions in 2017/18

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

Customer trend
Employers are increasingly focused on providing healthy workplaces

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

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

311
Cycling spaces installed across the portfolio in 2017/18

Link to our strategy
- Right People
- Right Properties

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

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

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

15
Workspace buildings Wired Certified Gold or Platinum

Link to our strategy
- Right Brand
- Right Customers

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

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

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

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

Link to our strategy
- Right Brand
- Right People

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

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

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

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

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

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

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

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

2

SEEING AROUND CORNERS

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

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

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

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

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

A business model designed to create long-term value

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

Our aim is to create value for the long term.

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

- Understanding and responding to market trends – page 8
- A focus on Doing the Right Thing helps us to manage our resources and relationships – page 22
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Key inputs

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

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

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

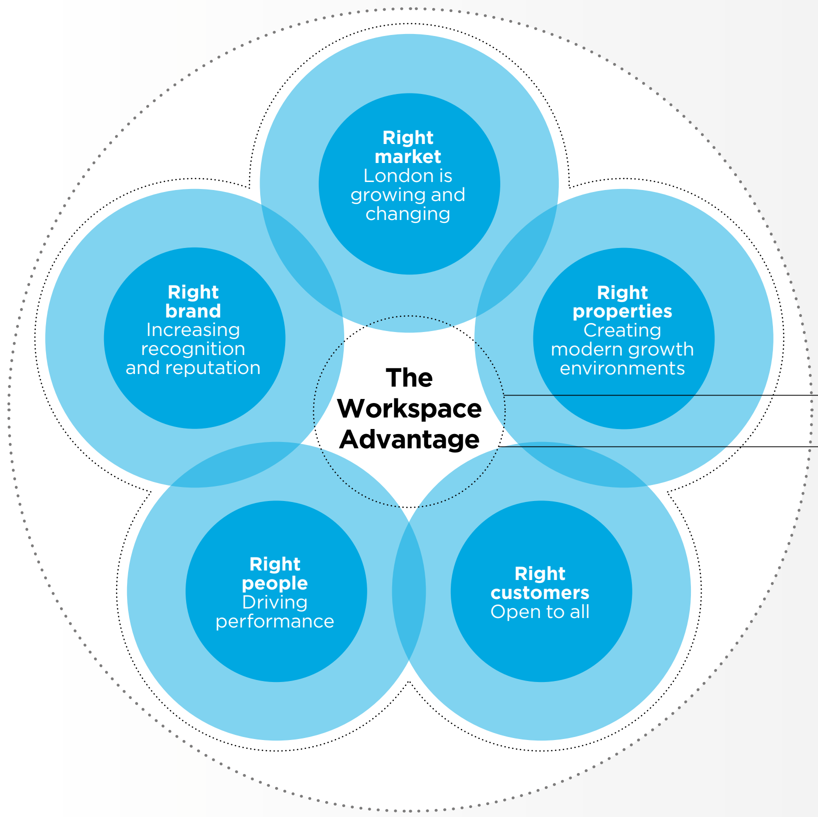
3 **Our properties**
We have a portfolio of high quality, well-located assets in London.

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

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

How we create and capture value

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



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

There are three core value-creating activities:

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

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

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

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

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

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

There are three core value-creating activities:

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

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

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

Key outcomes

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

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

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

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

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

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

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

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

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

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

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

3

I'm going to run this business one day

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

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

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

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

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

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

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

Page 24.

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

Page 26.

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

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

Page 24.

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

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

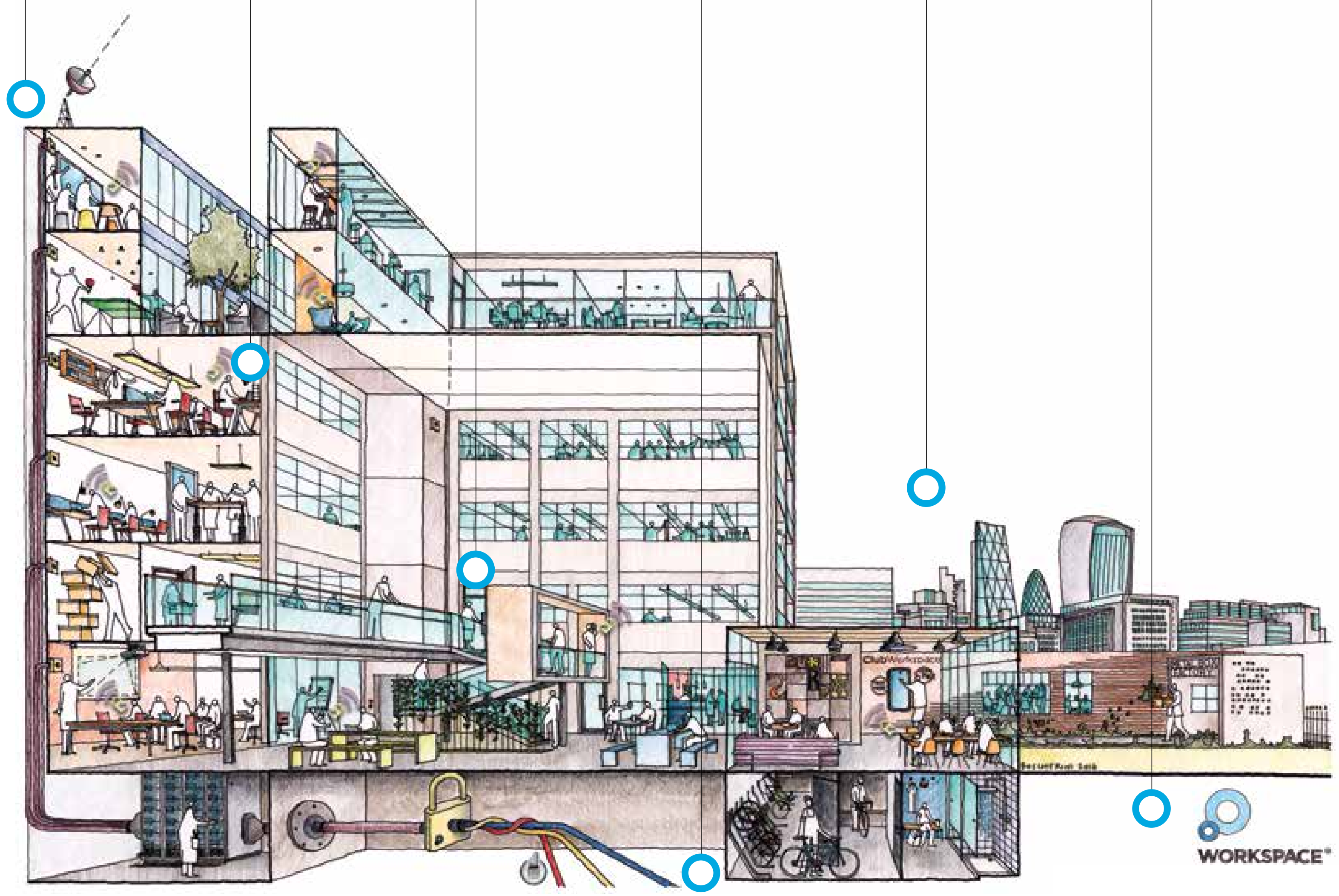
Page 24.

