

HALF YEAR RESULTS

13 November 2019

**WORKSPACE GROUP PLC
INTERIM RESULTS**

WORKSPACE GROUP PLC

STRONG CUSTOMER DEMAND 10% GROWTH IN DIVIDEND

Workspace Group PLC (“Workspace”) is pleased to announce its results for the six months ended 30 September 2019. The comments in this announcement refer to the period from 1 April 2019 to 30 September 2019 unless otherwise stated.

Workspace’s differentiated business model, which combines property ownership, inspiring flexible work spaces and direct customer relationships, has delivered a strong performance as set out below:

Financial highlights

- Net rental income up 11% to £60.1m and trading profit after interest up 13% to £40.1m
- Underlying increase in property valuation in the six months of 2.2% (£59m) to £2,682m
- Profit before tax, including a lower revaluation surplus and no disposal profits, marginally down at £99.1m (September 2018: £101.6m)
- EPRA net asset value per share up 2.7% in the six months to £11.15
- Loan to value stable at 22% with £111m of undrawn facilities and cash
- Increase of 10% in the interim dividend to 11.67p

Operating performance

- Strong customer demand with enquiries averaging 1,109 per month (H1 2018/19: 1,020) and lettings averaging 127 per month (H1 2018/19: 92)
- Total rent roll up 2.3% in the six months to £130.4m (31 March 2019: £127.5m)
- Successful letting-up of new space with Completed Projects rent roll up 16% to £22.9m
- Like-for-like rent roll up 1.0% to £94.0m with rent per sq. ft. at £41.01, down 0.2%, offset by occupancy up 1.1% to 91.8%

Portfolio update

- Three properties exchanged for sale for £49.5m at a 27% premium to 31 March 2019 valuation
- Four refurbishment projects delivering 200,000 sq. ft. completed in first half and letting up well
- Five refurbishment projects and four redevelopments underway which will deliver a further 309,000 sq. ft. of new and upgraded space
- New 55,000 sq. ft. building in Hackney opening in the second half of the year

Commenting on the results, Graham Clemett, Chief Executive Officer said:

"I am delighted with this strong set of results, my first as CEO. Our robust enquiry and letting levels reflect the appeal of our offering as an increasing number of occupiers look for flexible terms for their office space requirements. The 10% increase in the interim dividend we have announced today reflects our success to date and the Board's continued confidence in our future growth prospects.

The new centres we launched last year have let up well with The Frames in Shoreditch fully let within 12 months of opening. We have completed a further four projects in this half year, with another new building in Hackney to be launched in the second half. We have a robust pipeline of project activity which will continue to deliver high quality space across our portfolio and fuel income growth.

It will come as no surprise that I remain committed to our proven and successful strategy. My priority is to ensure that we continue to invest in and adapt our operational capabilities to remain at the forefront of this exciting and growing market. Our strong balance sheet also gives us the ability to take advantage of acquisition opportunities as they arise."

Summary results

	September 2019	September 2018	Change
Financial performance			
Net rental income	£60.1m	£54.1m	+11%
Trading profit after interest ⁽¹⁾	£40.1m	£35.4m	+13%
Profit on disposal of properties	-	£8.5m	-
Profit before tax	£99.1m	£101.6m	-3%
Interim dividend per share	11.67p	10.61p	+10%

	September 2019	March 2019	Change
Valuation			
EPRA net asset value per share ⁽¹⁾	£11.15	£10.86	+2.7%
CBRE property valuation ⁽²⁾	£2,682m	£2,604m	+2.2%**
Financing			
Loan to value	22%	22%	-
Undrawn bank facilities and cash	£111m	£127m	-£16m*

* absolute change

** underlying change

⁽¹⁾ Adjusted performance measures are used by Workspace to assess and explain its performance but are not defined under IFRS.

- Trading profit after interest is net rental income, less administrative expenses and net finance costs (excluding exceptional finance costs).
- EPRA net asset value represents net assets after excluding mark to market adjustments of effective cash flow hedges (financial derivatives) and deferred tax relating to revaluation movements, capital allowances and derivatives.

⁽²⁾ Refer to note 9 of the accounts for the reconciliation of the CBRE property valuation to Investment Properties as per the balance sheet.

Definitions of other performance measures included in the results are consistent with those in the glossary contained in the Annual Report and Accounts for year ended 31 March 2019.

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Notes to Editors

About Workspace Group PLC:

Established in 1987, and listed on the London Stock Exchange since 1993, Workspace owns and manages some 4 million sq. ft. of business space in London. We are home to thousands of businesses, including fast growing and established brands across a wide range of sectors. Workspace is geared towards helping businesses perform at their very best. We provide inspiring, flexible work spaces in dynamic London locations.

Workspace (WKP) is a FTSE 250 listed Real Estate Investment Trust (REIT) and a member of the European Public Real Estate Association (EPRA).

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For more information on Workspace, visit www.workspace.co.uk.

