Chairman's statement

Our proven strategy has enabled us to deliver another year of strong performance in 2018/19 and we are confident this will continue in the future.

Our proven strategy has enabled us to deliver another year of strong performance and we are confident this will continue. The business has a unique model which combines an attractive London-based property portfolio with a customer-focused operating platform, delivering long-term capital and income growth.

Despite the uncertainty that the UK's current challenging political situation places on businesses, Workspace has continued to see strong demand for its flexible space offer. This is in a real estate market that is increasingly turning to flexibility and customer service, our core focus for many years.

The new space from our extensive refurbishment and redevelopment programme is letting up well and we have successfully integrated our recent property acquisitions. These projects drive significant returns for shareholders and we have a strong pipeline of ongoing activity for the coming years.

Our Full Year Results are testament to our business model and we have seen net rental income increase by 16% to £111.0m and our EPRA NAV per share rise 4.7% to £10.86. The Board has recommended a 20% increase in the dividend for the year, highlighting our confidence in the strategy and future growth of the Company.

Over the last year, we have continued to embed our new values framework across the business and we are already seeing the benefits. Workspace has a very distinctive culture that fosters innovation, a genuine focus on customer service and a desire amongst our people to learn and develop.

After a very successful seven years as Chief Executive Officer, Jamie Hopkins left Workspace on 31 May 2019. The Board is hugely grateful to Jamie for his significant contribution. He oversaw a clear strategy which has delivered strong performance and we believe will continue to do so. Graham Clemett, Chief Financial Officer, has taken on the role of Interim Chief Executive Officer while a full and formal search for a permanent successor is carried out. In this interim period, I am confident that the business is in very good hands with Graham and the rest of the Executive team, who have built up a wealth of experience over many years at Workspace.

The UK is clearly navigating a challenging political environment and there is a great deal of uncertainty around the potential impact on the economy. Despite this backdrop, Workspace is well placed with its focus on London and the attractions that the Capital holds for businesses of all shapes and sizes. Our customer offering is constantly evolving, capturing the imagination of London's businesses, and the Board is confident that The Workspace Advantage will continue to deliver shareholder value over the long term.

Daniel Kitchen
Non-Executive Chairman

Driving future value creation

We are aware of the recent reforms to the UK Corporate Governance Code.

At Workspace, we are clear that good governance drives good performance for us and our stakeholders, as well as benefiting the wider economy. On that basis we think it is prudent that we take the necessary time to shape our response to fully understand how the new code connects with, and supports, The Workspace Advantage to enable its delivery for the long term.

For these reasons, in this Report we will be reporting on our compliance with the UK Corporate Governance Code 2016.

– See page 78 for more information.

Our market
Understanding now and next

To help deliver The Workspace Advantage for the long-term we:

In the following section we outline our thinking on each.

MAINTAIN

Maintaining our focus on London, the flexible office market and the trends that affect our customers.

Environmentally friendly ways to get to work
We encourage our customers to cycle to work and we provide extensive cycle storage and changing facilities in our properties.

Trends that affect the London market

1. Strong demand for space despite the uncertainty surrounding the UK's withdrawal from the EU.

Description
60% of Londoners feel Brexit is the biggest issue facing the country[1]. However, despite continued economic uncertainty, demand for commercial property has remained strong while London continues to be a key cultural and financial hub, generating £425bn per year and representing 24% of national output[2].

What this means for Workspace
The resilience of London's flexible office market makes it the perfect fit for Workspace. The Capital continues to be a vibrant home for business, with 100,000 new businesses born in London every year[3]. We continue to see strong demand for our offer across both our established and emerging London locations, and target acquisitions in areas where we expect to see robust growth.

6m
Londoners in work[4]

Link to our strategy
- Right Market

1. Ipsos MORI December 2018 Issues index.
2. GLA London's Economy Today report, January 2019.
3. Department for Business, Energy & Industrial Strategy report, 2018.
4. Centre for London, The London Intelligence, Issue 7, January 2019.

2. With London job openings at a record high, attracting and retaining of talent is critical for businesses.

Description
The rate of job growth in London has been faster in the 10 years since 2008 than in the years leading up to it[4], while unemployment continues to fall. The rise in job openings means there will be more highly skilled job vacancies than there are candidates to fill the roles. There is a greater competition for businesses to attract and secure the most talented professionals.

What this means for Workspace
In order to attract and retain the best talent, employers need to provide the flexibility and modern office facilities that inspire, stimulate and respond to changing employee needs. Our model offers flexible leases and spaces, while our refurbishment and redevelopment pipeline means the properties in our unique portfolio are continuously upgraded to meet evolving customer needs while also creating striking buildings through leading-edge design.

13%
more job vacancies in 2018 than in 2017[5]

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

5. CV Library Recruiter report, January 2019.

3. Londoners increasingly favour walking or cycling to work.

Description
Growth in numbers travelling on London's transport network continues to be stalled. There is an increase in environmentally friendly methods of commuting, with 15% of Londoners now walking or cycling to work[6]. TFL is spending £169m on cycling infrastructure every year, including boosting safety via new Cycle Superhighways and Quietways[7].

What this means for Workspace
This mode of transport reflects a changing pattern in working, where professionals opt to live closer to their place of work. Our properties are strategically located throughout London in both fringe and central locations, giving customers the choice of proximity. We promote cycle-to-work schemes to customers and provide extensive cycle storage facilities in our properties. In 2018/2019, we installed an additional 121 bicycle storage spaces and 136 lockers into business centres.

121
new cycling spaces installed this year

Link to our strategy
- Right customers
- Right properties
- Right market

6. Department for Transport, Walking and Cycling Statistics, 2018.
7. London Assembly Transport Committee report, March 2018.

Trends that affect the flexible office market

1. Continued growth of the flexible office market.

Description
Since 2014 the flexible office space market has more than doubled globally, with one fifth of take-up in leading cities, including London[8]. The past two years have seen an influx of conventional landlords into the market – 79% of landlords are currently considering some form of flexible provision[9] – while demand from customers of all sizes is on the rise – further fuelling a polarisation in the office market.

What this means for Workspace
With more than 30 years of experience operating in the market, the amplified spotlight on flexible space is highly advantageous to Workspace. We are seeing high demand from a range of business sizes, including increased demand from larger businesses looking to take space with us.

30%
of UK landlords said experience is the main barrier of entry to the flexible market[10]

Link to our strategy
- Right market
- Right brand
- Right customers

8. JLL, Disruption or distraction, Flex Space EMEA Research 2018.
9. CBRE, UK landlords and investors embrace the flexible revolution, Research 2018.
10. CBRE, UK landlords and investors embrace the flexible revolution, Research 2018.

Inspiring spaces
We own and manage our buildings, retaining complete control over the customer experience. This means we can design spaces that deliver vibrant and collaborative working environments.

2. Landlords and operaters are putting customers first.

Description
The real estate market is being driven by the end user. A more customer-centric approach is being adopted across the real estate industry – taking inspiration from the retail and hospitality sectors[8]. Customers now expect a certain level of facility provision beyond just the serviced office providers.

What this means for Workspace
Ownership of our properties gives us complete control over the customer experience. We regularly adapt our properties to changing customer needs, providing leading-edge facilities and flexible space with a focus on wellbeing.

Direct relationships with our customers and feedback surveys help inform how we meet their needs. This is why we invest in high-speed, resilient connectivity and networking events. In 2018/19, we launched the WorkspacePerks benefits platform, giving customers the opportunity to trade exclusive deals with companies across our portfolio.

50
exclusive customer offers already on our WorkspacePerks benefits platform

Link to our strategy
- Right brand
- Right market
- Right properties

8. JLL, Disruption or distraction, Flex Space EMEA Research 2018.

Trends that affect our customers

1. Ways of working continue to change as employees become more mobile.

Description
The workforce is increasingly fluid. People aren't fixed to their desks in a specific office anymore: sometimes they prefer to work in a café, breakout area, meeting room, or remotely. One in seven people in the EU are now self-employed and 56% of employees work from other company premises at least once a month[1]. Estimates suggest 30% of the EU's working population operates in the on-demand or gig economy[1], many using co-working space.

What this means for Workspace
We offer built-in flexibility that caters to customers who want to hot-desk or work in collaborative communal areas. Our building-wide Wi-Fi allows customers to work anywhere in the building. In addition, we provide in-building mobile coverage where required. Club Workspace is one of the largest co-working networks in London, with 19 locations across our portfolio.

19
Club Workspace co-working locations across London

Link to our strategy
- Right properties
- Right market

1. JLL, Disruption or Distraction, Flex Space EMEA Research 2018.

2. Customers prioritise connectivity when they are weighing up their office needs.

Description
Occupiers are increasingly favouring connectivity over location, according to Radius Data Exchange. Occupiers are likely to pay 5% more in rent for London office space with strong connectivity than for similar space without a guarantee of high digital performance[2].

What this means for Workspace
Ownership of the buildings means we can provide our digitally-dependent customer base with immediate access to high-speed internet connectivity, best-in-class levels of infrastructure diversity and robust emergency back-up services to protect against service disruption. 33 of our properties are already Wired Certified Gold or Platinum, and we are working across our portfolio to achieve the rating.

77%
of commercial tenants state poor connectivity impacts their profitability[3]

Link to our strategy
- Right brand
- Right customers

2. Radius Data Exchange and WiredScore office connectivity report, 2019.
3. Radius Global Market value of connectivity research 2017.

Super connected
Our building-wide Wi-Fi allows customers to work anywhere in the building.

3. 'Millennials' and 'Generation Z' value workplace culture as much as financial reward.

Description
Attracting and retaining talented millennials and Generation Z staff begins with both financial rewards and workplace culture[4]. Young people say that employers offering more flexibility than they did three years ago are achieving greater profitability, and that these working environments are more stimulating, healthy and satisfying[4]. Employees increasingly look for a sense of family and community.

What this means for Workspace
The look and feel of our buildings are carefully crafted to create individuality and appeal to our ever-changing customer base.

A key part of the Workspace brand is the facilitation of networking and collaboration – we host more than 300 events per year. Staff wellbeing is also central to our product: we provide light and open space designed to encourage movement and social interaction and to deter sedentary working.

70%
of UK millennials say they want flexible working options[5]

Link to our strategy
- Right brand
- Right customers

4. Deloitte Millennial Survey Report 2018.
5. Powwownow Flexible Working Survey 2018.

4. Businesses want their landlords to have strong sustainability credentials.

Description
Social media has played a positive role in making young people more socially conscious – in 2018 online searches for 'plastic recycling' increased by 55%[6]. Occupiers are challenging landlords to ensure they are both environmentally and socially sustainable. The most common customer queries Workspace receives relate to single-use plastics and renewable energy.

What this means for Workspace
We provide our customers with transparency about how much energy they are using individually as well as the environmental performance of each building. We are working with our cafés to significantly reduce the amount of single-use items they use. The installation of solar panels across eight properties generated 107,540 kilowatt hours per annum. Overall, 2018 saw an increase in renewable energy generation from solar by 23% year-on-year.

107,540
kilowatts generated from solar energy across Workspace's portfolio

Link to our strategy
- Right people
- Right customers

6. Hitwise Green Living Report 2018.

EVOLVE

The world is constantly changing. There are a number of macro trends we're seeing today that could impact the nature of work and the workplace in future decades.

To help us understand what's next, we spoke to some of London's young people who will be part of shaping 'next'.

The young people featured in this section are currently on programmes with XLP, a charity working to create positive futures for young people growing up on London's inner-city estates.

Images were taken aboard one of the XLP community buses.

Macro trend:
Urbanisation

"There is going to be more and more competition for jobs – and I want to have more than one! I'd like to be both a criminal psychologist and a musical theatre performer. These days, people can make money out of what they truly love doing thanks to social media and being able to work from home.

Dieura, age 15

Macro trend:
The 100 year life

"I like the idea of living until I'm 100 and working to 80 years old... but I may want to take longer weekends or holidays so I get to travel more.

I like experiencing new things and not being stuck in the same place – so I would prefer to commute than live near to where I work."
Tariq, age 20

Macro trend:
The gig economy

"I think the increase in short-term jobs and freelance work is a positive thing – it attracts more active people and means there will be more creativity in the workplace."
Holly, age 17

Macro trend:
Cyber security

"Hackers are finding it much easier to steal identities and commit fraud. It's important that people have secure Wi-Fi to guard against attacks. For example, our school has a good system and they know everything we are doing – but it does mean we have less privacy."