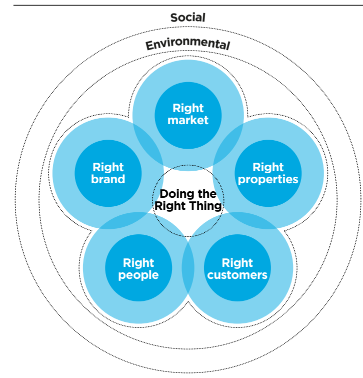
Our communities
Relationship:
It is important to both Workspace and our customers that we engage with and positively impact the communities in which we're based.

Page 27.

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

Page 27.





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

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

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

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

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

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

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Awards, accreditations and partnerships

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

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

Carbon Disclosure Project ('CDP')
We achieved a B in our Carbon Disclosure Project score, exceeding the sector score average of C. Scores were based on disclosure, awareness, management and leadership with regards to carbon management and climate change risk.

FTSE4Good Index
We were once again included in the FTSE4Good Index, which helps us assess our achievements against a transparent and evolving global corporate responsibility standard. The FTSE4Good Index Series measures companies' Environmental, Social and Governance (ESG) practices. This year, we achieved 3.2 out of 5 (Absolute Rating) and 82% (Relative Percentile Score).

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

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

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

Islington Sustainable Energy Partnership
Workspace has a representative on the steering committee.


New cycle storage at China Works.

Our properties

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

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

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

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

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

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

Our suppliers and partners

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

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

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

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

Our people

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

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

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

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

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

Number of workshops held to help articulate our values
8

The number of people involved in the articulation of our values
100

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

Jamie Hopkins
Chief Executive Officer


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

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

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

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

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

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

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

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

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

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

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

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

Our customers

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

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

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


Workspace Business Insight event at Kennington Park.

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

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

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

Our brand

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

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

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

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

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

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

Our communities

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

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

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

Days Workspace staff spent volunteering or fundraising for charitable causes
121

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

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

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

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

What makes us different?

We are income focused:

Adjusted trading profit after interest

£60.7m +20%

Like-for-like rental growth

+8.6%

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

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

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

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

We are customer focused:

Customer enquiries per month in 2017/18

1,016

Buildings that are Wired Certified Gold or Platinum

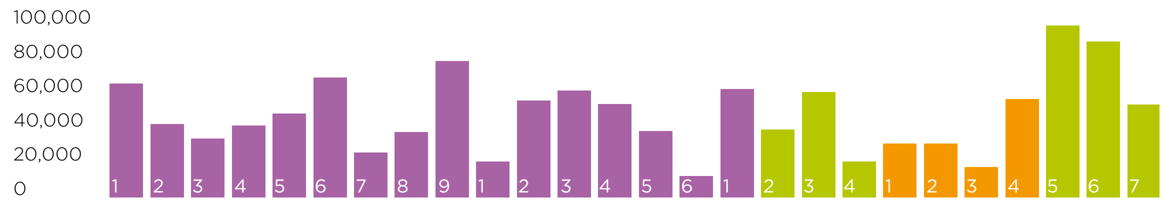
15

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

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

We are future focused:

Project pipeline 2018–2021



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

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

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

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

Projects to be completed in 2018/19

9

- Projects underway
- Projects with planning
- Pipeline design

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

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

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

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

Jamie Hopkins
Chief Executive Officer

The right strategy drives future performance.

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

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

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

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

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

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

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

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

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

Strategic priorities that drive Portfolio value

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

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

Fuel Tank, Deptford (opening Summer 2018).

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.

Overview
Strategic Report
Our Governance
Financial Statements
Additional Information

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 £

Year	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

Year	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 %

Year	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 %

Year	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

Year	Property valuation £m
2018	2,280
2017	1,844
2016	1,779

+5%*
*Underlying

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

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

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

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

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

Time period measured
Six monthly

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

Financial KPIs
continued

8. Total Property Return %

2018	11.3
2017	8.2
2016	26.3

11.3%

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

See Glossary of Terms on page 187.