Details of results presentation

There will be a results presentation to analysts and investors hosted by Workspace on Wednesday 13 November 2019 at 10.30am. The venue for the presentation is: Bank of America Merrill Lynch, 2 King Edward Street, London, EC1A 1HQ. There is also a webcast and conference call facility in conjunction with the presentation.

Webcast: The live webcast will be available here
<https://secure.emincote.com/client/workspace/workspace012>

Conference call details:
Dial in: +44 (0)20 3059 5868

BUSINESS REVIEW

ENQUIRIES AND LETTINGS

We have seen strong levels of demand with enquiries averaging 1,109 per month (H1 2018/19: 1,020) and lettings averaging 127 per month (H1 2018/19: 92). This momentum has continued into the second half of the year with 1,142 enquiries and 146 lettings in October 2019.

Average number per month	Quarter Ended					
	30 Sept 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sept 2018	30 June 2018
Enquiries	1,158	1,060	1,244	907	1,019	1,021
Lettings	134	121	130	98	97	88

RENT ROLL

Total rent roll, representing the total annualised net rental income at a given date, was up 2.3% (£2.9m) in the six months to September 2019 to £130.4m:

Rent Roll	£m
At 31 March 2019	127.5
Like-for-like portfolio	0.9
Completed projects	3.2
Projects underway and design stage	(0.6)
Other (including disposals)	(0.6)
At 30 September 2019	130.4

The total estimated rental value (ERV) of the portfolio, comprising the ERV of the like-for-like portfolio, and those currently undergoing refurbishment or redevelopment (but only including properties at the design stage or being sold at their current rent roll and occupancy) is £169.7m.

Like-for-like Portfolio

The like-for-like portfolio represents 72% of the total rent roll as at 30 September 2019. It comprises 32 properties with stabilised occupancy, excluding buildings impacted by significant refurbishment or redevelopment activity or contracted for sale. This category now also includes the prior year acquisitions of Centro Buildings and The Shepherd's Building. Like-for-like trends reported for previous financial years are not restated for the property transfers made in the current financial year.

The like-for-like rent roll has increased by 1.0% (£0.9m) in the six months to £94.0m. The growth over the six months has come from a 1.1% increase in occupancy to 91.8% offset by a 0.2% decrease in rent per sq. ft. to £41.01, reflecting some moderation in pricing levels.

	Six months Ended		
	30 Sept 2019	31 Mar 2019	30 Sept 2018
Like-for-Like Properties			
Rent roll growth	1.0%	(0.4)%	2.6%
Occupancy movement	1.1%	(0.7)%	(0.2)%
Rent per sq. ft. growth	(0.2)%	1.0%	2.8%

If all the like-for-like properties were at the current occupancy level of 91.8% at the CBRE estimated rental values at 30 September 2019, the rent roll would be £102.4m, £8.4m higher than the actual cash rent roll at 30 September 2019.

Completed Projects

There are now a total of fifteen projects in the Completed Projects category with rent roll increasing by 16% (£3.2m) in the six months to September 2019 to £22.9m and overall occupancy at 78%. During the first half we completed four projects delivering a total of 200,000 sq. ft. of new and upgraded space with good demand since launch.

If the buildings in this category were all at 90% occupancy at the CBRE estimated rental values at 30 September 2019, the rent roll would be £32.9m, an uplift of £10.0m.

Projects Underway – Refurbishments

We are currently underway on five refurbishment projects that will deliver 213,000 sq. ft. of new and upgraded space. As at 30 September 2019, rent roll was £2.1m, down £0.2m in the six months. We expect to complete one of these refurbishments in the second half of the financial year delivering 55,000 sq. ft. of new space.

Assuming 90% occupancy at the CBRE estimated rental values at 30 September 2019, the rent roll at these five buildings once they are completed would be £7.0m, an uplift of £4.9m.

Projects Underway – Redevelopments

There are currently four mixed-use redevelopment projects underway. At three of these sites, new business centres (built at no cost to Workspace) will be delivered providing 96,000 sq. ft. of net lettable space.

Assuming 90% occupancy at the CBRE estimated rental values at 30 September 2019, the rent roll at the three new business centres 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 30 September 2019 was £9.7m, down £0.4m in the period.

Disposals

Contracts have been exchanged for the sale of three properties, with completion to take place in the second half of the year. As at 31 September 2019 these properties had £1.7m of rent roll.

PROFIT PERFORMANCE

Trading profit after interest for the half year is up 13.3% (£4.7m) on the prior half year to £40.1m.