Jess, age 16

LISTEN

To help us deliver for the long term, we listen to all stakeholders. We listen to everyone who works for Workspace, to our investors, our neighbours, and to anyone within our supply chain.

It's one of the things that makes Workspace super connected.

This year, we asked stakeholders one simple question:

Q.

What value does Workspace provide to you?

Stakeholder group:
Customers

A.

"As a fast-growing business, we like knowing that we can take advantage of Workspace's flexibility"

Workspace's response
Our forward-thinking customers are often eager to expand, which is why we provide both flexible leases and space. Our on-site centre managers have close relationships with customers and are on hand to make office expansions easy, including the option of relocating to another Workspace property.

Mighty Fine
A honeycomb confectionary company based at China Works business centre in Vauxhall.

Stakeholder group:
Our people

A.

"Opportunities to develop my career"

Workspace's response
Our strong corporate culture means employee retention and loyalty is high. We understand that our staff are our greatest assets, which is why we invest significantly in training and development opportunities. In future years, we will be monitoring employee engagement and satisfaction through a new employee survey.

Read more on page 46.

Georgia Macaulay
Assistant Centre Manager,
Edinburgh House, Vauxhall.

Stakeholder group:
Our suppliers and partners

A.

"Both a collaborative relationship and the freedom to be creative"

Workspace's response
We build trusted, long-term relationships with our suppliers and partners, and require them to adhere to the same set of social, environmental and ethical standards as Workspace.

We worked closely with architects Squire & Partners to deliver The Frames' striking design while ensuring it blends into east London's surroundings.

Henry Squire
Partner at Squire & Partners, the architechtural firm which designed The Frames in Shoreditch and is currently working on a number of projects for us.

Stakeholder group:
Community

A.

"Boosting the local economy and perception of the area"

Workspace's response
We aim to have a positive impact on the areas in which we operate, supporting local businesses and institutions, carrying out community consultations and hosting events at our business centres.

Our community investment programmes support disadvantaged young people in London, providing CV and career workshops, and interview practise.

Russell Dryden
Manager of the Blue Bermondsey Business Improvement District, a five-minute walk from The Biscuit Factory business centre.

Stakeholder group:
Investors

A.
"Delivering long-term value"

Workspace's response
Following years of strong performance, it is important we keep investors informed about how we intend to deliver The Workspace Advantage for the long term.

This year we continued to advocate our values framework internally, reinforcing a culture that allows us to deliver our customer offer. We also mapped customer behaviours in order to strengthen relationships and maintain a leading-edge offer. Key acquisitions and investment decisions helped us deliver value to all stakeholders.

Interim Chief Executive Officer's statement

Responding to now and next

SHAPING THE RIGHT RESPONSE

The insights, outlined on pages 18-33, coupled with our culture, values and proven strategy will further differentiate us in the market, make us more valuable to our customers and enable us to deliver value to all our stakeholders.

Graham Clemett photographed at Edinburgh House, Vauxhall.

In many ways we are a traditional property company: we own high-quality, well located buildings across London which we regularly refurbish and redevelop. It is how we attract and retain customers that differentiates our business model. For over 30 years, Workspace has offered truly flexible lease terms and allowed customers to fit-out and use their space as they wish, enabling them to create and maintain their own individual identity. We have long believed in lease flexibility, retaining customers by providing them with inspiring buildings and great service.

Maintaining a close relationship with customers is critical to the success of our business. We gain vital knowledge from enquiries and viewings, analysing how customers use their space and listening to the daily feedback we receive from our centre teams. These insights, supported by our investment in technology and the analytics that it provides, inform decisions across the business and, in due course, drive performance.

Despite the uncertain economic and political environment, the business has continued to see good demand over the year. Our marketing efforts across a range of channels, underpinned by the strength of our brand, have generated an average of 1,048 enquiries per month which have been converted into 103 lettings per month.

A significant feature over the last year has been the launch of some 341,000 sq. ft. of new and upgraded space, completing refurbishment projects at eight properties. We have been delighted with the level of demand for this space from both customers new to Workspace and existing customers looking to expand.

Our total rent roll was up 12.9% in the year to £127.5m. This has come from a combination of strong growth at our recently completed projects, the successful integration of recent acquisitions and continued rent roll growth at our like-for-like properties. As a result we have recorded another year of strong financial performance, with trading profit after interest up 19% to £72.4m.

With our clearly defined strategy, an attractive range of properties in London, a programme of exciting property upgrades, a strong balance sheet and ongoing investment in our people and technology, we are confident that Workspace will continue to embrace the future and maintain its market-leading position.

Graham Clemett
Interim Chief Executive Officer

Our strategy

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.

Our strategy
Our strategy is now well embedded and has been proven to deliver results. The Board reviews it regularly to keep it relevant and we have no reason to believe it will not continue to deliver excellent returns for shareholders.

The Workspace Advantage sits at the heart of the strategy with five strategic pillars that drive value for the business.

This value comes from the two parts of our business – the portfolio, which we are upgrading and expanding, and the platform, which drives income growth and provides valuable customer insights.

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

- Our market – page 18
- Our business model – page 40
- Doing the Right Thing – page 42
- Principal risks and uncertainties – page 55
- Business review – page 67
- Governance – page 77

Our strategic priorities drive Portfolio and Platform value

Right market
Despite the political uncertainty, we believe that London remains the right market for our business. The opportunity continues to be extremely attractive, with strong demand from all types of businesses for our offer. Where we see value, we will continue to acquire new assets that meet customer demand for our space and will deliver attractive returns to shareholders, and our deep market insight enables us 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 driving rental income growth at our like-for-like properties and letting up the new and upgraded space coming out of our extensive refurbishment and redevelopment pipeline. We remain focused on creating and, opportunistically, acquiring the right properties that will attract our customers.

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.

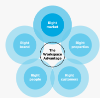
Right people
Employing the right people continues to be critical for the success of the business. Workspace's people display deep knowledge of their subjects, have an inquisitive nature and a thirst for innovation, and show genuine care for our customers, our communities and each other.

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 maintaining high levels of customer satisfaction.

China Works, Vauxhall
Understanding the property market allows us to deliver value to investors as well as customers.

Creating value in 2018/19

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 2018/19
Continue to pursue acquisitions in London where we see opportunities to create value.

The market trends that influenced our progress

Relevant London trends
- With London job openings at a record high, attraction and retention of talent is critical for businesses.
- Uncertainty surrounding the UK's withdrawal from the EU has not affected demand for office space.

Relevant flexible office trends
- Continued growth of the flexible office market.

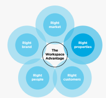
What we achieved in 2018/19
- Acquired the remaining Centro Buildings in Camden and our first property in Shepherd's Bush.
- Continued to see strong demand from London-based businesses. Average monthly enquiries were 1,048 during the year.

What we aim to do in 2019/20
Continue to grow our footprint in London through expanding existing sites and acquiring new properties that will deliver value for shareholders.

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 means our properties remain at the cutting-edge of customer requirements.

What we said we would do in 2018/19
Progress our extensive project pipeline to drive income and capital growth.

The market trends that influenced our progress

Relevant London trends
- Londoners increasingly favour walking or cycling to work.

Relevant flexible office trends
- Landlords are putting customers first.

Relevant customer trends
- Businesses want their landlords to have strong sustainability credentials.

What we achieved in 2018/19
- Completed eight projects delivering a total of 341,000 sq. ft. of new and upgraded space.
- Refurbishment work underway on a further nine properties.

What we aim to do in 2019/20
Deliver 263,000 sq. ft. of new and upgraded space from our refurbishment and redevelopment pipeline.

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

Brickfields, Hoxton
New building launching in 2019 comprising 57,000 sq. ft.

Strategic priority:
Right customers

Description
The Workspace Advantage means we have a customer-first culture and we aim to create communities of businesses in our centres, with regular insight and networking events to encourage further collaboration.

What we said we would do in 2018/19
Bring upgraded space to the market for our customers and launch an online benefits platform.

The market trends that influenced our progress
Relevant London trends
- As London job openings are at a record high, attraction and retention of talent is critical for businesses.

Relevant customer trends
- 'Millennials' and 'Generation Z' value workplace culture as much as financial reward.
- Ways of working continue to change as customers become more mobile.
- Customers prioritise connectivity when they are weighing up their office needs.

What we achieved in 2018/19
- New space has let up extremely well, proving that our product is capturing customers' imagination.
- Launched the customer benefits platform, connecting businesses across the portfolio.

What we aim to do in 2019/20
Continue to roll out the benefits platform, providing more opportunities for customers to collaborate and trade with each other.

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 2018/19
Launch the new Workspace values, enable engagement with all employees and reward successes.

The market trends that influenced our progress
Relevant London trends
- As London job openings are at a record high, attraction and retention of talent is critical for businesses.

Relevant flexible office trends
- Landlords are putting customers first.

Relevant customer trends
- 'Millennials' and 'Generation Z' value workplace culture as much as financial reward.

What we achieved in 2018/19
- Launched the new company values into the business, which are now well embedded, becoming part of our recruitment and appraisal processes.
- Further strengthened the team with new hires across the business.

What we aim to do in 2019/20
Continue to embed the values, highlighting success stories and values champions.

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
With an increase in competition, it is becoming more important that our key USPs differentiate us in the crowded marketplace and that they remain strongly linked to our Workspace Advantage brand positioning.

What we said we would do in 2018/19
Continue brand tracker survey and drive further engagement with the brand through social media.

The market trends that influenced our progress
Relevant London trends
- Uncertainty surrounding the UK's withdrawal from the EU has not affected demand for office space.

Relevant flexible office trends
- Continued growth of the flexible office market.

Relevant customer trends
- Customers prioritise connectivity when weighing up their office needs.
- Businesses want their landlords to have strong sustainability credentials.

What we achieved in 2018/19
- 1.3m website hits during the year, up 18% year on year.
- Further execution of The Workspace Advantage brand campaign drove a 33% increase in first-time website visits year on year.

What we aim to do in 2019/20
Refine our messaging further and use Pathway to Purchase research to tailor our marketing strategy. Roll out brand messaging across multiple consumer channels.

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

ENSURING OUR LONG-TERM SUCCESS

Our business model draws on the resources we have both within Workspace and those gathered externally, to deliver long-term value to our customers and shareholders.

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.

- Our values – page 46
- Governance – page 77
- Principal risks and uncertainties – page 55
- Our market – page 18
- Our strategy – page 36

What we do

We lease flexible office space to a wide variety of customers across London. We regularly refurbish and redevelop our properties, and strategically acquire new assets where we can add value.

The majority of our space is offered on flexible lease terms (two years with a six-month rolling break). Our average customer is a 10-person company and occupies 1,000 sq. ft. of space.

In addition to dedicated office space, our business centres also offer co-working membership and meeting rooms for hire.

The Workspace Advantage
We have a customer-focused model and unique operational platform, whereby we manage all market lettings activity in house.

In addition to space, we provide customers with added value facilities, such as super-fast technology, a thriving community and a programme of business insight events.

How we create value

Portfolio
Adding value to our properties

We own all our properties and currently have 64 sites across London. Ownership gives us control to adapt our product as customer demands change.

We have a strong balance sheet and generate good cash flow. This gives us access to financing and the ability to reinvest in upgrading and expanding our existing properties, whilst also strategically acquiring new sites to grow our portfolio.

Where possible, we look to generate additional value by intensifying use at existing sites, selling residential planning consents and creating brand new business centres in partnership with residential developers.

We have acquired two new properties this year, completing the purchase of the Centro Buildings in Camden and acquiring The Shepherds Building in Shepherd's Bush.

We occasionally dispose of assets where we believe we can no longer add value or if the property falls below our robust return targets. In 2018/19 we sold a portfolio of three properties, Belgravia Studios, Spectrum House and The Ivories for a combined price of £51.9m.

We invest in the facilities we offer customers, such as state-of-the-art technology, onsite cafés, cycle storage and showers, and have a rolling programme of refurbishment which enables us to both protect and enhance property values.

Having the right properties supports our strategic priorities of maintaining a strong brand and therefore attracting and retaining the right customers.