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

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

Time period measured
Six monthly

9. Total Shareholder Return %

2018	29.4
2017	0.8
2016	(7)

29.4%

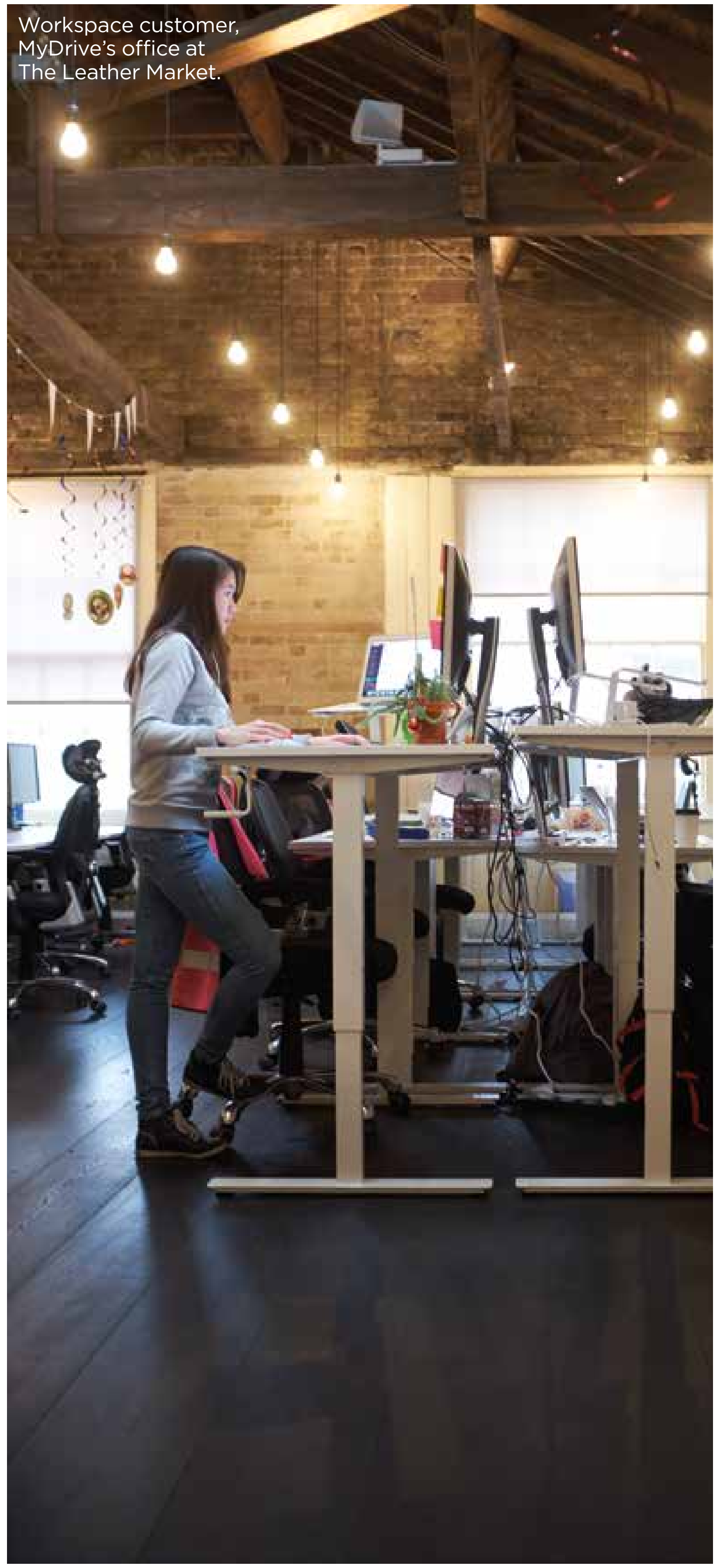
Definition
Total Shareholder Return is the return obtained by a shareholder, calculated by combining both share price movements and dividend receipts.

See Glossary of Terms on page 187.

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

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

Time period measured
Annually


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

Non-financial KPIs

1. Customer advocacy %

2018	90
2017	88

90%

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

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

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

Time period measured
Six monthly

2. Customer enquiries monthly average

2018	1,016
2017	1,060

1,016

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

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

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

Time period measured
Daily

3. Website visits million per year

2018	1.14
2017	0.85

1.14m

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

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

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

Time period measured
Daily

4. Offer letters monthly average

2018	317
2017	323

317

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

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

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

Time period measured
Daily

Non-financial KPIs
continued

5. New lettings monthly average

2018	93
2017	99

93

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

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

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

Time period measured
Weekly

6. Renewals monthly average

2018	43
2017	53

43

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

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

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

Time period measured
Weekly

7. Employee volunteering days

2018	121
2017	79

121

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

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

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

Time period measured
Annually

8. Customer events

2018	131
2017	180

131

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

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

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

Time period measured
Monthly

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

4

THINKING LIKE A CUSTOMER

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

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

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

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

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

Using risk to help make the right strategic decisions

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

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

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

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

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

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

Aligning risks and strategy

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

Our strategic priorities

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

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

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

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

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

Risk categories

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

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

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

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

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

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

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

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

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

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

Activities in 2017/18

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

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

Areas of focus for 2018/19

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

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

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

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

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

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

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

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

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

Overall, we review risks from two angles:

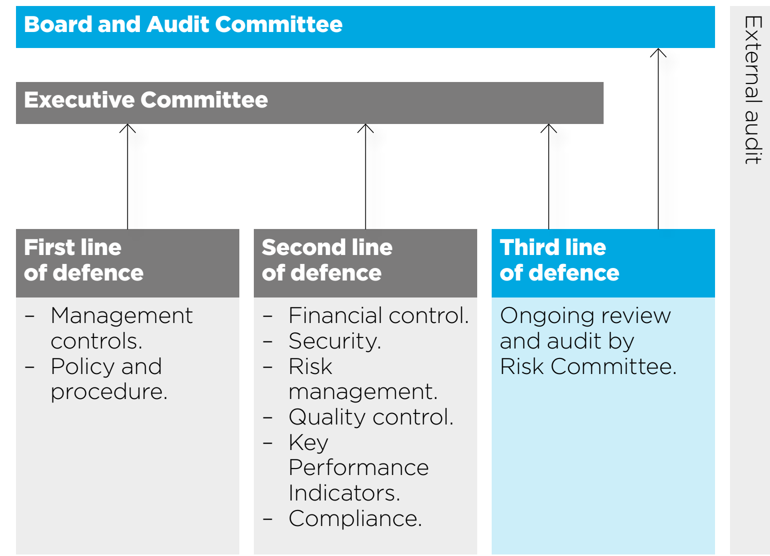
1. Principal Business (Strategic) Risks
- These are risks which impact achievement of our strategy and objectives.
- They are identified, assessed and managed by the Executive Committee.
- Strategic risks are ultimately owned by the Board.
- The Board and the Audit Committee receive regular updates on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