£m	30 Sept 2019	30 Sept 2018
Net rental income	60.1	54.1
Administrative expenses - underlying	(7.4)	(7.3)
Administrative expenses – share based costs*	(1.1)	(1.1)
Net finance costs	(11.5)	(10.3)
Trading profit after interest	40.1	35.4

* These relate to both cash and equity settled costs

Net rental income was up 11% (£6.0m) in total to £60.1m, as detailed below:

£m	30 Sept 2019	30 Sept 2018
Underlying net rental income	51.1	49.3
Acquisitions	8.0	3.0
Disposals	1.0	1.8
	60.1	54.1

There was a £1.8m (4%) increase in underlying net rental income comprising:

- £3.2m uplift in income from completed projects as they let up;
- £0.5m reduction in like-for-like income as a result of the decline in like-for-like rent roll in the second half of the previous financial year; and
- £0.9m reduction in income from projects as properties are vacated ahead of refurbishment and redevelopment activity

The income from acquisitions relates to the Centro Buildings and The Shepherds Building acquired in the last financial year; while disposals include both sales in the last financial year and the properties exchanged for sale in the first half of the current financial year which will complete in the second half.

Underlying administrative expenses increased by 1% (£0.1m) to £7.4m. There has been a short-term salary saving in the first half of £0.3m following the departure of the previous Chief Executive Officer at the end of May, offset by an increase in average head-office head count of four and inflationary pay rises averaging 3%.

Share based costs have remained stable year on year at £1.1m.

Net finance costs increased by 11.7% (£1.2m) in the half year. The average net debt balance over the period was £84.8m higher than the first six months of the prior year, whilst the average interest rate has reduced from 3.8% to 3.6%. 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 reduced by £2.5m to £99.1m with a lower increase in the property valuation and no profit on sale or exceptional items reported in the first half of the current financial year.

£m	30 Sept 2019	30 Sept 2018
Trading profit after interest	40.1	35.4
Change in fair value of investment properties	59.6	60.6
Profit on sale of investment properties	-	8.5
Exceptional finance costs	-	(3.1)
Other items	(0.6)	0.2
Profit before tax	99.1	101.6
Adjusted underlying earnings per share	22.1p	20.2p

The change in fair value of investment properties of £59.6m reflects the underlying increase in the CBRE valuation in the period of £59.0m, with the reduction in the fair value of overage of £0.6m reclassified in the accounts as deferred consideration.

Adjusted underlying earnings per share, based on EPRA earnings adjusted for non-trading items and calculated on a diluted share basis, is up 9.4% to 22.1p. The growth in trading profit after

interest of 13% is reduced by the impact of an increase of 9.96% 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.

An interim dividend of 11.67p (2018: 10.61p) will be paid on 5th February 2020 to shareholders on the register at 10th January 2020. The 10% increase in the interim dividend reflects the strong financial performance and the Board's confidence in the outlook for the Company. The dividend will be paid as a Property Income Distribution.

PROPERTY VALUATION

At 30 September 2019, the wholly owned portfolio was independently valued by CBRE at £2,682m, an underlying increase of 2.2% (£59m) in the six months. The main movements in the valuation over the six months are set out below:

	£m
Valuation at 31 March 2019	2,604
Revaluation uplift	59
Capital expenditure	30
Capital receipts	(11)
Valuation at 30 September 2019	2,682

A summary of the half year valuation and uplift by property type is set out below:

£m	Valuation	Uplift
Like-for-like Properties	1,672	33
Completed Projects	583	15
Refurbishments	219	0
Redevelopments	158	1
Disposals	50	10
Total	2,682	59

Like-for-like Properties

There was a 2.0% (£33m) underlying increase in the valuation of like-for-like properties to £1,672m, comprising:

- a decrease in ERV per sq. ft. of 1.4% equating to a reduction in value of some £(24)m; and
- a (0.1%) reduction in equivalent yield equating to an increase in value of some £57m.

	30 Sept 2019	31 March 2019	Change
ERV per sq. ft.	£44.70	£45.33	(1.4%)
Rent per sq. ft.	£41.01	£41.09	(0.2%)
Equivalent Yield	5.8%	5.9%	(0.1%)
Net Initial Yield	5.1%	5.1%	(0.0%)
Capital Value per sq. ft.	£670	£654	+2.4%

Note: The like-for-like category now includes the recent acquisitions of Centro Buildings and The Shepherds Building for which 31 March 2019 comparatives have been restated.

There was a fall of 1.4% in CBRE's ERV estimates across our like-for-like portfolio from the reductions in pricing we have made over the last year. Despite this reduction in ERV estimates, we have seen increases in valuation at over half of our like-for-like properties from a contraction in equivalent yields. This reflects a reappraisal by CBRE of property valuations in the light of recent market evidence in a number of locations. The overall like-for-like portfolio has a relatively low capital value of £670 per sq. ft., given the locations of these properties across London.

Completed Projects

There was an underlying uplift of 2.6% (£15m) in the value of the fifteen completed projects to £583m. This reflects the strong demand and pricing levels that have been achieved at recently launched schemes with an £8m uplift at The Frames and £4m at Ink Rooms. The overall valuation metrics for completed projects are set out below:

	30 Sept 2019
ERV per sq. ft.	£46.03
Rent per sq. ft.	£37.24
Equivalent Yield	5.6%
Net Initial Yield	3.7%
Capital Value per sq. ft.	£713

Current Refurbishments and Redevelopments

The valuation of current refurbishments is unchanged at £219m on an underlying basis and there has been a £1m increase in the value of current development projects to £158m.