Platform
Adding value for our customers

Our target market is London-based businesses ranging in size from entrepreneurs and early stage start-ups to larger, more established companies of several hundred employees. Through our offer, we enable our customers to perform at their best.

We enjoy strong relationships with the thousands of businesses in our space. Through regular surveys and day-to-day interaction with our centre staff, we engage and respond to their feedback.

We do not place any constraints on our customers. We offer flexible lease terms – a trend that is becoming more prominent in the market – a range of spaces and secure, unlimited data.

Customer service is of paramount importance and the dedicated on-site centre managers are committed to encouraging a sense of community and collaboration amongst businesses at all our locations.

Our proactive approach enables our customers to focus on their businesses.

We believe that our people are our greatest resource and work hard to provide the support they need to live by our values.

Doing The Right Thing
We strive to always Do The Right Thing. This means a commitment to reducing the environmental impact of our properties, working with customers to encourage recycling and reduction in energy usage and supporting the communities in which we operate.

Doing The Right Thing

We have a responsibility to Do the Right Thing by all our stakeholders
We believe that our business model and strategy will deliver sustainable growth and performance. In order to do this, we must ensure that Workspace continues to be a responsible business and that we fully integrate environmental, social and governance (ESG) factors into our business.

The following pages outline how we aim to Do the Right Thing in every aspect of our operations and demonstrate the importance of these ESG factors to the business.

Doing the Right Thing is core to Workspace's culture. In employee workshops held during the year, ideas were put forward for further enhancing the environmental and community activities we undertake, and our customers tell us that they see these factors as key elements of our brand proposition.

The Board and senior management team strongly believe that by integrating ESG factors in our day-to-day business activities, we will drive an enhanced performance and ensure the long-term sustainability of the Company.

2018/19 highlights

Our customers

WorkspacePerks
Launched customer benefits platform.

Recycle
More than 70% of our waste has been recycled during the year.

Wellbeing
Customer welcome pack now includes a sustainable transport guide, covering the cycle-to-work scheme, bike maintenance services and the London Healthy Workplace Charter.

Carbon Trust
Partnered with the Carbon Trust to hold "lunch and learn" sessions for customers on energy efficiency.

121
Cycle storage spaces installed this year.

LEG
The Leather Market Environmental Group set up at The Leather Market to help customers reduce their environmental impact.

Our properties

Targets met
Exceeded our CCS target of 37/50 at all development projects completed during the year.

Energy use
Solar panels installed on the roof of The Frames.

SKA rated fit-out
60 Gray's Inn Road was our first Silver-SKA-rated fit-out with 100% of stripped-out material recycled.

Biodiversity
Installing green roofs at several business centres.

Our people

Culture
Successfully launched our new values into the business.

Talent retention
Ten long-term service awards of 10 years and two of 15 awarded during 2018/19.

Training
227 training days carried out during the year.

Social mobility
Workspace signed up to the Social Mobility Pledge, committing to provide work experience to those from disadvantaged backgrounds.

Breast Cancer Care
Workspace supported charity, Breast Cancer Care, in its Pink Week to raise awareness and funds to fight the disease.

Food recycling
We rolled out new food waste streams across the portfolio.

Our communities

InspiresMe
Continued to hold CV and career workshops for disadvantaged young people.

Fundraising
A Workspace team trekked through the Sahara desert, raising £20,000 for XLP.

Community engagement
Continued to engage with local communities. In Wandsworth, we hosted free local events at our Riverside Business Centre, including family learning workshops.

London College of Communications
Provided space for Talent Works programme to hold content creation event for 30 students.

1,217
Hours volunteered for charities by Workspace people.

Our suppliers and partners

Environment
100% of waste was diverted from landfill from all of our managed assets.

Targets met

95%
of all timber procured from certified sustainable sources

Single-use plastic
Started engaging with cafes at our business centres to reduce single use plastic.

Renewable energy
All of our electricity supplies within our Group contract are on a renewable energy tariff.

Partner
Bywaters' new data platform allows our centre managers to compare buildings' recycling rates.

Awards, accreditations and commitments

Global Real Estate Sustainability Benchmark ('GRESB')

We gained a Green Star for the fifth year in a row for the GRESB survey. We achieved an A rating for Public Disclosure and scored 80 in the Real Estate Assessment, exceeding both the Average score of 68 and the Peer Average score of 72. 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 2018 European Sustainability Best Practice Recommendations (EPRA sBPRs) for the fifth year in a row. As with the EPRA financial BPR Awards, each year EPRA recognises companies which have issued the best-in-class annual sustainability performance report.

Carbon Disclosure Project ('CDP')

We achieved a B in our 2018 Carbon Disclosure Project score, exceeding the sector and regional score average B-. Scores were based on disclosure, awareness, management and leadership with regards to carbon management and climate change risk.

FTSE4Good Index

This year we achieved 3.3 out of 5 (Absolute Rating) and 76% (Relative Percentile Score). The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.

Investors in People

We continued to hold our Investors in People accreditation for the 19th year in a row, having achieved the highest Gold Award in the last accreditation. The standard defines what it takes to lead, support and manage people well for sustainable results.

The Social Mobility Pledge

We have signed up to the Social Mobility Pledge and have committed to partnering with schools, providing work experience and adopting open employee recruitment practices.

Green Electricity

All of our electricity supplies within our group contract are on a green tariff. SSE Green is 100% renewable energy generated by a variable mix of hydro-electric, offshore and onshore wind depending on prevailing weather conditions. This year we have calculated our market-based emissions in addition to location-based emissions for our scope 2 greenhouse gas reporting.

Our customers

Attracting and retaining a loyal customer base

Workspace cultivates strong relationships with its customers, thanks to its in-house operational platform and dedicated centre teams who curate thriving communities in their buildings.

We know from our engagement with customers that they care deeply about the environmental performance of their office space, as well as the role they, and we, can play in the local communities.

Case Study
The Leather Market Environmental Group

We have recently set up an environmental group with our customers based at The Leather Market in partnership with customer Anthesis, an environmental consultancy. The group's aim is to help customers reduce their environmental impacts through education and collaboration. The group will meet quarterly to discuss recycling, energy, water, procurement, events and campaigns. The benefits to our customers include environmental savings, cost savings, PR benefits and networking opportunities.

Case Study
Encouraging our customers to recycle

This year, we surpassed our target of just over 70% of our waste being recycled (based on a combination of estimated and actual waste weighed). To put that into perspective, of the 369 tonnes of waste collected in March 2019, just under 260 tonnes of this was recyclable material. To raise further awareness, centre teams have held recycling and waste awareness roadshows, our Facilities Managers and Technicians have reviewed and managed our recycling areas, and our Energy & Sustainability Manager has been engaging with our café operators.

Case Study
Educating customers on energy use

This year we partnered with the Carbon Trust to hold 'lunch and learn' workshops at various sites across the portfolio, providing advice on energy efficiency and government grants.

In addition, our customer welcome pack contains energy-efficiency resources and tips including promoting the Better Building Partnership's (BBP) Responsible Fit-out Guide, grant opportunities, energy-saving guides and posters, carbon footprint calculators and information on how to switch to a green energy provider.

Looking forward
- We plan to roll out environmental groups at other centres following success of the LEG.
- We will be holding more sustainability-focused events across the portfolio.

Link to relevant KPIs
Financial: 1, 2, 3, 4, 5, 6, 7, 8
Non-financial: 2, 4, 5, 6

Maintaining the right property portfolio for the long term
Workspace has owned many of its 64 properties for decades and we want to ensure the continued sustainability of these buildings for the years to come.

Whether we're upgrading the sites through minor refurbishments, adding new floors or starting from scratch and rebuilding a more fit-for-purpose asset, we are focused on reducing the environmental impact of our properties and their supply chains.

Case Study
The Frames
In September 2018, we launched a new business centre in Shoreditch, The Frames, on the site of an old asset that Workspace had owned for more than 20 years. The property is designed to BREEAM Excellent rating, the world's leading sustainability assessment method for master planning projects, infrastructure and buildings. The Frames benefits from natural light and natural ventilation as well as clever design to encourage movement around the building and a combination of open space and private offices for both collaboration and concentration, promoting health and wellbeing.

Barley Mow Centre, Chiswick: 3,000 sq. ft. of green roof and wall.

Case Study
Biodiversity
We have made an effort during the year to increase the amount of space at our centres given to biodiverse habitats. ScreenWorks in Islington, The Record Hall in Farringdon and Cocoa Studios at The Biscuit Factory in Bermondsey are just some of the Workspace centres bringing greenery to London's skyline.

Case Study
Achieving Silver SKA rating for the fit-out at 60 Gray's Inn Road
We achieved our first ever Silver SKA Rating at Gray's Inn Road. This is a coveted certification that assesses fit-out projects against a stringent set of sustainability criteria. This refurbishment project saw 100% of the stripped out materials recycled, all materials diverted from landfill, any new products sustainably sourced and energy-efficient air conditioning and lighting installed.

Looking forward
- We aim to achieve further SKA ratings on future projects if feasible.
- We are following the Soft Landings framework for our future development Brickfields. Soft Landings helps close the performance gap between design intentions and operational outcomes.

Link to relevant KPIs
Financial: 1, 2, 3, 4, 5, 6, 7, 8
Non-financial: 2, 4, 5, 6

Workspace Group – Task Force on Climate-related Financial Disclosures (TCFD)
TCFD Disclosure Summary
Launched in 2017, the TCFD encourages businesses to disclose their response to climate change by assessing climate change risks and opportunities. With this in mind, Workspace has provided a TCFD Disclosure in line with these recommendations. Some of the key areas from Workspace's disclosure are summarised below.

Governance
The Board is responsible for the long-term success and the delivery of strategic and operational objectives. The Risk Committee, which reports to the Board, reviews and identifies risks associated with sustainability, carbon and energy management, of which climate change is directly linked.

Strategy
As a responsible business we consider climate-related risks and opportunities across all our business activities including the design, construction, refurbishment and day-to-day operational management of our portfolio. We identify risks and opportunities over short term (0-5 years), medium term (5-15 years) and long term (15+ years) horizons whilst considering the strategic and financial implications of these risks and opportunities on our operations.

Risk Management
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, and look to identify risks across two key areas: Business (Strategic) Risks and Operational Risks.

Metrics and Targets
Workspace also focuses heavily on energy and carbon reduction measures, so that our assets operate as efficiently as possible. As detailed within our full TCFD disclosure we are working towards developing science-based targets which are set against recognised 1.5°C transition scenarios. Setting targets in this way will enable us to determine a carbon reduction trajectory between our base year and target year of 2030.

Workspace's full TCFD disclosure can be found within our TCFD Full Disclosure Report.

– For more information on our environmental performance go to the Report of the Directors on page 158.

Our people

Nurturing and developing talent within Workspace, thanks to a dynamic culture

Workspace's growth and customer-centric approach is possible because of our focus on attracting, retaining and developing the right talent.

We know that Workspace has a distinct culture and set of behaviours that drive the success of the business. However, until now, this had not been articulated. We felt it was important to clearly set out a values framework to support the development and delivery of our customer offer, The Workspace Advantage. We believe that an articulated culture creates a common feeling of identity and direction, helping motivate teams and enhance decision-making.

We held a series of workshops across the business in April 2018, encompassing more than 100 employees, to gather staff insights on our culture. The discussions provided an environment where employees could talk openly about what they saw as common behaviours or values existing across the business and, ultimately, share their perceptions of the internal culture.

The feedback from these sessions was overwhelmingly positive, with a consensus that Workspace has an enthusiastic, inclusive and caring culture. We synthesised the output of the workshops into four key values:

1. Know Your Stuff
"We like people who are serious about their subject and know there's always more to learn. Enthusiasts who back it with the facts. Those who ask questions, who are open-minded and interested. We don't just react to what customers, colleagues or the market are telling us, we anticipate it. And our accent on technology helps us to do just that."

2. Find A Way
"We look for those who are persistent and have the confidence to move things forward even when they are difficult or unclear. Flexibility and adaptability are key but so are focus and determination. Our teams mix people with a range of backgrounds and skills and the result is always more interesting and effective."

3. Show We Care
"We value people with great social skills and look for those who instinctively build really good relationships – we are in constant conversation with customers and one another. We like people who are approachable, flexible and see opportunity in the every day. We think hard about how we can contribute to our communities and give something back."