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

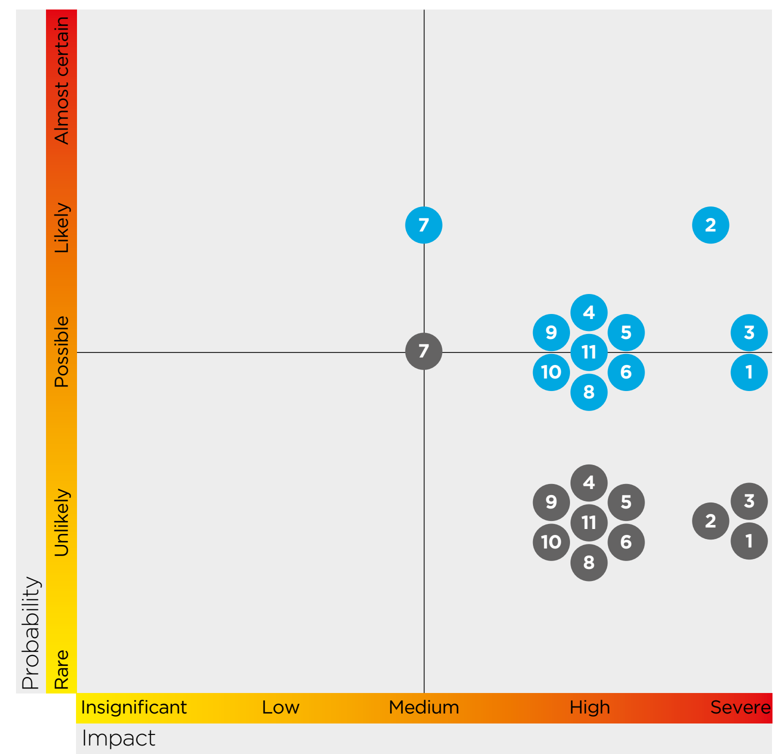
2. Operational risks
- These are lower level risks covering day-to-day processes and procedures and regulation requirements.
- These cover all areas of the business, such as Finance, Operations, Investment and Development.
- These risks are assessed, managed and owned by the Executive Committee.
- Day-to-day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

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

Our Risk Management Structure



Current assessment of Principal Business Risks



- Pre-mitigation
- Post-mitigation

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

Risk category: 1. Financing

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

Dashboard

Impact
Severe

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right markets.
- Right properties.

Key metrics

£300m
£200m new Private Placement Notes and £100m of increased bank facility

23%
Loan to value remains low after new acquisitions

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

Mitigation
We regularly review funding requirements for business plans and ensure we have a wide range of options to fund our forthcoming plans. We also prepare a five-year business plan which is reviewed and updated annually. There is further detail in the Viability Statement on page 57.

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

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

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

Risk category: 2. Valuation

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

Dashboard

Impact
Severe

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right markets.
- Right properties.

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

Key metrics

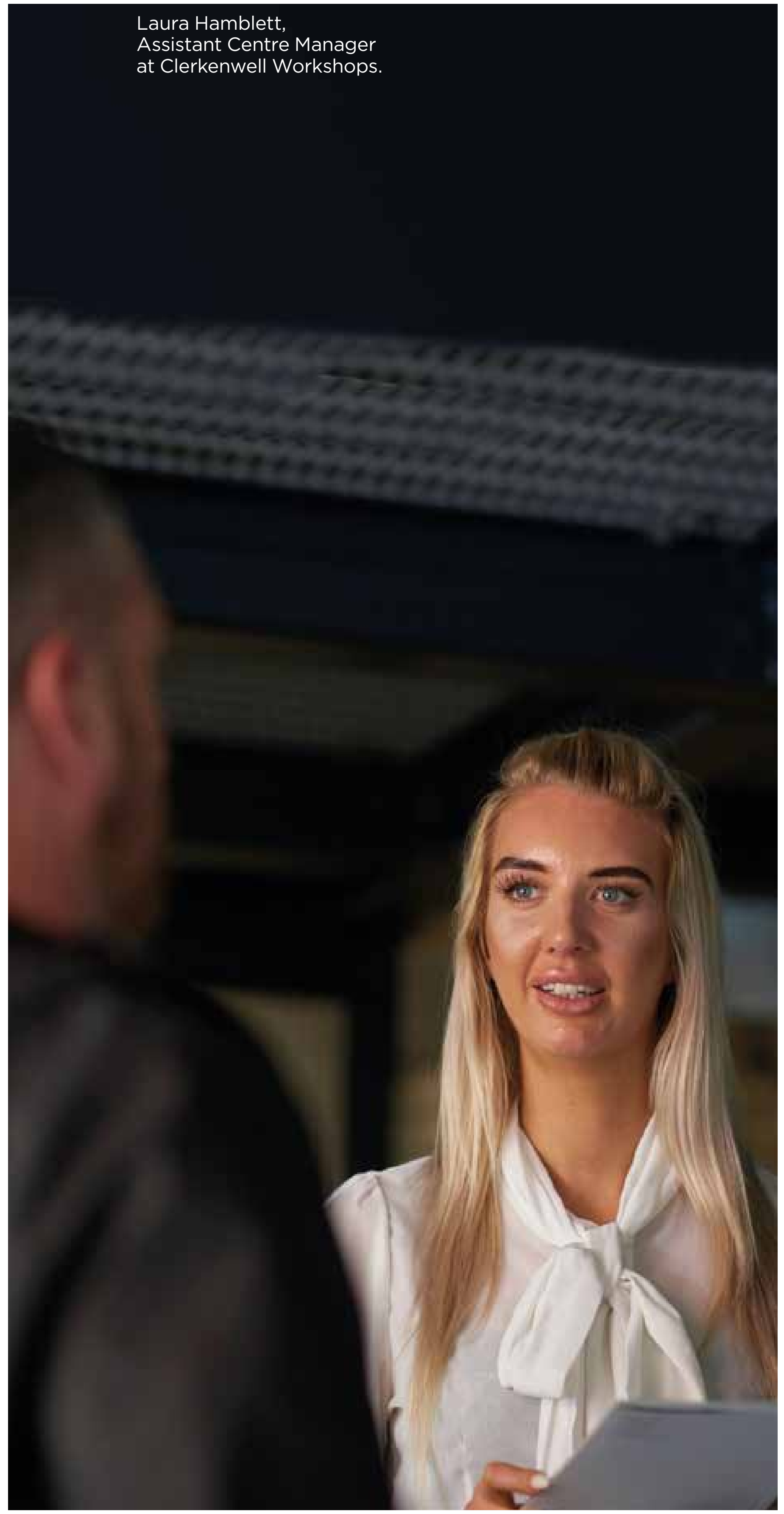
+5%
Increase in underlying property valuation