REFURBISHMENT ACTIVITY

In April 2019, we completed the refurbishment of The Light Box, Chiswick which now provides 78,000 sq. ft. of net lettable space, following a roof extension and significant upgrade to the common areas.

In June 2019, we completed two new buildings:

- Brickfields, adjacent to Hoxton Rail Station, provides 57,000 sq. ft. of net lettable space. The industrial design of the building features a steel-frame interior and a large central atrium.
- Ink Rooms, a former printing ink factory in Clerkenwell, has been converted and extended to provide 22,000 sq. ft. of net lettable space.

In September 2019, we completed the refurbishment of 338 Goswell Road, Angel, comprising 43,000 sq. ft. of upgraded space.

We expect to complete the major re-build of Mare Street, Hackney, in the second half of the current financial year, providing 55,000 sq. ft. of new business space.

A summary of the status of the refurbishment pipeline at 30 September 2019 is set out below:

Projects	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	5	£28m	£22m	213,000
Design Stage	4	–	£45m	179,000
Design stage (without planning)	2	–	£74m	248,000

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.

A summary of the status of the redevelopment pipeline at 30 September 2019 is set out below:

	No. of properties	Residential units	Cash received	Cash/overage to come	New commercial space (sq. ft.)
Underway	4	577	£41m	£8m	96,000
Design stage	4	783	–	–	115,000
Design stage (without planning)	1	350	–	–	140,000

The sale of the residential schemes at the four redevelopment schemes underway is expected to deliver £49m in cash (of which £41m has already been received) and three new commercial buildings.

There are four schemes at the design stage that have obtained mixed-use planning consents but are not yet contracted for sale.

Discussions with the planners for the redesignation of land use for a significant mixed-use redevelopment scheme in Wandsworth are progressing well and we hope to obtain planning consent in the second half of the year.

DISPOSALS

Three properties have been exchanged for sale (classified as held for sale at the half year), for a total of £49.5m at a premium of 27% (£10.5m) to the 31 March 2019 valuation:

- In September 2019 we exchanged contracts for the sale of Alexandra House, Wood Green for £15.5m. This represents a premium of 38% to the 31 March 2019 valuation, a net initial yield of 4.1% and a capital value of £283 per sq. ft. The premium achieved is well ahead of the returns we expected to achieve from the planned repositioning of this building.
- In September 2019 we also exchanged contracts for the sale of Vestry Street Studios, near Old Street for £19.25m. The sale of this small office building completed in October 2019 at a premium of 8% to the 31 March 2019 valuation, a net initial yield of 4.3% and a capital value of £847 per sq. ft.
- In October 2019 we exchanged and completed on the sale of 12-13 and 14 Greville Street, Farringdon for £14.75m. This represents a premium of 47.5% to the 31 March 2019 valuation, a net initial yield of 1.3% and a capital value of £1,000 per sq. ft. In June 2018 we obtained planning consent for a refurbishment project. However, the premium to book value achieved on the sale exceeds the return anticipated from this planned project.

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 period at £0.2m (September 2018: £0.2m). A summary of the movements in cash flow are set out below:

£m	30 Sept 2019	30 Sept 2018
Net cash from operations after interest	44	24
Dividends paid	(38)	(32)
Capital expenditure	(33)	(49)
Purchase of investment properties	-	(100)
Property disposals and cash receipts	11	56
Exceptional finance costs	-	(3)
Share placement proceeds	-	176
Other	(1)	(5)
Net movement	(17)	67
Opening Debt (net of cash)	(580)	(517)
Closing Debt (net of cash)	(597)	(450)

There is a reconciliation of net debt in note 13(b) to the financial statements.

FINANCING

As at 30 September 2019, the Group had £11.6m of cash and £99.0m of undrawn facilities:

	Drawn Amount	Facility	Maturity
Private Placement Notes	£457.5m	£457.5m	2020-2029
Bank facilities	£151.0m	£250.0m	2022
Total	£608.5m	£707.5m	

All facilities are provided on an unsecured basis with an average maturity of 5.0 years (31 March 2019: 5.6 years).

The average interest cost of our fixed rate private placement is 4.0%. Our revolver bank facilities are provided at a floating rate of 1.65% over LIBOR. At 30 September 2019, 63% of our facilities are at fixed rates, representing 74% of our borrowings on a drawn basis.

At 30 September 2019, loan to value (LTV) was 22% (31 March 2019: 22%) and interest cover (based on net rental income) was 5.2 times (31 March 2019: 5.2), providing good headroom on all facility covenants.

On a proforma basis, the impact of the £49.5m cash to be received from recently announced disposals which will complete in the second half of the year, increases undrawn facilities and cash to £160.1m and reduces LTV to 21%.