4. Be A Little Bit Crazy
"We depend on the creativity and imagination of all our people. We like those who sense an idea before they can explain it, the ones who see things a little differently, who believe they can make a difference. We like people who thrive on fresh thinking, who are motivated by possibility, who don't want to work for just another corporation because that's what we're trying not to be."

Workshops

The values were launched via a series of workshops carried out by each team manager, alongside case studies – stories told through intranet news articles, framed posters and email communications – showing examples of employees who had demonstrated the values, while values-branded notepads and tote bags were handed out to all staff. The values have received a positive response and have been embedded in the staff performance reviews and recruitment processes.

Diversity

We strongly believe in the clear competitive advantage gained from employing a diverse workforce, ensuring we attract the best people with a broad range of experience, backgrounds and skills sets. We are fully committed to an active Equal Opportunities Policy covering recruitment, selection, training and development, performance reviews and promotions.

Case Study
Breast Cancer Awareness workshops at Kennington Park
As part of Pink Week, a session was run detailing how to check for breast cancer and how to support friends and family if they are diagnosed.

Employee engagement

We continue to reinforce the values through our internal communications, having introduced several new channels during the year, including Sharepoint, Skype for Business, Yammer and a monthly internal newsletter called The Workspace Wrap.

The objective of our internal communications strategy is to create an engaged, motivated and well-informed workforce who feel they are working towards a common goal: Workspace's long-term success. This is done by empowering staff to become capable brand ambassadors and maintaining a consistent flow of internal news across our new channels, providing engaging content around company performance, property launches and CSR initiatives, for example. See page 80 in Governance for Board engagement with employees.

Long-service awards and careers

Our dynamic culture means that employee retention and loyalty is high, with 26 members of staff achieving long-service awards this year, 10 of which were for 10 years of service and two for 15 years.

Learning and development

Employees have the opportunity to build their careers with us. Know Your Stuff is one of our key values, and we place a lot of importance on providing training and development opportunities to all our employees. We carried out more than 227 training days over the year, covering a range of topics:

- Customer services
- Networking
- IT skills
- Writing skills for customer communications
- Conflict resolution
- Planning and organisation skills

Case study

Sophie Rose started at Workspace in 2013 as a Purchase Ledger Clerk. We have since helped develop her career via a number of professional training courses, which resulted in her qualifying as a Chartered Management Accountant this year. After progressing through the Management Accounts team, she is now Business Analyst within the Financial Planning and Analysis Team. Sophie is also a key member of our 'Doing the Right Thing' committee.

Health and wellbeing

One of the priorities of our internal culture is the health and wellbeing of our staff. Throughout the year, we have promoted yoga and mental health sessions across a number of sites, while launching a new offers platform with discounts on gym memberships and meditation sessions, which can be taken advantage of by employees as well as customers.

Looking forward

- We are increasing our focus on mental health, training a number of Mental Health First Aiders across the business who will be equipped to spot the signs and symptoms of mental ill health and provide immediate support.
- We will also be monitoring employee engagement and satisfaction through a new employee survey.

Link to relevant KPIs

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

Our communities

Working alongside and supporting our communities
Workspace aims to be a good and responsible neighbour. With properties in 15 different boroughs across London, we play an active role in supporting our local communities in many different ways.

We work with local businesses and aim to encourage the local employment of young people with our customers and suppliers.

We continue to engage with local communities and host consultation events. In Wandsworth we ran free local events at our Riverside Business Centre, including family learning workshops.

We leverage our relationships with customers and suppliers, as well as our in-house skills and knowledge, to support disadvantaged young people in London. Through our InspiresMe programme, we run CV and career workshops and provide interview practice. We have also continued to hold events for our customers and suppliers to raise awareness of the benefits of hiring apprentices and introduce them to potential candidates.

Case Study
Developing creative talent with the London College of Communications
Workspace partnered with the London College of Communication's Talent Works programme, providing space at Kennington Park to hold their two-week pop-up content creation studio for 30 students. Holding the studio at an external venue provides the students with a richer experience and teaches them what working in the real world can be like.

Supporting communities
LCC Talent Workshops held at Kennington Park.

The students were given briefs from 13 local charities and enterprises, with projects covering filmmaking, print and digital design, motion graphics, animation and social media strategy. The project is aimed at students who may struggle to get their first paid creative job. They gain experience working with real clients, develop soft skills, and work for their portfolios.

Looking forward
- We have selected Great Ormand Street Hospital as our new Charity Partner. We will host a variety of fundraising events throughout the year to support the hospital.
- We will continue to work with XLP through our InspiresMe programme.

Link to relevant KPIs
Financial: 1, 2, 3, 4, 5, 6, 7, 8
Non-financial: 2, 4, 5, 6

Fundraising
Workspace staff and customers raised £26k for our charity partners this year. The XLP four-day Sahara trek was our main fundraising event.

Our suppliers and partners

Developing strong relationships with our suppliers and partners
We are committed to driving positive change both within our supply chain and across our partnerships.

Stringent KPIs are embedded into our tendering process from the outset, designed to ensure all suppliers and partners adhere to the highest standards of sustainability.

We work closely with Bywaters, our waste contractor, to improve our recycling rates across the portfolio. For example we have worked together on initiatives including back-of-house recycling areas, introducing new food waste recycling streams and holding recycling events for our customers. This year we have transferred all of our data onto a new platform, allowing our centre managers to easily compare each building's recycling performance on a monthly basis so as to address issues and reach our targets. This year we surpassed our target to recycle more than 70% of our waste.

Our target is to procure at least 95% of timber from certified sustainable sources such as FSC – we exceeded this across all of our projects. We also surpassed our target for diversion of construction and demolition waste from landfill. For example, 100% of waste was diverted from landfill at The Light Box.

Case Study
Considerate construction on development projects
We have exceeded our target Considerate Constructors Score (CCS) of 37/50 at all of our projects completed during the year. Notable scores included 40/50 at Cocoa Studios at The Biscuit Factory, 41/50 at The Light Box in Chiswick and 40/50 at Brickfields in Hoxton.

Case Study
Engaging with our cafés on single use plastic
This year we have been working with the cafes and catering partners in our centres to reduce single-use plastic. We have visited each cafe to discuss switching to low environmental impact alternatives, such as reusable coffee cups, cardboard packaging and paper straws. Following our engagement and research, we will be setting a Workspace best practice standard across our cafes this year.

Case Study
Better Buildings Partnership (BBP)
We are a member of the Better Building Partnership (BBP) and report into the Real Estate Environmental Benchmark (REEB). The BBP is a collaboration of the UK's leading commercial property owners who are working together to improve the sustainability of existing commercial building stock.

Case Study
Islington Sustainable Energy Partnership
Karen Jamison, our Energy & Sustainability Manager, sits on the Steering Committee for the Islington Sustainable Energy Partnership (ISEP). Committee members meet six times a year to plan projects and events, and maximise benefit for members and the wider community.

Looking forward
- Our new recycling rate target for 2019/20 is 75%
- We will work with Bywaters so that more than 70% of our waste is measured by weight (rather than volume or estimated) by 31 March 2020
- We will host further XLP apprenticeship workshops for partners, suppliers and customers.

Link to relevant KPIs
Financial: 1, 2, 3, 4, 5, 6, 7, 8
Non-financial: 2, 4, 5, 6

Key performance indicators

Financial and non-financial key performance indicators (KPIs) are used to measure our performance and gauge the results of our strategy.

Financial performance

1. Net rental income

£m

+16%

2019	**111.0**
2018	95.6
2017	79.2

Time period measured
Monthly

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 2018/19
The increase in the year was driven by growth in rental income at our like-for-like properties, an increase in rental income from completed projects where we are letting up new and upgraded space and two significant property acquisitions.

2. Trading profit after interest

£m

+19%

2019	**72.4**
2018	60.7
2017	50.7

Time period measured
Monthly

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

Further details in note 8 to the financial statements.

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

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

Movement in 2018/19
Trading profit after interest for the year was £72.4m, up 19% on the previous year. Net rental income is the key driver of trading profit due to our relatively fixed cost base.

3. EPRA NAV per share

£

+4.7%

2019	**10.86**
2018	10.37
2017	9.53

Time period measured
Six monthly

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 2018/19
Our EPRA NAV at 31 March 2019 was £10.86, up 4.7% from the prior year.

4. Dividend per share
pence

+20%

2019 32.87
2018 27.39
2017 21.07

Time period measured
Six monthly

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 2018/19
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 20% increase to the total dividend for 2018/19.

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

+3.8%

2019 3.8
2018 7.6
2017 12.9

Time period measured
Weekly

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 2018/19
Like-for-like rent per sq. ft. has increased by 3.8% in the year, with average rent up from £38.35 per sq. ft. to £39.80 per sq. ft.

5. Like-for-like rent roll growth
%

+2.2%

2019 2.2
2018 8.6
2017 13.7

Time period measured
Weekly

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 2018/19
Like-for-like rent roll has continued to grow, increasing by 2.2% year-on-year. Growth was affected by the short term impact of customers moving from like-for-like to newly launched space.

7. Property valuation
£m

+2.7%*

2019 2,604
2018 2,280
2017 1,844

Time period measured
Six monthly

*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 2018/19
We have achieved an underlying gain for the year of 2.7%. The largest uplift was in completed projects which reflects the strong demand and pricing levels achieved at some of the recently launched schemes.

See Property Valuation section of the Business Review on page 73 for more detail.

Vox Studios, Vauxhall
Vox Studios has seen a strong valuation uplift in the year.

8. Total Property Return
%

7.7%

2019	**7.7**
2018	11.3
2017	8.2

Time period measured
Six monthly

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 209.

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 2018/19
Capital and income returns have led us to outperform compared to the IPD benchmark.

9. Total Shareholder Return
%

-0.5%

2019	**-0.5**
2018	29.4
2017	0.8

Time period measured
Annually

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 209.

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 2018/19
Total shareholder return in 2018/19 was down due to a fall in the share price later in the year adversely impacted by political uncertainty.

Non-financial performance

1. Customer enquiries
monthly average

1,048

2019	**1,048**
2018	1,016
2017	1,060

Time period measured
Daily

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 2018/19
Customer enquiries remained steady year on year thanks to continued demand for our space.

Jo Dai
Founder of a design-focused, ethical fashion brand based at E1 Studios in Whitechapel.

2. Website visits
million per year

1.30m

2019	**1.30**
2018	1.14
2017	0.85

Time period measured
Daily

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 frequently upgrading our site so that all the information our customers might require is visible and easy to access.

Movement in 2018/19
Website visits increased during the year, thanks to another execution of The Workspace Advantage campaign driving traffic to the site from digital advertising, social media activity and Search Engine Optimisation (SEO) driving content. First-time visits to the site increased by 33% year-on-year.

3. Offer letters
monthly average

397

2019	**397**
2018	317
2017	323

Time period measured
Daily

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 2018/19
The average number of offer letters per month increased significantly during the year reflecting strong demand for our space following customer viewings.

4. New lettings
monthly average

103

2019	**103**
2018	93
2017	99

Time period measured
Weekly

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 2018/19
Good levels of lettings have continued throughout 2018/19 thanks to strong demand for our space.

5. Renewals
monthly average

39

2019	**39**
2018	43
2017	53

Time period measured
Weekly

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 2018/19
Despite being slightly down year-on-year, we continued to deliver good levels of lease renewals during the year.

6. Employee volunteering days

101

2019	**101**
2018	121
2017	79

Time period measured
Annually

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 2018/19
The number of volunteering days is slightly lower than last year owing to fewer company-wide events. This figure includes 57 working days and 44 personal days.

7. Customer events

125

2019	**125**
2018	131
2017	180

Time period measured
Monthly

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 2018/19
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.

Principal risks and uncertainties

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 2018/19.

Market understanding
Monitoring the fundamentals of the London market helped us spot opportunities as well as assess what our customers want. We have undertaken work to engage with customers to understand their needs.

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

Refurbishment and redevelopment
We continue to apply risk management at ongoing refurbishments and redevelopments where we are investing to deliver The Workspace Advantage.

- Our market – page 18
- Our business model – 40
- Doing The Right Thing – page 42
- Interim Chief Executive Officer's statement – page 34
- Business review – page 67
- Governance – page 77

Risks and delivering our strategy
In order to deliver our strategy, we aim to maintain a balance between safeguarding against potential risks, and taking advantage of all potential opportunities. Taking advantage of opportunities whilst considering the risks related to these opportunities is key, and we aim to do this as part of our everyday business activity rather than as a standalone exercise.