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

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

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

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



Laura Hamblett,
Assistant Centre Manager
at Clerkenwell Workshops.

Risk category: 3. Customer demand

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

Dashboard

Impact
Severe

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

Key metrics

91.6%
Like-for-like occupancy

12,189
Enquiries in the year

90%
Customer advocacy score

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

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

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

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

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

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

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

Risk category: 4. Development

Principal risk:
Cost inflation and timing delays.

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

Key metrics

6

Mixed-use redevelopment projects underway or contracted for sale

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

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

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

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

Work ongoing at redevelopment site, Fuel Tank in Deptford.

Risk category: 5. Investment

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

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

Key metrics

£368m

Acquisitions in financial year

£125m

Proceeds from disposals

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

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

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

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

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

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

Risk category: 6. Brand and reputation

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

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

Key metrics

8.6%

Like-for-like rent roll growth

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

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

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

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

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

Risk category:
7. Regulatory

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

Dashboard

Impact
Medium

Probability (post-mitigation)
Possible

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right people.
- Right brand.

Key metrics

195

Staff trained on GDPR in year

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

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

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

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

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

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

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

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

Risk category:
8. Business interruption

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

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

Link to KPIs
10. Customer advocacy.

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

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

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

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

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

Risk category:
9. Resourcing

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

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

Key metrics

22

Internal promotions in year

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

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

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

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

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

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

Risk category: 10. London

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

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

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

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

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

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

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

Risk category: 11. Cyber security

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

Dashboard

Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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

Link to KPIs
10. Customer advocacy.

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

Mitigation
Monitoring information on security threats and targets.

Monitoring guidance and best practice issued by Government and advisers.

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

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

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

Going Concern and Viability Statement

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

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

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

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

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

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

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

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

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

The Board has considered the key risks and mitigating factors that could impact the Group, details of which can be found on pages 46 to 56. Those risks that could have an impact on the ongoing success of the Group's strategy were identified and the resilience of the Group to the impact of these risks in severe yet plausible scenarios has been evaluated.

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

The Group benefits from having thousands of customers spread across 66 locations in London. These customers are in a wide range of sectors with no sector representing more than 10% of total rent roll and no individual customer representing more than 1% of total rent roll. For this reason, the highest risk to the Group is an event or series of events that would impact on the London economy and property market.

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

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

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

The Board conducted this review for the five-year period to 31 March 2023, which was selected for the following reasons:

a) The Group's strategic review covers a five-year period.
b) Our current project pipeline spans five years. This covers the time for the currently planned major refurbishments and redevelopments to progress from initiation to completion.
c) The average period to maturity of the Group's committed facilities is 5.5 years.

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

Risk sensitivity analyses

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

5

I LOVE SPINNING PLATES

How Roshi Klair helps us deliver The Workspace Advantage

I am always on the move.