NET ASSETS

Net assets increased in the six months by £60m to £2,042m. EPRA net asset value (NAV) per share at 30 September 2019 was up 2.7% (£0.29) to £11.15:

	£
At 31 March 2019	10.86
Property valuation surplus	0.33
Adjusted trading profit after interest	0.22
Dividends paid	(0.22)
Other	(0.04)
At 31 September 2019	£11.15

The calculation of EPRA NAV per share is set out in note 8 of the financial statements.

PROPERTY STATISTICS

	Half Year ended			
	30 Sept 2019	31 March 2019	30 Sept 2018	31 March 2018
Workspace Group Portfolio				
Property valuation	£2,682m	£2,604m	£2,435m	£2,280m
Number of locations	64	64	64	66
Lettable floorspace (million sq. ft.)	4.0	3.9	3.8	3.7
Number of lettable units	4,969	4,796	4,709	4,539
Rent roll of occupied units	£130.4m	£127.5m	£115.0m	£112.9m
Average rent per sq. ft.	£38.06	£38.45	£36.66	£36.05
Overall occupancy	86.3%	84.8%	82.4%	85.5%
Like-for-like number of properties	32	30	30	33
Like-for-like lettable floor space (million sq. ft.)	2.5	2.1	2.1	2.0
Like-for-like rent roll growth	1.0%	(0.4)%	2.6%	4.3%
Like-for-like rent per sq. ft. growth	(0.2)%	1.0%	2.8%	4.8%
Like-for-like occupancy movement	1.1%	(0.7)%	(0.2)%	(0.7)%

Notes:

- The like-for-like category has been restated in the current financial year for the following:
 - The transfer in of Centro Buildings, Camden from the acquisitions category
 - The transfer in of The Shepherds Building, Shepherd's Bush, from the acquisitions category
 - The transfer in of The Record Hall, Hatton Garden, from the completed projects category
 - The transfer in of Cocoa Studios at The Biscuit Factory, Bermondsey, from the completed projects category
 - The transfer out of Canalot Studios, Ladbroke Grove, to the refurbishment projects category
 - The transfer out of Vestry Street Studios, Old Street, to the disposals category
- 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.
- 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.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Notes	Unaudited 6 months ended 30 September 2019 £m	Unaudited 6 months ended 30 September 2018 £m	Audited Year ended 31 March 2019 £m
Revenue	2	80.2	71.9	149.4
Direct costs	2	(20.1)	(17.8)	(38.4)
Net rental income	2	60.1	54.1	111.0
Administrative expenses		(8.5)	(8.4)	(17.1)
Trading profit		51.6	45.7	93.9
Profit on disposal of investment properties	3(a)	-	8.5	8.3
Other income	3(b)	-	0.2	-
Other expenses	3(c)	(0.6)	-	(1.1)
Change in fair value of investment properties	9	59.6	60.6	60.8
Operating profit		110.6	115.0	161.9
Finance costs	4	(11.5)	(10.3)	(21.5)
Exceptional finance costs	4	-	(3.1)	(3.1)
Profit before tax		99.1	101.6	137.3
Taxation	5	-	-	-
Profit for the period after tax		99.1	101.6	137.3
Basic earnings per share	7	54.9p	58.4p	78.9p
Diluted earnings per share	7	54.5p	58.0p	78.3p

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Unaudited 6 months ended 30 September 2019 £m	Unaudited 6 months ended 30 September 2018 £m	Audited Year ended 31 March 2019 £m
Profit for the period	99.1	101.6	137.3
Other comprehensive income:			
Items that may be classified subsequently to profit or loss:			
Change in fair value of other investments	(1.6)	-	4.0
Cash flow hedge – transfer to income statement	(4.3)	5.7	(5.5)
Cash flow hedge – change in fair value	6.4	(5.5)	7.6
Total comprehensive income for the period	99.6	101.8	143.4

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Notes	Unaudited 30 September 2019 £m	Audited 31 March 2019 £m	Unaudited 30 September 2018 £m
Non-current assets				
Investment properties	9	2,635.6	2,591.4	2,430.2
Intangible assets		2.0	1.6	1.4
Property, plant and equipment		3.7	3.4	3.5
Other investments		8.2	9.8	3.2
Trade and other receivables	10	4.5	-	-
Derivative financial instruments	13(e) & (f)	16.5	10.1	8.2
		2,670.5	2,616.3	2,446.5
Current assets				
Assets held for sale	9	60.5	25.5	15.0
Trade and other receivables	10	21.6	13.7	37.9
Cash and cash equivalents	11	20.5	26.7	66.3
		102.6	65.9	119.2
Total assets		2,773.1	2,682.2	2,565.7
Current liabilities				
Trade and other payables	12	(87.4)	(77.0)	(73.8)
		(87.4)	(77.0)	(73.8)
Non-current liabilities				
Borrowings	13(a)	(643.5)	(623.2)	(533.4)
		(643.5)	(623.2)	(533.4)
Total liabilities		(730.9)	(700.2)	(607.2)
Net assets		2,042.2	1,982.0	1,958.5
Shareholders' equity				
Share capital	16	180.7	180.4	180.4
Share premium		295.4	295.1	295.0
Investment in own shares		(9.9)	(9.3)	(9.3)
Other reserves		28.7	27.4	20.5
Retained earnings		1,547.3	1,488.4	1,471.9
Total shareholders' equity		2,042.2	1,982.0	1,958.5
EPRA net asset value per share	8	£11.15	£10.86	£10.75