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

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

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

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

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

We also need the right staff and expertise to deliver our strategy, with adequate succession planning where needed. We invest heavily in our staff and put effort into training and developing our employees and making them feel valued and part of our culture and values.

We aim to have a robust risk management process in place to enable us to meet our strategic objectives, and also manage day to day risks and issues.

Key highlights for 2018/19
- Ongoing data protection review and training has been undertaken across the organisation. Review of our information asset registers continues. A specific working group has been created, the Information Governance Group, incorporating senior managers from across the business to monitor compliance with GDPR requirements. Best practice guidance is being rolled out across the Group.
- We are launching the use of risk management software. The aim of this is to help effectively capture findings from our internal property site reviews, third party audits and detailed information to demonstrate our key controls are operating effectively.
- Continuing to safeguard the Group with regard to cyber security and keeping aware of risks and issues in this fast moving area. We undertook an external review of our cyber security in the year and are actioning recommendations made.
- Regular review and consideration of any potential impact from Brexit.

Further detail on our assessment of Brexit can be found on page 62.

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 confirm that it remains appropriate for Workspace's 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.

Risk Committee
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 Interim Chief Executive Officer, the Operations Director and Company Secretary, alongside the Head of Finance and other Senior Managers and representatives from across the Group. The Risk Committee engages with staff throughout the business and our small size encourages good communication between each business area. In addition, frequent visits by head office staff to our business centres increases awareness and understanding of any property-specific risks and issues.

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

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 means that information is communicated across the business well. We try to engage staff with risk related issues, particularly those which are new and emerging so that we are managing our lower level risks as well as the more strategic ones.

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 49 to 54.

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.

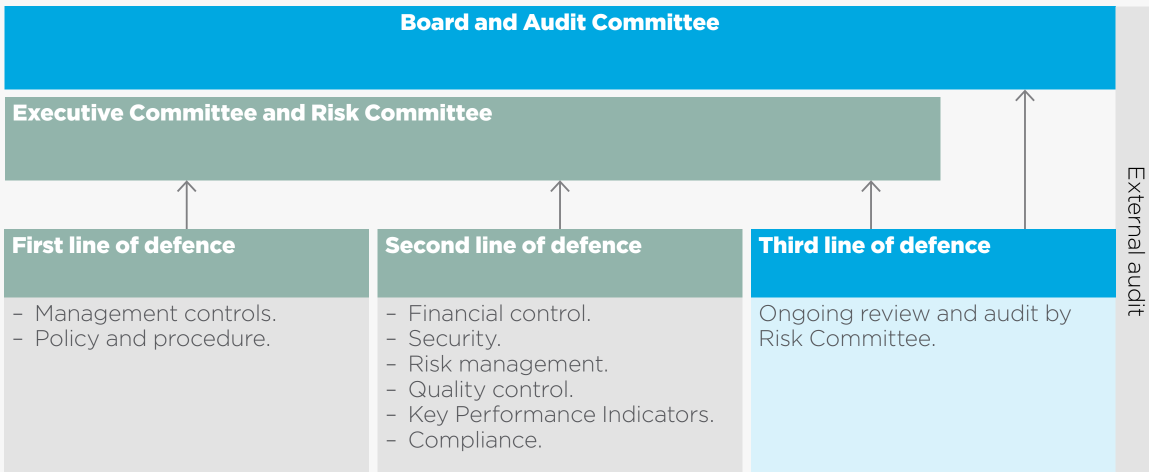
We work towards a medium to low risk profile, implementing mitigating actions to bring each risk down to within the agreed risk appetite. Currently all our Principal Strategic risks are subject to the same moderate risk appetite.

Strategic risks
- These are defined as 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 risks.
- The Board is satisfied that we continue to operate within our desired risk appetite for our Strategic Risks.

Details of our Principal Risks are outlined in the next few pages. These risks are not in order of risk rating.

Risk changes in year
Competition has been added as a new risk this year due to the increasing number of companies with a similar customer offering. We have also separated our Brand and Reputational Risk into two areas. Two risks have been assessed as reduced in impact during the year – Refurbishment and Redevelopment and Valuation Risk. Regulatory Risk impact has been increased, reflecting increasing legislation and complexity.

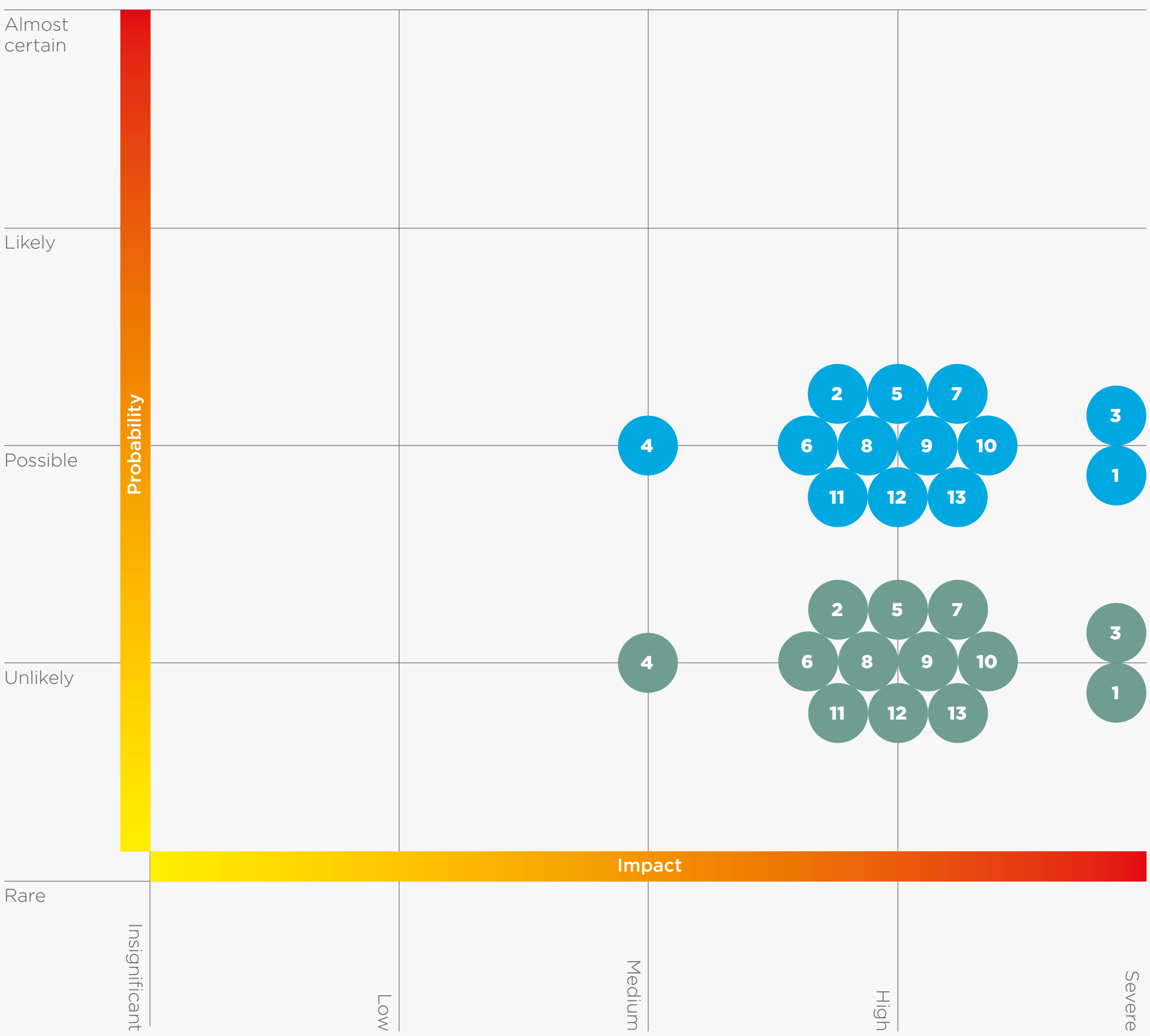
Our Risk Management Structure



Current assessment of Principal Business Risks

Pre-mitigation
Post-mitigation

1 Financing
2 Valuation
3 Customer demand
4 Refurbishment and redevelopment
5 Acquisitions and business development
6 Brand
7 Regulatory
8 Business interruption
9 Resourcing
10 London
11 Cyber security
12 Competition
13 Reputation



1. Financing

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

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 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. Further detail is provided in the Viability Statement on page 66.

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

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

Loan covenants are monitored and reported to the Board on a monthly basis and we undertake detailed cashflow monitoring and forecasting.

Risk dashboard

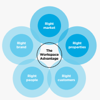
Impact
Severe

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right markets.
- Right properties.



Key metrics

£276m

£100m new Private Placement Notes and £176m equity raise

22%

Loan to Value remains low after new acquisitions

2. Valuation

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

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 remain aware of any market changes, and to generate the maximum value from our portfolio we:
- Monitor the investment market mood.
- Monitor market yields and pricing of property transactions across the London market.
- Alternative use opportunities are pursued across the portfolio and we continue to drive progress made in achieving planning consent for mixed-use development schemes, helping to drive our valuation further.

Risk management in action
We have maintained a low Loan to Value ratio, providing mitigation 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.

Risk dashboard

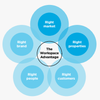
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
Reduced impact from Severe to high

Risk appetite
Medium

Link to strategy
- Right markets.
- Right properties.



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

Key metrics

+2.7%

Increase in underlying property valuation

3. Customer demand

Principal risk
Demand for our accommodation declining as a result of social, economic or competitive factors, which impacts our occupancy and pricing levels.

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 allows us to react quickly to changes in any of these indicators.

Our extensive marketing programme means 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 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 66.

Dashboard

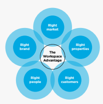
Impact
Severe

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

90.9%
Like-for-like occupancy

12,575
Enquiries in the year

4. Refurbishment and Redevelopment

Principal risk
Cost inflation or timing delays or inability to proceed with planned pipeline of schemes.

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

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

We undertake detailed 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.

Dashboard

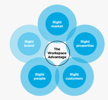
Impact
Medium

Probability (post-mitigation)
Unlikely

Change from last year
Reduced impact from High to Medium

Risk appetite
Medium

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



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

Key metrics

4
Mixed-use redevelopment projects underway or contracted for sale

Goswell Road
We completed a major refurbishment of ground floor and basement space to create a modern and fresh feel.

5. Acquisitions and Business Development

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

A monthly New Business Development meeting is held where the progress and profitability of each area, such as Club Workspace and our meeting room initiative, are reviewed.

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

£213m
Acquisitions in financial year

£52m
Proceeds from disposals

Customer feedback
Centre managers have regular dialogue with customers and gather feedback allowing us to adapt our offering to suit their evolving requirements.

6. Brand

Principal risk
Damage to our brand due to internal or external factors or behaviour.

Risk impact
- Damage to brand and perception amongst customers and stakeholders.
- Adverse publicity impacting on demand from new customers.

Mitigation
To enable us to 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 allow us to interact 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.

Dashboard

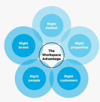
Impact
High

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

91.6%
Customer satisfaction score

7. Regulatory

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

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
Due to the increasing complexity of regulation requirements such as GDPR and Criminal Finance Act, the potential impact of the regulatory risk is considered to have increased. We continue to resource, advise and review in each key regulatory area.

During the year we recruited a Head of Legal and Assistant Company Secretary to help increase resource in this area.

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 remain aware of emerging issues and to keep up to date with changes.

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

The Company Secretary issues a detailed briefing to the Board regularly on emerging issues and changes to legislation.

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

We have also undertaken a review of procedures in place in relation to the Criminal Finance Act.

Dashboard

Impact
High

Probability (post-mitigation)
Possible

Change from last year
Increased impact from Medium to High

Risk appetite
Medium

Link to strategy
- Right people.
- Right brand.

8. Business interruption

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

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. We also have in place a Crisis Management plan which details how we quickly and efficiently respond in an emergency event.

IT controls and safeguards are in place across all our systems.

By listening to our customers we know that technology, connectivity and remote working is more key than ever. We have invested time and funding into improving the security and reliability of technology and connectivity across much of our portfolio.