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

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

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

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

Business review
How we performed in 2017/18

At a glance

Total Rent Roll

£112.9m

Estimated cost of refurbishment projects underway

£152m

Acquisitions in the year

£368m

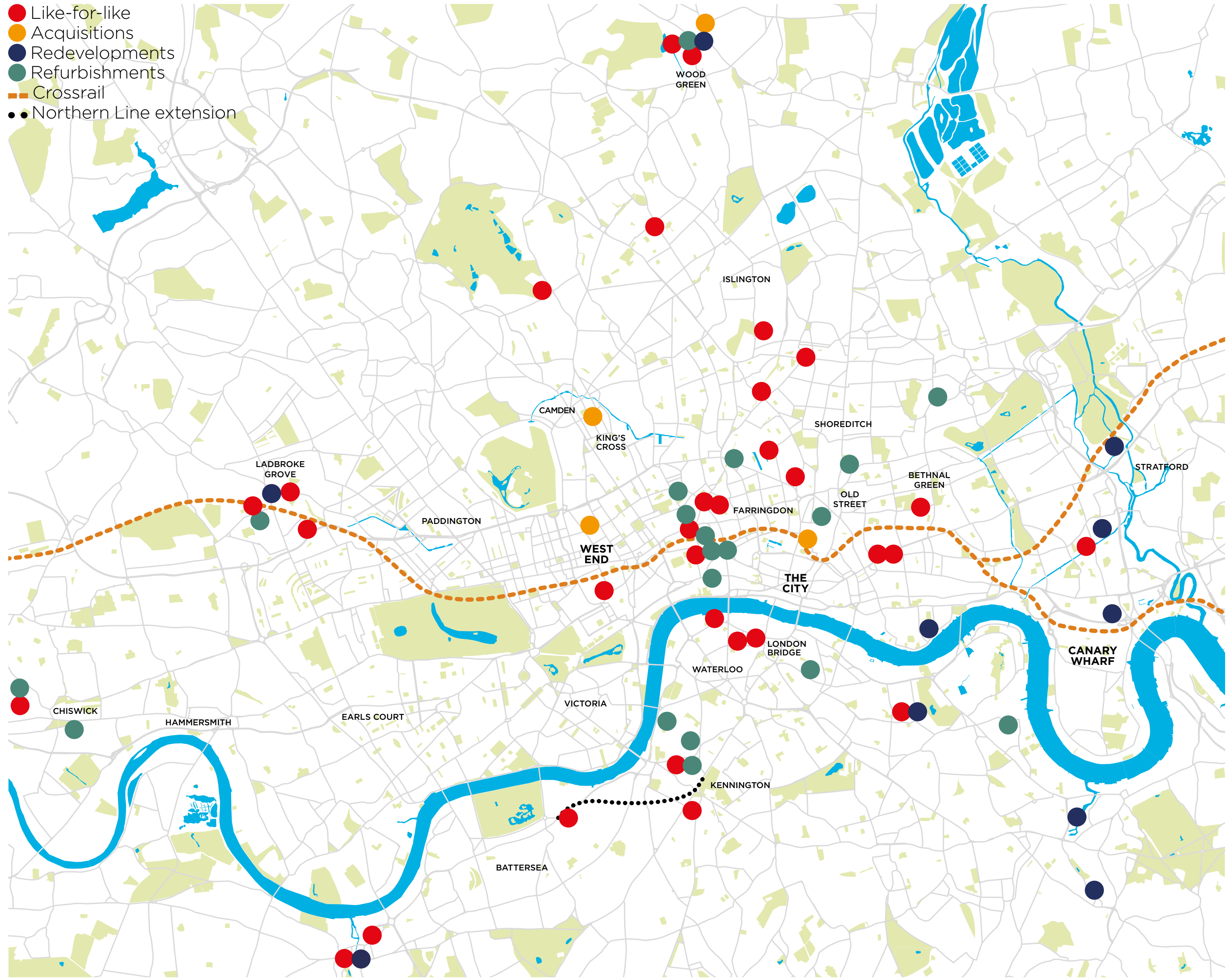
Properties featured in the business review

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

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

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

Our portfolio



Properties

66

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

Acquisitions in 2017/18

3

For more Acquisition details, see page 68.

Refurbishments underway

12

For more Refurbishment details, see page 68.

Redevelopments underway

6

For more Redevelopment details, see page 69.

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

See Table 1, right.

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

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

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

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

Like-for-like Portfolio
The like-for-like portfolio represents 58% of the total rent roll as at 31 March 2018. It comprises properties with stabilised occupancy, excluding recent acquisitions and buildings impacted by significant refurbishment or redevelopment activity. The like-for-like portfolio has been restated in the year for two properties transferred in from completed projects, three disposals and one property transferred to the acquisition category. Like-for-like trends reported for previous financial years are not restated for the property transfers made in the current financial year.

The like-for-like rent roll has increased by 8.6% (£5.2m) in the year to £65.9m. Rent roll growth of 4.3% in the second half of the year compares to 4.1% in the first half. The growth over the year has come from a 7.6% increase in rent per sq. ft. to £35.50 and a 0.8% increase in occupancy to 91.6%.

See Table 2, right.

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

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

Table 1
Enquiries and lettings

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

Table 2
Like-for-like rent roll

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

Table 3
Acquisitions

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

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

Enquiries per month

1,016

New lettings per month

93

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

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

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

Projects Underway – Redevelopments
There are currently six mixed-use redevelopment projects underway or contracted for sale. The buildings are vacated upon sale and Workspace receives a consideration comprising cash, and at four of these properties, new business centres (built at no cost to Workspace) providing 135,000 sq. ft. of net lettable space. Two of these business centres will be returned to us in the coming financial year providing 80,000 sq. ft. of new space.

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

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

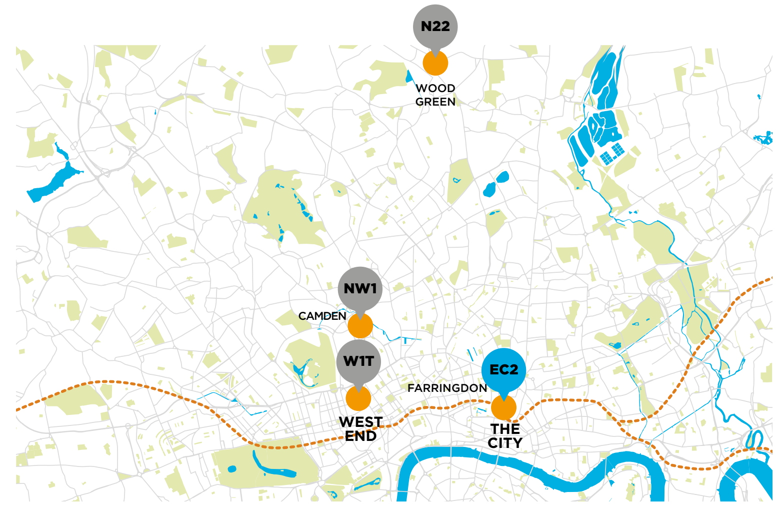
Acquisitions
This category comprises recent acquisitions and properties where we need to obtain vacant possession before we can progress with our repositioning plans:
- The Salisbury, Finsbury Circus is a multi-let building where there is a rolling refurbishment programme to upgrade the common areas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

See Table 3, left.

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

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

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



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

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

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

See Table 4, right.

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

See Table 5, right.

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

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

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

See Table 6, right.

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

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

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

Dividend
Our dividend policy is based on the growth in adjusted trading profit after interest taking into account our investment and acquisition plans and the distribution requirements that we have as a REIT. The current intention is to grow the dividend on a covered trading profit basis. The significant growth in trading profit in recent years has given rise to a higher distribution requirement and we have therefore reduced the minimum dividend cover from 1.3 to 1.2 times adjusted underlying earnings per share.