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	Notes	Attributable to owners of the Parent					Total Shareholders' equity £m
		Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	
Unaudited 6 months to 30 September 2019							
Balance at 1 April 2019		180.4	295.1	(9.3)	27.4	1,488.4	1,982.0
Profit for the period		-	-	-	-	99.1	99.1
Other comprehensive income		-	-	-	0.5	-	0.5
Total comprehensive income		-	-	-	0.5	99.1	99.6
Transactions with owners:							
Share issues	16	0.3	0.3	-	-	-	0.6
Own share purchase (net)		-	-	(0.6)	-	-	(0.6)
Dividends paid	6	-	-	-	-	(40.2)	(40.2)
Share based payments		-	-	-	0.8	-	0.8
Balance at 30 September 2019		180.7	295.4	(9.9)	28.7	1,547.3	2,042.2

**Unaudited 6 months to
30 September 2018**

Balance at 1 April 2018		163.8	135.3	(9.3)	19.4	1,403.7	1,712.9
Profit for the period		-	-	-	-	101.6	101.6
Other comprehensive income		-	-	-	0.2	-	0.2
Total comprehensive income		-	-	-	0.2	101.6	101.8
Transactions with owners:							
Share issues	16	16.6	159.7	-	-	-	176.3
Dividends paid	6	-	-	-	-	(33.4)	(33.4)
Share based payments		-	-	-	0.9	-	0.9
Balance at 30 September 2018		180.4	295.0	(9.3)	20.5	1,471.9	1,958.5

**Audited 12 months to
31 March 2019**

Balance at 1 April 2018		163.8	135.3	(9.3)	19.4	1,403.7	1,712.9
Profit for the year		-	-	-	-	137.3	137.3
Other comprehensive income		-	-	-	6.1	-	6.1
Total comprehensive income		-	-	-	6.1	137.3	143.4
Transactions with owners:							
Share issues	16	16.6	159.8	-	-	-	176.4
Own share purchase (net)		-	-	-	-	-	-
Dividends paid	6	-	-	-	-	(52.6)	(52.6)
Share based payments		-	-	-	1.9	-	1.9
Balance at 31 March 2019		180.4	295.1	(9.3)	27.4	1,488.4	1,982.0

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 30 SEPTEMBER 2019

	Notes	Unaudited 6 month ended 30 September 2019 £m	Unaudited 6 months ended 30 September 2018 £m	Audited Year ended 31 March 2019 £m
Cash flows from operating activities				
Cash generated from operations	14	55.4	37.1	99.8
Interest paid		(12.0)	(12.8)	(23.7)
Tax paid		0.2	-	-
Net cash inflow from operating activities		43.6	24.3	76.1
Cash flows from investing activities				
Purchase of investment properties		-	(99.5)	(220.8)
Capital expenditure on investment properties		(32.6)	(48.5)	(86.7)
Proceeds from disposal of investment properties		10.5	51.5	50.8
Purchase of intangible assets		(0.6)	(0.2)	(0.6)
Purchase of property, plant and equipment		(0.6)	(1.2)	(1.5)
Other income (overage receipts)		0.6	3.7	5.8
Purchase of investments		(0.1)	-	(1.5)
Income distributions from joint ventures		-	-	0.1
Net cash outflow from investing activities		(22.8)	(94.2)	(254.4)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		0.6	176.3	176.4
Settlement and re-coupons of derivative financial instruments		(0.1)	(0.1)	(0.2)
Own share purchase		(0.6)	-	-
Finance costs for new/amended borrowing facilities		-	(0.1)	(0.7)
Exceptional finance costs		-	(2.9)	(2.9)
Repayment of bank borrowings		(25.0)	(233.5)	(343.5)
Proceeds from bank borrowings		36.0	210.0	410.0
Dividends paid	6	(37.9)	(31.5)	(52.1)
Net cash (outflow)/inflow from financing activities		(27.0)	118.2	187.0
Net increase/(decrease) in cash and cash equivalents		(6.2)	48.3	8.7
Cash and cash equivalents at start of period	11	26.7	18.0	18.0
Cash and cash equivalents at end of period	11	20.5	66.3	26.7

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

1. The half year report has been prepared in accordance with the Disclosure and Transparency Rules and with IAS34 'Interim Financial Reporting' as adopted by the European Union. The half year report should be read in conjunction with the annual financial statements for the year ended 31 March 2019, which have been prepared in accordance with IFRSs as adopted by the European Union.