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.

Key metrics

33
Buildings with Gold/Platinum wired score ratings

Brexit

With the continuing uncertainty in the political and economic environment following the EU Referendum, it is important that we remain vigilant to any potential issues or impact that we foresee.

The Board has debated the potential implications of Brexit and mitigating actions required for key areas of the business.

Specific consideration has been given to the following areas:

Customers
The operational impact of Brexit and how it may affect customers is being monitored. Reviewing trends in pricing and demand as part of weekly trading meetings provides the ability to identify adverse market signals, thus enabling the operational team to respond accordingly. To date, we have not seen any significant impact on customer demand or pricing.

Supply chain
The Development team maintains a close relationship with contractors, conducting due diligence to understand the contingency plans and Brexit scenario planning programmes implemented by our partners and, seeking assurances that the services they provide and the materials they procure, will not be materially impacted. In the event that our contractors are impacted, this could result in a slowdown in our redevelopment and refurbishment programme.

Facilities management services provided by suppliers, such as cleaning and lift maintenance, are also subject to due diligence. Suppliers are asked to confirm that the products and services they are responsible for can be delivered without significant interruption under any scenario.

Employees
The potential impact on staff and the ability to recruit skilled people remains a focus. The Company is well regarded and there is a liquid pool of potential staff available. We have a large number of staff from EU countries and we plan to assist relevant staff with visa arrangements once the requirements under Brexit become clear.

Financing
As detailed in the Viability Statement on page 66 we have considered a number of sensitivities within our 5 year plan. We consider that the sensitivities modelled would cover the worst-case scenario of a no deal Brexit and plans have therefore been stress tested for this potential outcome.

The Company continues to meet regularly with its relationship banks and PP noteholders to discuss market conditions and availability of various sources of finance. The CFO receives regular updates from banks in relation to activity in the funding market.

Valuation
The valuation of our property portfolio could be reduced if Brexit impacts London office values and customer demand. A reduction in valuation could impact on LTV covenants within our financing facilities. However, with a relatively low LTV of 22% we would not expect this to cause a breach of covenants.

Regulation
The Company keeps up to date with changing regulations through discussions with advisors. Regulation is taken seriously and additional internal resource has been added in the year to allow an increased focus on this area.

Employee training
We carried out 227 training days during the year.

9. Resourcing

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

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

Mitigation
We have a robust recruitment process in place to enable 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 designed to ensure staff are supported and encouraged to progress with learning and study opportunities.

Risk management in action
Our staff are fundamental to what makes our business work and drive the success of the Group, 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 make sure we are communicating this well, so a series of staff workshops was held to discuss, debate and celebrate the culture and values we have. These were a success and helped ensure staff feel fully engaged with defining our core values.

Dashboard

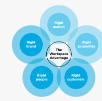
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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



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

Key metrics

26
Long service awards in the year

10. London

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

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

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

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

We still see London as a vibrant city-communication with our customers and stakeholders supports this. For further detail on engagement with customers and stakeholders see page 91.

Dashboard

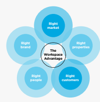
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

Link to strategy
- Right markets.
- Right customers.



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

11. Cyber security

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

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

Mitigation
Time and resource is spent testing the security of our systems.

Monitoring guidance and best practice issued by Government and advisors.

Regular review of IT systems and infrastructure is in place to keep these as robust as practicable.

Performing system penetration tests.

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.

Our staff have been required to complete a detailed cyber-security training programme and we have performed some phishing exercises to make staff more vigilant about opening suspicious emails and following internet links.

We used external resource to undertake a detailed review of our policies, procedures and controls in relation to cyber security.

Dashboard

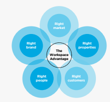
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change

Risk appetite
Medium

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



12. Competition

Dashboard

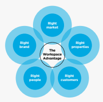
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
New risk

Risk appetite
Medium

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



Principal risk
Emerging third parties and competitors within our market.

Risk impact
- Reduced customer demand.
- Adverse impact on rental growth.

Mitigation
We closely monitor competitors at both a local level, by looking at similar business centres located closely to ours, and at a corporate level by reviewing competitor trends and performance.

We invest time and effort in getting to know our customers, building connections with them and encouraging them to build connections with each other, We thereby establish ourselves as more than just a landlord, giving us a competitive edge.

13. Reputation

Dashboard

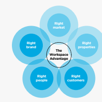
Impact
High

Probability (post-mitigation)
Unlikely

Change from last year
No change to risk rating, but has been split out as a separate risk from Brand

Risk appetite
Medium

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



Principal risk
Failure to meet customer and external stakeholder expectations.

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

Mitigation
To facilitate our understanding of 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 enable us to interact with our customers in a variety of ways, including the use of social media.

Customers
We are more than just a landlord – we take the time to get to know our customers.

Going Concern and Viability Statement

Going Concern
The Group's activities, strategy and performance are explained in the Strategic Report on pages 16 to 76.

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
Assessment of Prospects
The Group assesses its prospects primarily through the annual Strategic Review process which involves a debate of the Group's strategy and business model, consideration of the Group's principal risks and a review of the Group's five-year plan. Particular attention is given to existing refurbishment 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 the Board reviewed the detailed business plan for the five years to 2023. The plan was updated in April 2019 to extend it to 31 March 2024 and to include the Shepherds Building acquisition.

This updated plan was reviewed at the Audit Committee meeting on 31 May 2019.

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 including:
– 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.
– Revolver bank facilities of £250m, which become repayable in June 2022, can be extended on acceptable terms.

Although financial performance is assessed over a period of five years, the strategy and business models are considered with the longer term success of the Group in mind. The Directors believe they have no reason to expect a significant change in the Group's viability immediately following the end of the five-year assessment period.

The Group's activities, strategy and performance are explained in the Strategic Report on pages 16 to 76, including a description of the Group's strategy and business model on pages 36 and 40.

Assessment of Time Period
The Board has selected a review period of five years for the following reasons:

a) The Group's strategic review covers a five-year period
b) Our current project pipeline spans five years, covering 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 5.6 years.

Assessment of Viability
The Board has considered the key risks and mitigating factors that could impact the Group, details of which can be found on pages 55 to 65. 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. Consideration was given to the potential impact of Brexit, and this impact is included in each of the sensitivities. The specific risks which were evaluated are shown in the table below.

The Group benefits from having thousands of customers spread across 64 locations in London. These customers are in a wide range of sectors and no individual customer represents more than 4% of 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 as a whole.

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 regularly reviews funding requirements and maintains a close relationship with existing and potential funding partners to facilitate 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 22% 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.

Conclusion
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% 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.