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

Table 4
Adjusted trading profit after interest

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

Table 5
Net rental income

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

Table 6
Profit before tax

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

Adjusted underlying earnings per share is up

20.3%

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

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

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

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

Like-for-like Properties
There was a 7.0% (£73m) increase in the valuation of like-for-like properties to £1,112m, comprising:
– An increase in ERV per sq. ft. of 5.9% equating to an uplift in value of some £61m; and
– A 0.1% reduction in equivalent yield equating to an increase in value of some £12m.

See Table 8, right.

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

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

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

Current redevelopments
There is a reduction of 2.1% (£4m) in the value of current redevelopment projects to £187m. This comprises:
– A reduction of £8m in the value of Rainbow Industrial Estate, Raynes Park where we obtained a mixed-use planning consent in September 2015 but have been informed by Network Rail that the property may be safeguarded in relation to Crossrail 2.
– Assumptions on the required level of affordable housing have increased which has reduced the value of schemes that do not yet have planning consent by £8m.
– An increase of £12m in the value at schemes that already have planning consent, including a £4m uplift in the value of the consented residential scheme at Marshgate near the Olympic Park, and an uplift of £4m for overage at the Arches.

Table 7
Property valuation

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

Table 8
Like-for-like properties valuation metrics

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

Table 9
Completed projects valuation metrics

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

Portfolio valuation

£2.3bn

Acquisitions

Three properties were acquired in the financial year:

- In April 2017, we acquired 13-17 Fitzroy Street, Fitzrovia for £99m. This property comprises 92,700 sq. ft. of net lettable space, currently let in its entirety to Arup until September 2022 at annual rent of £4.9m (£53 per sq. ft.), rising to £6.0m (£65 per sq. ft.) in March 2021. Arup plans to relocate from this building and the lease provides for its early exit with effect from September 2020 with a rolling nine-month break option.
- In June 2017, we acquired The Salisbury at 28-31 Finsbury Circus for £160m. This multi-let property provides 235,000 sq. ft. of net lettable space. It was acquired at a capital value of £661 per sq. ft. and a net initial yield of 5.0%.
- In February 2018, we acquired five of the Centro buildings in Camden for £109m. These buildings provide 131,000 sq. ft. of net lettable space and were acquired at a capital value of £831 per sq. ft. and a net initial yield of 4.2%.

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

Acquisitions

3

Disposals

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

- In May 2017, we sold Uplands industrial estate in Walthamstow for £50m. The industrial estate totalled 290,000 sq. ft. of net lettable space with an average rent per sq. ft. of £5.70. The property was sold at a premium of 25% (£10m) to the 31 March 2017 valuation at a net initial yield of 3.1%.
- In September 2017, we sold Zennor Road industrial estate in Balham for £30m. This three acre site was sold at a premium of 84% (£13.7m) to the 31 March 2017 valuation at a net initial yield of 2.9%.
- In March 2018, we sold Quicksilver, Wood Green, a small commercial building for £3.5m in line with its valuation.

Disposals

3

Refurbishment activity

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

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

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

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

Refurbishment programme summary

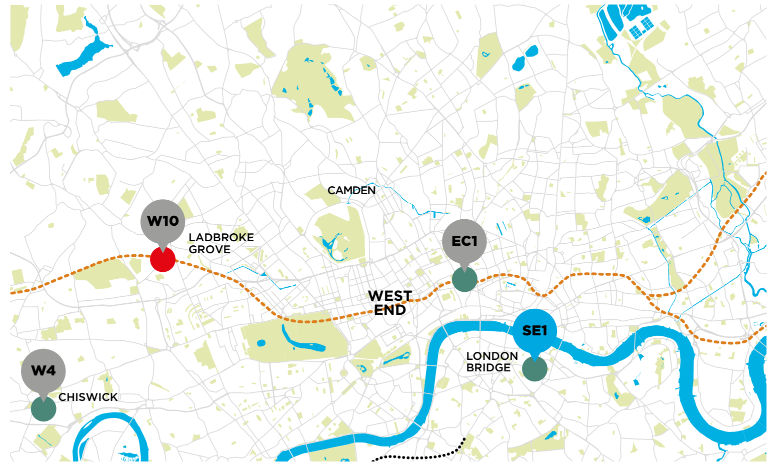
Projects	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	12	£65m	£87m	639,000
Design stage (without planning)	4	–	£59m	225,000

Refurbishments underway

12

Refurbishments completed

3



Refurbishment activity

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

The Leather Market, London Bridge, SE1

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

Redevelopment activity

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

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

- In June 2017, we sold the third and final phase of the residential scheme at Bow Enterprise, Devons Road. This final phase, comprising 130 residential units, was sold for £6.3m in cash and the return of a new 40,000 sq. ft. business centre.
- In June 2017, we received a £7.9m overage payment from the sale of the residential units in the first phase of the Bow Enterprise redevelopment.
- In September 2017, we completed the sale of the second phase of the redevelopment of The Light Bulb, Wandsworth, of 77 residential units for £7.8m in cash, together with the delivery in due course of 15,000 sq. ft. of new commercial space.
- In October 2017, we completed the sale of Arches Business Centre for £13m. We obtained a planning consent on this site for 110 residential units. In February 2018, we agreed to remove our overage provision in return for cash payment of £4.3m payable during 2018/19.
- In November 2017, we completed the sale of Stratford Office Village for £14m. We obtained a mixed-use planning consent on this site in 2016 for 101 residential units and 13,000 sq. ft. of commercial space.
- In March 2018, we were granted planning permission for a significant mixed-use redevelopment on 2.3 acres of our Chocolate Factory and Parma House properties in Wood Green. This will provide 230 new homes and 26,000 sq. ft. of new commercial space, of which 20,000 sq. ft. is within the residential development and 6,000 sq. ft. is a roof top extension of our Chocolate Factory building which we are retaining and currently refurbishing.