The condensed financial statements in the half year report are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Annual Report and Accounts for the year to 31 March 2019, which were prepared under IFRS as adopted by the European Union have been delivered to the Registrar of Companies. The auditor's opinion on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement made under Section 498 of the Companies Act 2006.

The Group's financial performance does not suffer materially from seasonal fluctuations. There have been no changes in estimates of amounts reported in prior periods which have a material impact on the current half year period.

The directors are satisfied that the Group has adequate resources, and sufficient headroom on its bank facilities to cover current liabilities, in order to continue in operational existence for a period of at least twelve months from the date of signing this report and for this reason the half year report is prepared on a going concern basis.

This report was approved by the Board on 13 November 2019.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2019, with the exception of the following:

IFRS 16 Leases (effective 1 January 2019)

This standard does not substantially affect the accounting for rental income earned by the Group from leases with customers. The main impact of the standard is the removal of the distinction between operating and finance leases for lessees, which results in almost all leases being recognised on the balance sheet. As the Group does not hold any material operating leases as a lessee, the impact of the standard is not material to the financial statements but has some minor changes to the carrying amount of finance leases relating to the Group's long leasehold investment properties.

The following standards, amendments and interpretations endorsed by the EU were effective for the first time for the Group's current accounting period and had no material impact on the financial statements.

- IFRIC 23 – Uncertainty over Income Tax Treatments;
- IFRS 9 (amended) – Prepayment Features with Negative Compensation and modifications of financial liabilities;
- IAS 28 (amended) – Long-term interests in Associates and Joint Ventures;
- IAS 19 (amended) – Plan Amendment, Curtailment or Settlement;
- Annual Improvements to IFRSs (2015 – 2017 cycle).

Standards in issue but not yet effective

The following standards, amendments and interpretations were in issue at the date of approval of these financial statements but were not yet effective for the current accounting period and have not been adopted early. Based on the Group's current circumstances, the Directors do not anticipate that their adoption in future periods will have a material impact on the financial statements of the Group.

- References to Conceptual Framework in IFRSs (amended);
- IFRS 17 – Insurance Contracts;
- IFRS 10 and IAS 28 (amended) – Sale or Contribution of Assets between an investor and its Associate or Joint Venture.

2. Analysis of net rental income

	6 months ended 30 September 2019			6 months ended 30 September 2018		
	Revenue £m	Direct costs £m	Net rental income £m	Revenue £m	Direct costs £m	Net rental income £m
Rental income	65.6	(1.5)	64.1	59.5	(1.7)	57.8
Service charges	10.9	(13.2)	(2.3)	9.5	(11.4)	(1.9)
Empty rates and other non recoverable costs	-	(2.8)	(2.8)	-	(2.4)	(2.4)
Services, fees, commissions and sundry income	3.7	(2.6)	1.1	2.9	(2.3)	0.6
	80.2	(20.1)	60.1	71.9	(17.8)	54.1

	Year ended 31 March 2019		
	Revenue £m	Direct costs £m	Net rental income £m
Rental income	123.7	(3.8)	119.9
Service charges	19.3	(24.6)	(5.3)
Empty rates and other non-recoverable costs	-	(5.3)	(5.3)
Services, fees, commissions and sundry income	6.4	(4.7)	1.7
	149.4	(38.4)	111.0

All of the properties within the portfolio are geographically close to each other and have similar economic features and risks. Management information utilised by the Executive Committee to monitor and assess performance is reviewed as one portfolio. As a result, management have determined that the Group operates a single operating segment of providing business space for rent in London.

3(a). Profit on disposal of investment properties

	6 months ended 30 September 2019 £m	6 months ended 30 September 2018 £m	Year ended 31 March 2019 £m
Proceeds from sale of investment properties (net of sale costs)	15.0	51.0	50.8
Book value at time of sale	(15.0)	(42.5)	(42.5)
Profit on disposal	-	8.5	8.3

During the six months, the sale of the Marshgate site completed. Workspace received proceeds of £15m, of which £10.5m was received in cash in August 2019. The remaining balance of £4.5m is payable upon transfer of the leasehold element and is being held on the balance sheet as deferred consideration (Note 10). As part of the sale, Workspace will also be receiving new commercial space, the value of which is held as investment property on the balance sheet.

3(b). Other income

	6 months ended 30 September 2019 £m	6 months ended 30 September 2018 £m	Year ended 31 March 2019 £m
Change in fair value of deferred consideration	-	0.2	-
	-	0.2	-

The value of deferred consideration (cash and overage) from the sale of investment properties has been re-valued by CBRE Limited at 30 September 2019. The amounts receivable are included in the Consolidated balance sheet under non-current and current trade and other receivables (note 10).

3(c). Other expenses

	6 months ended 30 September 2019 £m	6 months ended 30 September 2018 £m	Year ended 31 March 2019 £m
Change in fair value of deferred consideration	0.6	-	1.1
	0.6	-	1.1

The value of deferred consideration (cash and overage) from the sale of investment properties has been re-valued by CBRE Limited at 30 September 2019. The amounts receivable are included in the Consolidated balance sheet under non-current and current trade and other receivables (note 10).