Business review

How we performed in 2018/19

Portfolio

64
Properties

£127.5m
Total Rent Roll

Disposals

3
Disposals

23%
Premium to book value at 31 March 2018

Financial highlights

+19%
Trading profit after interest is up

+20%
Increase in total dividend

£2.6bn
Property valuation

£10.86
EPRA net asset value per share

7.5%
Total accounting return

22%
Loan to value

£127m
Undrawn facilities available

Completed projects

8
Projects completed in year

341,000 sq. ft.
New and upgraded space delivered

Refurbishments

9
Refurbishments projects underway

409,000 sq. ft.
New and upgraded space to be delivered

Redevelopments

2
Redevelopments exchanged for sale

4
Redevelopment projects underway

96,000 sq. ft.
New commercial space to be received

Enquiries and lettings

1,048
Enquiries per month

103
New lettings per month

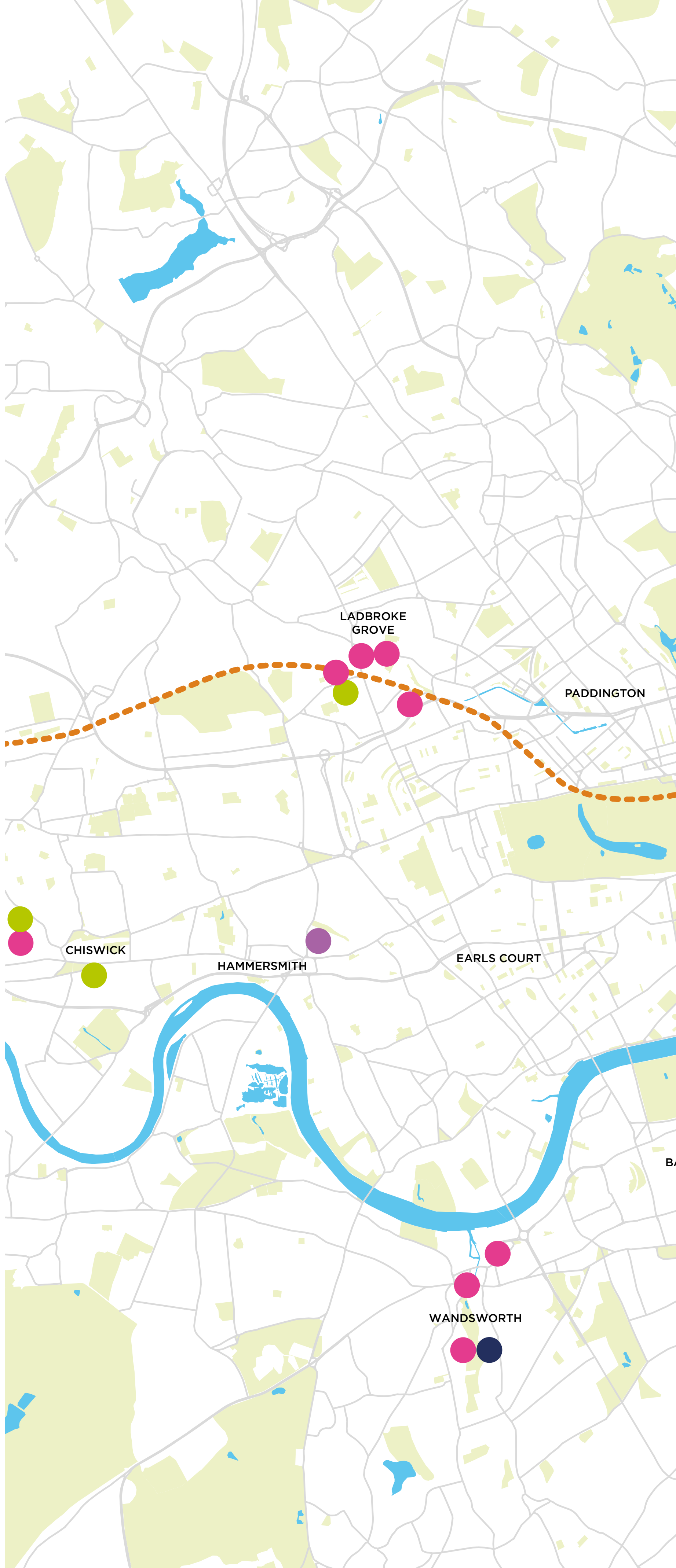
Acquisitions

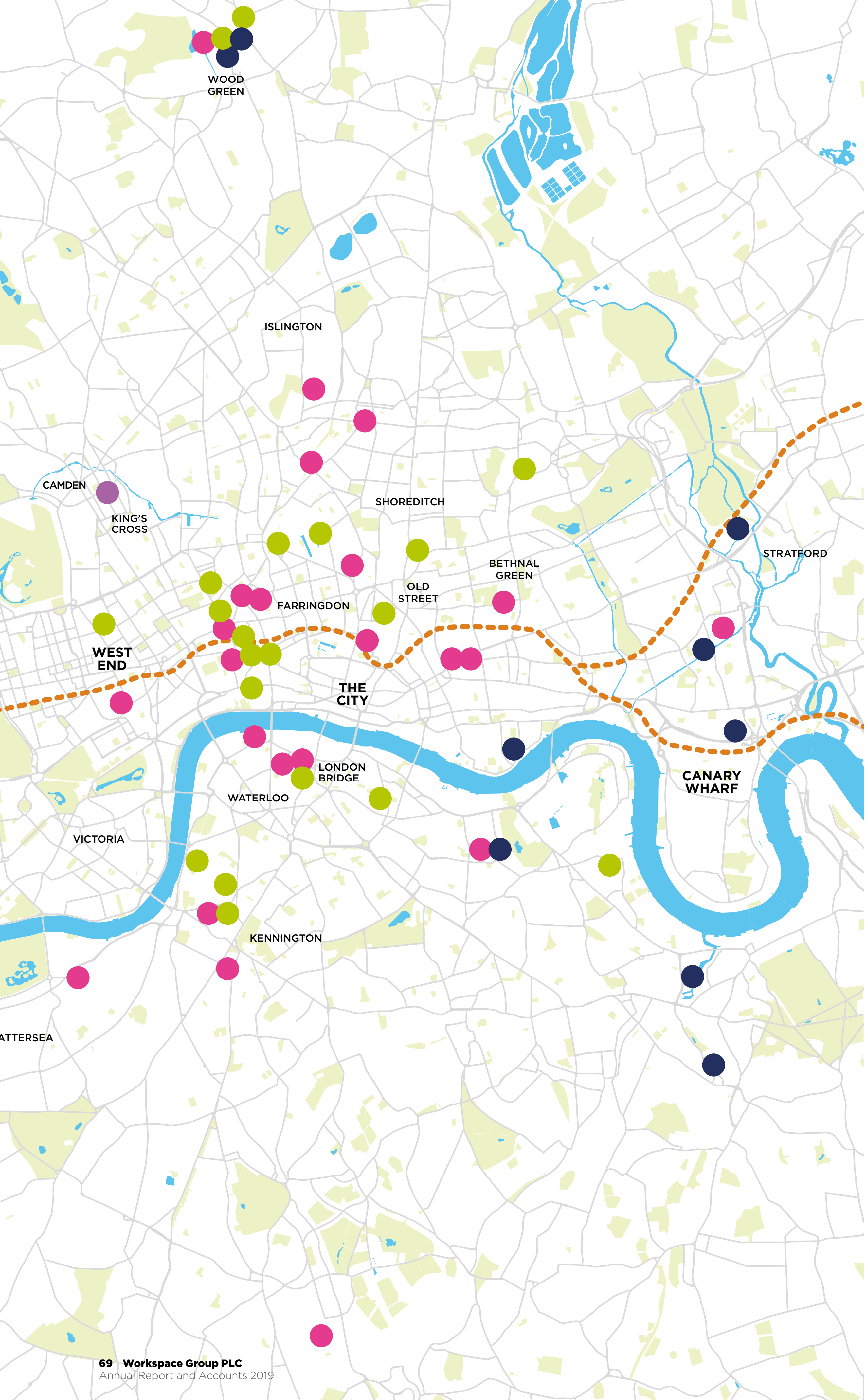
3
Acquisitions

£213m
Acquisitions in the year

Our portfolio

- Like-for-like
- Recent acquisitions
- Redevelopments
- Refurbishments
- Crossrail




WOOD
GREEN
ISLINGTON
CAMDEN
KING'S
CROSS
SHOREDITCH
STRATFORD
BETHNAL
GREEN
OLD
STREET
FARRINGDON
WEST
END
THE
CITY
LONDON
BRIDGE
WATERLOO
CANARY
WHARF
VICTORIA
KENNINGTON
ATTERSEA


The
Shepherds
Building

Enquiries and lettings

We have seen a good level of demand for space at our business centres across London with enquiries averaging 1,048 per month (2018: 1,016) over the full year, and lettings averaging 103 per month (2018: 93).

See Table 1, right.

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

Rent roll

Total rent roll, representing the total annual net rental income at a given date, was up 12.9% (£14.6m) in the year to £127.5m at 31 March 2019 as detailed below:

Rent Roll	£m
At 31 March 2018	112.9
Like-for-like portfolio	1.6
Completed projects	6.2
Refurbishment and Redevelopment Projects	(1.3)
Acquisitions	10.8
Disposals	(2.1)
Other	(0.6)
At 31 March 2019	**127.5**

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 £172.9m. Assuming a 90% occupancy level at all properties (except those at the design stage), this equates to a rent roll of £156.5m, £29.0m higher than the current rent roll.

Like-for-like Portfolio

The like-for-like portfolio represents 60% of the total rent roll as at 31 March 2019. It comprises 30 properties with stabilised occupancy, excluding recent acquisitions and buildings impacted by significant refurbishment or redevelopment activity. Like-for-like trends reported for previous financial years are not restated for the property transfers made in the current financial year. The previously reported like-for-like statistics for the first half of the year have been restated for the sale of Bow Exchange.

The like-for-like rent roll has increased by 2.2% (£1.6m) in the year to £76.0m. Like-for-like rent roll grew by 2.6% (£1.9m) in the first half but reduced by 0.4% (£0.3m) in the second half of the year. The growth over the year has come from a 3.8% increase in rent per sq. ft. to £39.80 offset by a 0.9% decrease in occupancy to 90.9%.

The scale of new space we launched during the year had a noticeable short-term impact on like-for-like occupancy and rent roll, particularly in the second half of the year. This was due to the new space at five of the eight schemes opened in the year being adjacent to, or in some cases on the same site as like-for-like buildings. Excluding the five like-for-like buildings most impacted by our new launches, the underlying occupancy would have been flat and rent roll growth would have been 1.0% in the second half of the year

See Table 2, right.

We saw some softening in pricing with the CBRE estimated rental value per sq. ft. for the like-for-like portfolio declining by 1.1% in the year. The pricing reductions were mainly on higher priced units within buildings and pricing appears to have now stabilised. Overall there is still good reversion on the like-for-like portfolio. Assuming 90% occupancy at the CBRE estimated rental value of £43.84 per sq. ft. at 31 March 2019, the rent roll would be £82.8m, £6.8m higher than the actual cash rent roll at 31 March 2019.

Table 1
Enquiries and lettings

Average number per month	Quarter ended **31 Mar 2019**	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018
Enquiries	**1,244**	907	1,019	1,021	1,111
Lettings	**130**	98	97	88	92

Table 2
Like-for-like rent roll

Like-for-like properties	Six months ended **31 Mar 2019**	30 Sep 2018	31 Mar 2018	30 Sep 2017
Rent roll growth	**(0.4)%**	2.6%	4.3%	4.1%
Occupancy movement	**(0.7)%**	(0.2)%	(0.7)%	1.5%
Rent per sq. ft. growth	**1.0%**	2.8%	4.8%	2.7%

Table 3
Completed Projects

Building	Project	Opened	Occupancy*
China Works, Vauxhall	Upgrade	Jun 2018	84%
Fuel Tank, Deptford	New Building	Jun 2018	62%
Cocoa Studios, Bermondsey	New Building	Jun 2018	72%
The Frames, Shoreditch	New Building	Sep 2018	61%
Edinburgh House, Vauxhall	New Space	Sep 2018	41%
Gray's Inn Road, Holborn	Upgrade	Oct 2018	63%
Vox Studios (phase 2), Vauxhall	New Space	Oct 2018	69%
Metal Box Factory (part), Bankside	Upgrade	Dec 2018	95%

* At 31 March 2019.

£127.5m
Total rent roll

Completed Projects

During the year we completed eight projects delivering a total of 341,000 sq. ft. of new and upgraded space. We have been delighted with the strength of demand and pace at which we have been able to let up this space.

See Table 3, left.

There is now a total of thirteen projects in the completed projects category with rent roll increasing by £6.2m in the year to £21.8m and overall occupancy of 72.9% at 31 March 2019. If these buildings were all at 90% occupancy at the CBRE estimated rental values at 31 March 2019, the rent roll would be £30.2m, £8.4m higher.

Projects Underway – Refurbishments

We are currently underway on nine refurbishment projects that will deliver 409,000 sq. ft. of new and upgraded space. As at 31 March 2019, rent roll was £4.6m, down £0.5m in the year. We expect to complete six of these refurbishments in the current financial year delivering 263,000 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 2019, the rent roll at these nine buildings once they are completed would be £15.2m, an uplift of £10.6m.

Projects Underway – Redevelopments

There are currently four mixed-use redevelopment projects underway or contracted for sale. The buildings are vacated upon sale and Workspace receives a consideration comprising cash, and at three of these properties, new business centres (built at no cost to Workspace) providing 96,000 sq. ft. of net lettable space.

As at 31 March 2019 rent roll was down £0.2m to zero with vacant possession achieved at Marshgate. Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2019, the rent roll at the three new business centres we will receive back would be £2.1m.

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 2019 was £9.4m, down £0.6m in the year.

Acquisitions

The acquisition of Centro 1 and 2 in April 2018 completed our purchase of the Centro buildings in Camden, following the purchase of Centro 3, 4 and 5 in January 2018. In total these buildings comprise 215,000 sq. ft. of lettable space. The immediate focus has been to let up the vacant space in the buildings and we have made good progress with occupancy improving from 85% at acquisition to 91% at 31 March 2019. We have also seen strong growth in rent roll which has increased from £6.6m at acquisition to £9.5m at 31 March 2019. This comprised £2.1m from the ending of rent-free periods and £0.8m from new lettings and rent reviews.

More recently in October 2018 we acquired The Shepherds Building in Shepherd's Bush, comprising 150,000 sq. ft. of net lettable space. The building was fully let at acquisition to a relatively small number of customers (32 in total). The building is well configured for our multi-let approach and we are looking to sub-divide space as existing customers vacate. We have made good early progress with 11,000 sq. ft. already received back from one customer who had given notice to vacate prior to acquisition. This is now being sub-divided into 18 separate units.

Total rent roll at these two properties at 31 March 2019 was £15.7m, an increase of £10.8m in the year and £2.7m on an underlying basis post-acquisition. If these properties were at 90% occupancy at the CBRE estimated rental values at 31 March 2019, the rent roll would be £1.1m higher at £16.8m. The CBRE rental values do not at this stage reflect our longer-term repositioning plans.

Completed Project – China Works, Vauxhall

Acquisition – The Shepherds Building, Hammersmith

Disposals
We completed the sale of a portfolio of three small office buildings in September 2018 for £51.9m at a 23% premium to book value at 31 March 2018, with a loss of £2.1m in rent roll.

Profit performance
Trading profit after interest for the year is up 19.3% (£11.7m) on the prior year to £72.4m. See Table 4, right.

Net rental income increased by 16.1% (£15.4m) in the year to £111.0m as detailed in Table 5, right.

Total administration costs were up 6.2% in the year to £17.1m, with underlying costs (excluding share based costs) up 8.0% (£1.1m) to £14.9m. Average head-office headcount increased by seven to 110 year on year, with salary and inflationary cost growth at around 3%.

Net finance costs increased by 14.4% (£2.7m) in the year. The average net debt balance over the year was £129m higher than in the prior year, whilst the average interest rate has reduced from 4.3% to 3.7%. 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 reduced by 19.4% to £137.3m as a result of a lower uplift in the property valuation and lower disposal profits as detailed in Table 6, right.

The change in fair value of investment properties of £60.8m reflects the underlying increase in the CBRE valuation in the year of £68.2m reduced by acquisition related costs of £8.6m 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 £8.3m relates to profit on sale of Spectrum House, Belgravia and Ivories in September 2018.

Exceptional finance costs relate to the early repayment of the Group's 6% £57.5m Retail Bond in September 2018, with £2.9m being the premium on redemption and a further £0.2m of unamortised finance costs.

Adjusted underlying earnings per share is up 10.3% to 40.6p, with the growth in trading profit after interest reduced by the 9.96% increase in the number of shares in issue following the share placement in June 2018.

Dividend
Our dividend policy is based on the growth in trading profit after interest taking into account our investment and acquisition plans and the distribution requirements that we have as a REIT. The current plan is to grow the dividend on a covered trading profit basis of at least 1.2 times adjusted underlying earnings per share.

A final dividend of 22.26p (2018: 18.55p) will be paid on 2 August 2019 to shareholders on the register at 5 July 2019. The 20% increase in both the interim and final dividend for the year reflects the strong financial performance and Board's confidence in the outlook for the Company. The dividend will be paid as a Property Income Distribution.