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

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

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

Redevelopments underway

6

Redevelopment programme summary

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

Cash flow

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

Financing

In June 2017, we exercised the options to extend the maturity of our revolver bank facility by a year to 2022 and increase the quantum of the facility from £150m to £250m.

In August 2017, we completed the placing of £200m of private placement notes, comprising £80m of eight year notes and £120m of ten year notes at a blended fixed rate coupon of 3.14%.

The Group had £14m of cash and £531m of drawn debt at 31 March 2018 with £665m of committed facilities as detailed in Table 11, right.

All facilities are provided on an unsecured basis with an average maturity of 5.5 years (31 March 2017: 5.2 years). The average interest cost of our fixed rate private placement notes has reduced to 4.2% from 5.5% following the £200m issue in August 2017. The retail bond has a fixed interest rate of 6%. Our revolver bank facilities are provided at a floating rate of 1.65% over LIBOR. At 31 March 2018, 61% of our facilities are at fixed rates, representing 76% of our borrowings on a drawn basis.

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

Net assets

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

See Table 12, right.

Table 10
Movements in cash flow

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

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

Table 11
Committed facilities

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

Table 12
EPRA NAV per share

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

Private placement completed in the year

£200m

EPRA NAV per share

£10.37

Key property statistics

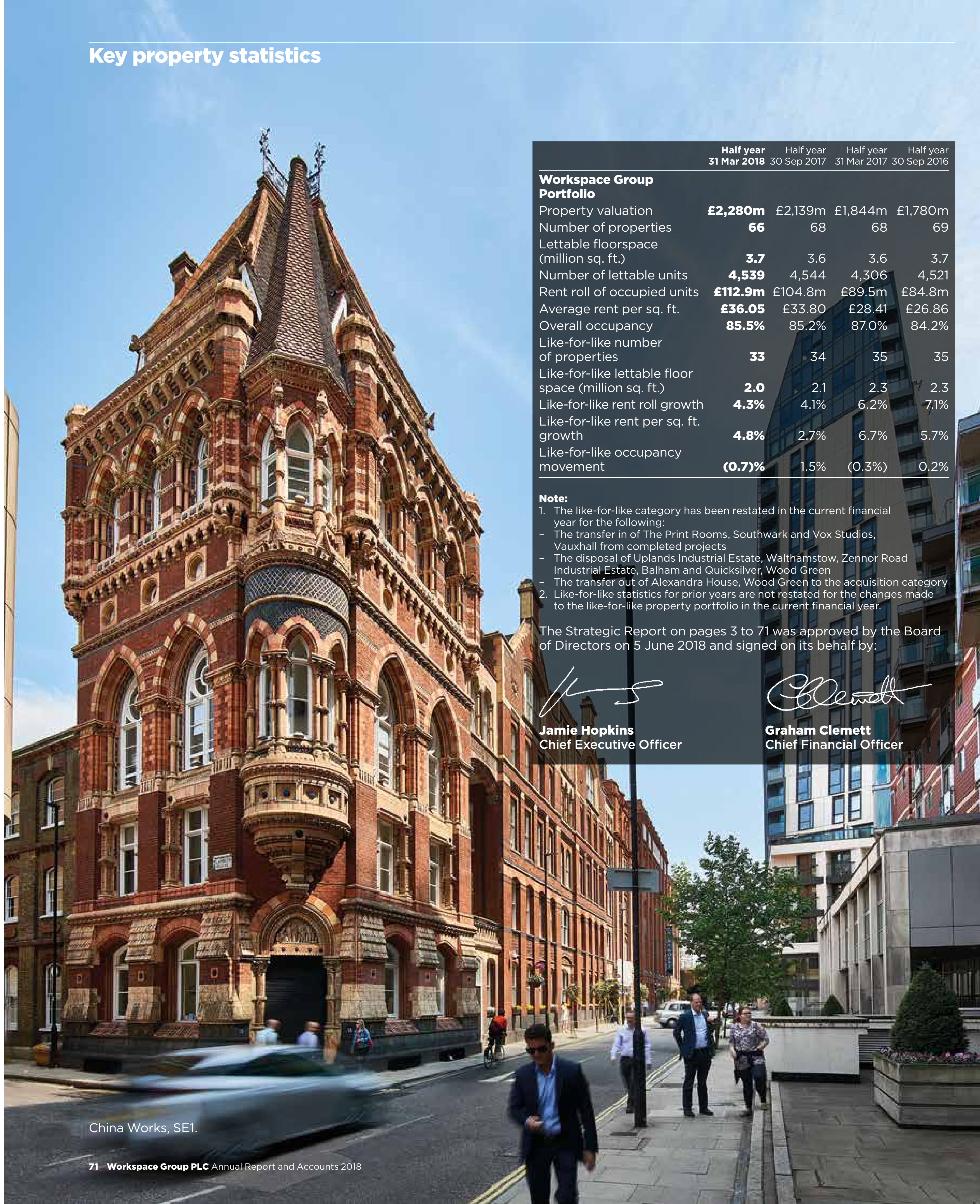
	Half year 31 Mar 2018	Half year 30 Sep 2017	Half year 31 Mar 2017	Half year 30 Sep 2016
Workspace Group Portfolio				
Property valuation	**£2,280m**	£2,139m	£1,844m	£1,780m
Number of properties	**66**	68	68	69
Lettable floorspace (million sq. ft.)	**3.7**	3.6	3.6	3.7
Number of lettable units	**4,539**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

Note:
1. The like-for-like category has been restated in the current financial year for the following:
- The transfer in of The Print Rooms, Southwark and Vox Studios, Vauxhall from completed projects
- The disposal of Uplands Industrial Estate, Walthamstow, Zennor Road Industrial Estate, Balham and Quicksilver, Wood Green
- The transfer out of Alexandra House, Wood Green to the acquisition category
2. Like-for-like statistics for prior years are not restated for the changes made to the like-for-like property portfolio in the current financial year.

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

Jamie Hopkins
Chief Executive Officer

Graham Clemett
Chief Financial Officer



China Works, SE1.