Table 4
Trading profit after interest

£m	**31 Mar 2019**	31 Mar 2018
Net rental income	**111.0**	95.6
Administrative expenses – underlying	**(14.9)**	(13.8)
Administrative expenses – share based costs*	**(2.2)**	(2.3)
Net finance costs	**(21.5)**	(18.8)
Trading profit after interest	**72.4**	60.7

* These relate to both cash and equity settled costs

Table 5
Net rental income

£m	**31 Mar 2019**	31 Mar 2018
Like-for-like properties	**71.7**	65.2
Completed projects	**15.8**	13.1
Projects underway	**3.9**	5.0
Projects at design stage	**8.9**	8.9
Acquisitions	**9.9**	0.5
Disposals	**0.8**	2.9
Total net rental income	**111.0**	95.6

Table 6
Profit before tax

£m	**31 Mar 2019**	31 Mar 2018
Trading profit after interest	**72.4**	60.7
Change in fair value of investment properties	**60.8**	82.5
Profit on sale of investment properties	**8.3**	26.6
Exceptional finance costs	**(3.1)**	–
Other items	**(1.1)**	0.6
Profit before tax	**137.3**	170.4
Diluted earnings per share	**77.0p**	104.0p
Adjusted underlying earnings per share	**40.6p**	36.8p

+19.3%

Trading profit after interest

Table 7
Property valuation

	£m
Valuation at 31 March 2018	2,280
Revaluation uplift	68
Capital expenditure	92
Acquisitions	222
Acquisition costs	(9)
Disposals	(43)
Capital receipts	(6)
Valuation at 31 March 2019	**2,604**

Table 8
Like-for-like properties valuation metrics

	31 March 2019	31 March 2018	Change
ERV per sq. ft.	**£43.84**	£44.34	(1.1%)
Rent per sq. ft.	**£39.80**	£38.35	+3.8%
Equivalent Yield	**6.2%**	6.5%	(0.3%)
Net Initial Yield	**5.3%**	5.4%	(0.1%)
Capital Value per sq. ft.	**£603**	£579	+4.1%

Table 9
Completed projects valuation metrics

	31 Mar 2019
ERV per sq. ft.	**£48.21**
Rent per sq. ft.	**£43.00**
Equivalent Yield	**5.7%**
Net Initial Yield	**3.8%**
Capital Value per sq. ft.	**£748**

Property valuation
At 31 March 2019, the wholly owned portfolio was independently valued by CBRE at £2,604m, an underlying increase of 2.7% (£68m) in the year.

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

There was a lower revaluation uplift in the second half of the year of 0.2% (£6m), compared to the uplift of 2.6% (£62m) in the first half. This uplift excludes acquisition costs of £9m (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	1,266	27
Completed Projects	521	39
Refurbishments	337	1
Redevelopments	166	(2)
Acquisitions	314	3
Total	**2,604**	**68**

Like-for-like Properties
There was a 2.2% (£27m) increase in the valuation of like-for-like properties to £1,266m, comprising:

- a decrease in ERV per sq. ft. of 1.1% equating to a reduction in value of some £14m; and
- a 0.3% reduction in equivalent yield equating to an increase in value of some £41m.

See Table 8, left.

Completed projects
The uplift of 8.1% (£39m) in value of the thirteen completed projects to £521m reflects the strong demand and pricing levels that have been achieved at some of the more recently launched schemes. The most significant uplifts in the year being £19m at The Frames and £8m at Vox Studios (phase 2). The overall valuation metrics for completed projects are set out in Table 9, left.

Current Refurbishments and Redevelopments
We have seen a small uplift of 0.3% (£1m) in the value of current refurbishments to £337m and a small reduction of 1.2% (£2m) in the value of current redevelopment projects to £166m.

Acquisitions

Three properties were acquired in the financial year:

- In April 2018, we acquired the remaining two Centro buildings (Centro 1 and 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%.
- In August 2018, we completed the acquisition of the commercial component of a mixed-use redevelopment scheme on Long Lane, adjacent to our Leather Market property, for £11.5m which we had contracted to purchase in July 2016. We have now completed the refurbishment and launched the 25,000 sq. ft of space (Taper Studios) in March 2019. It is now part of The Leather Market business centre for reporting purposes.
- In October 2018, we acquired The Shepherds Building, Shepherd's Bush, for £125m. It provides 150,000 sq. ft. of net lettable space and was acquired at a capital value of £835 per sq. ft. and a net initial yield of 4.8%.

Refurbishment activity

We continue to make good progress on our pipeline of refurbishment projects:

- 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.
- In June 2018, we completed the refurbishment of China Works, Vauxhall, a historic building, now upgraded with state-of-the-art facilities and customer amenities.
- In September 2018 we opened two brand new business centres, The Frames in Shoreditch and Edinburgh House in Vauxhall.
- In October 2018, we completed the second phase of the refurbishment programme at Vox Studios in Vauxhall. This provides an additional 27,000 sq. ft. of space, increasing the total lettable area at this business centre to 108,000 sq. ft. We also completed the refurbishment and upgrade of 36,000 sq. ft. at Gray's Inn Road in Holborn.
- In November 2018, we obtained planning consent for a major refurbishment of Leroy House, Islington. The project will provide 61,000 sq. ft. of new and upgraded space.
- In December 2018 we completed the refurbishment and upgrade of 17,000 sq. ft. at Metal Box Factory, Bankside.

A summary of the status of the refurbishment pipeline at 31 March 2019 is set out in table 10, above.

Of the nine refurbishment projects underway, we are currently on-site at eight with completion expected at six during the coming financial year.

Table 10
Refurbishment programme summary

Projects	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	9	£63m	£34m	409,000
Design stage	4	–	£50m	152,000
Design stage (without planning)	3	–	£81m	303,000

Table 11
Redevelopment programme summary

	No. of properties	Residential units	Cash received	Cash/ overage to come	New commercial space (sq. ft.)
Underway	4	577	£30m	£20m	96,000
Design stage	4	783	–	–	115,000
Design stage (without planning)	1	350	–	–	140,000

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 2018, we received back two new buildings from our redevelopment activity. Cocoa Studios at The Biscuit Factory, Bermondsey, and The Fuel Tank, Deptford.
- In July 2018, we exchanged contracts for the redevelopment of Marshgate, adjacent to the
- Olympic Park in Stratford. The redevelopment, comprising 200 residential units, has been
- exchanged for sale for £15m in cash and the return of a new 39,000 sq. ft. business centre.
- In January 2019 we exchanged contracts for the disposal of Bow Office Exchange in Bow, E3, for £11m. The sale will complete on vacant possession, which is expected to be achieved in Autumn 2019.
- In March 2019 we were granted planning consent for a significant mixed-use redevelopment at Highway Business Centre, Limehouse which includes an adjoining property owned by Canada Life Investments. Our share of the planning consent (44% of the total) comprises 117 residential units and 31,000 sq. ft. of new commercial space, replacing our existing 19,800 sq. ft. light industrial building.

A summary of the status of the redevelopment pipeline at 31 March 2019 is set out in table 11, above.

The sale of the residential schemes at the four redevelopment schemes underway is expected to deliver £50m in cash (of which £30m has already been received) and three new commercial buildings.

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 one scheme at the design stage without planning are also progressing well.

Table 12
Movements in cash flow

£m	31 Mar 2019	31 Mar 2018
Net cash from operations after interest	**76**	74
Dividends paid	**(52)**	(37)
Capital expenditure	**(87)**	(74)
Purchase of investment properties	**(221)**	(370)
Property disposals	**51**	128
Capital receipts	**6**	9
Share placement proceeds	**176**	–
Increase in restricted cash – tenant deposits	**(5)**	–
Other	**(7)**	(5)
Net movement	**(63)**	(275)
Opening Debt (net of cash)	**(517)**	(242)
Closing Debt (net of cash)	**(580)**	(517)

There is a reconciliation of net debt in note 16(b) to the financial statements.

Table 13
Committed facilities

	Drawn amount	Facility	Maturity
Private Placement Notes	£457.5m	£457.5m	2020-2029
Bank facilities	£140.0m	£250m	2022
Total	**£597.5m**	**£707.5m**	

Table 14
EPRA NAV per share

	£
At 31 March 2018	10.37
Property valuation surplus	0.38
Property acquisition costs	(0.05)
Trading profit after interest	0.40
Share placement	0.05
Dividends paid in year	(0.29)
Profit on sale of investment properties	0.05
Exceptional finance costs	(0.02)
Other	(0.03)
At 31 March 2019	**10.86**

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 2018: £0.2m). A summary of the movements in cash flow are set out in Table 12, left.

Financing

The Group had £17.3m of cash and £597.5m of drawn debt at 31 March 2019 with £707.5m of committed facilities as detailed in Table 13, left.

All facilities are provided on an unsecured basis with an average maturity of 5.6 years (31 March 2018: 5.5 years).

- In June 2018, we successfully completed the placing of new ordinary shares representing
- approximately 9.96 per cent of our issued ordinary share capital prior to the placing. A total of approximately 16.3m new ordinary shares of 100 pence each were placed at a price of £11.00 per placing share, a 6% premium to the March 2018 EPRA NAV, raising gross proceeds of £179m.
- In September 2018, we exercised the option to redeem £57.5m of 6% fixed rate retail bonds, ahead of maturity in October 2019. The aggregate redemption price of the bonds was £60m, excluding accrued interest, a premium of £2.9m over the aggregate issue price of the bonds.
- In December 2018, we agreed the placing of £100m of ten-year private placement notes at a fixed rate coupon of 3.6%, with funding completing on 17 January 2019.

The average interest cost of our fixed rate private placement notes has reduced to 4.0% from 4.2%. Our revolver bank facilities are provided at a floating rate of 1.65% over LIBOR. At 31 March 2019, 63% of our facilities are at fixed rates, representing 75% of our borrowings on a drawn basis.

At 31 March 2019, loan to value was 22% (31 March 2018: 23%) and interest cover (based on net rental income) was 5.2 times (31 March 2018: 5.1), providing good headroom on all facility covenants.

Net assets

Net assets increased in the year by £269m to £1,982m. EPRA net asset value (NAV) per share at 31 March 2019 was up 4.7% to £10.86 in the year (31 March 2018: £10.37), with an increase of 1.0% (£0.11) in the second half of the year following an increase of 3.7% (£0.38) in the first half. The calculation of EPRA NAV per share is set out in note 9 of the financial statements.

See Table 14, left.

Total return

The total accounting return for the year comprises the growth in absolute EPRA NAV per share plus dividends paid in the year as a percentage of the opening EPRA NAV. The total return for the year ended 31 March 2019 was 7.5%.

Key property statistics

	Half Year ended			
	31 Mar 2019	30 Sep 2018	31 Mar 2018	30 Sep 2017
Workspace Group Portfolio				
Property valuation	**£2,604m**	£2,435m	£2,280m	£2,139m
Number of properties	**64**	64	66	68
Lettable floorspace (million sq. ft.)	**3.9**	3.8	3.7	3.6
Number of lettable units	**4,796**	4,709	4,539	4,544
Rent roll of occupied units	**£127.5m**	£115.0m	£112.9m	£104.8m
Average rent per sq. ft.	**£38.45**	£36.66	£36.05	£33.80
Overall occupancy	**84.8%**	82.4%	85.5%	85.2%
Like-for-like number of properties	**30**	30	33	34
Like-for-like lettable floor space (million sq. ft.)	**2.1**	2.1	2.0	2.1
Like-for-like rent roll growth	**(0.4)%**	2.6%	4.3%	4.1%
Like-for-like rent per sq. ft. growth	**1.0%**	2.8%	4.8%	2.7%
Like-for-like occupancy movement	**(0.7)%**	(0.2)%	(0.7)%	1.5%

Notes:

1. The like-for-like category has been restated in the current financial year for the following:
   - The transfer in of Grand Union Studios, Ladbroke Grove from completed projects
   - The transfer in of Salisbury House, Moorgate, from the acquisitions category
   - The disposal of Belgravia Studios, N19, The Ivories, N1 and Spectrum House, NW5
   - The transfer in of Bow Enterprise Park (Phase 1) from the completed projects category
   - The transfer out of Wenlock Studios, Old Street, to the refurbishment projects category
   - The transfer out of Parma House, Wood Green, to the redevelopment projects category
   - The transfer out of Bow Exchange, Bow, to the redevelopment projects 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.
3. Overall rent per sq. ft. and occupancy statistics include the lettable area at like-for-like properties and all refurbishment and redevelopment projects, including those projects recently completed and also properties where we are in the process of obtaining vacant possession.

The Strategic Report on pages 16 to 76 was approved by the Board of Directors on 4 June 2019 and signed on its behalf by:

Graham Clemett
Interim Chief Executive Officer and
Chief Financial Officer

**Club Workspace at
Edinburgh House, Vauxhall**