4. Finance costs

	6 months ended 30 September 2019 £m	6 months ended 30 September 2018 £m	Year ended 31 March 2019 £m
Interest payable on bank loans and overdrafts	(2.1)	(1.8)	(4.7)
Interest payable on other borrowings	(9.4)	(9.1)	(17.3)
Amortisation of issue costs of borrowings	(0.4)	(0.5)	(1.3)
Interest payable on finance leases	(0.6)	(0.4)	(0.9)
Interest capitalised on property refurbishments (note 9)	1.0	1.5	2.7
Foreign exchange gains/(losses) on financing activities	4.3	(5.7)	5.5
Cash flow hedge – transfer from equity	(4.3)	5.7	(5.5)
Finance costs	(11.5)	(10.3)	(21.5)
Exceptional finance costs	-	(3.1)	(3.1)
Total finance costs	(11.5)	(13.4)	(24.6)

Exceptional finance costs of £3.1m were incurred upon repayment of the £57.5m 6% Retail Bond in September 2018.

5. Taxation

	6 months ended 30 September 2019 £m	6 months ended 30 September 2018 £m	Year ended 31 March 2019 £m
Current tax:			
UK corporation tax	-	-	-
Adjustments to tax in respect of previous periods	-	-	-
	-	-	-
Deferred tax:			
On origination and reversal of temporary differences	-	-	-
	-	-	-
Total taxation charge	-	-	-

The Group is a Real Estate Investment Trust (REIT). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Group's other income is subject to corporation tax. No tax charge has arisen on this other income for the half year (31 March 2019: £1.0m credit, 30 September 2018: £nil).

6. Dividends

Ordinary dividends paid	Payment date	Per share	6 months ended 30 September 2019 £m	6 months ended 30 September 2018 £m	Year ended 31 March 2019 £m
For the year ended 31 March 2018:					
Final dividend	August 2018	18.55p	-	33.4	33.4
For the year ended 31 March 2019:					
Interim dividend	February 2019	10.61p	-	-	19.2
Final dividend	August 2019	22.26p	40.2	-	-
Dividends for the period			40.2	33.4	52.6
Timing difference on payment of withholding tax			(2.3)	(1.9)	(0.5)
Dividends cash paid			37.9	31.5	52.1

In addition the Directors are proposing an interim dividend in respect of the financial year ending 31 March 2020 of 11.67 pence per ordinary share which will absorb an estimated £21.2m of revenue reserves and cash. The dividend will be paid on 5 February 2020 to shareholders who are on the register of members on 10 January 2020. The dividend will be paid as a REIT Property Income Distribution (PID) net of withholding tax where appropriate.

7. Earnings per share

Earnings used for calculating earnings per share:	6 months ended 30 September 2019 £m	6 months ended 30 September 2018 £m	Year ended 31 March 2019 £m
Basic and diluted earnings	99.1	101.6	137.3
Change in fair value of investment properties	(59.6)	(60.6)	(60.8)
Exceptional finance cost	-	3.1	3.1
Profit on disposal of investment properties	-	(8.5)	(8.3)
EPRA earnings	39.5	35.6	71.3
Adjustment for non-trading items:			
Other income and expenses (note 3(b and c))	0.6	(0.2)	1.1
Taxation	-	-	-
Adjusted trading profit after interest	40.1	35.4	72.4

Earnings have been adjusted to derive an earnings per share measure as defined by the European Public Real Estate Association (EPRA) and an adjusted underlying earnings per share measure.

Number of shares used for calculating earnings per share:	6 months ended 30 September 2019	6 months ended 30 September 2018	Year ended 31 March 2019
Weighted average number of shares (excluding own shares held in trust)	180,366,326	174,038,975	177,138,144
Dilution due to share option schemes	1,186,691	1,182,233	1,258,651
Weighted average number of shares for diluted earnings per share	181,553,017	175,221,208	178,396,795

	6 months ended 30 September 2019	6 months ended 30 September 2018	Year ended 31 March 2019
Basic earnings per share	54.9p	58.4p	77.5p
Diluted earnings per share	54.5p	58.0p	77.0p
EPRA earnings per share	21.9p	20.5p	40.3p
Adjusted underlying earnings per share ¹	22.1p	20.2p	40.6p

¹ Adjusted underlying earnings per share is calculated on a diluted basis.

8. Net assets per share

Net assets used for calculating net assets per share:	30 September 2019 £m	31 March 2019 £m	30 September 2018 £m
Net assets at end of period (basic)	2,042.2	1,982.0	1,958.5
Derivative financial instruments at fair value	(16.5)	(10.1)	(8.2)
EPRA net assets	2,025.7	1,971.9	1,950.3

	30 September 2019	31 March 2019	30 September 2018
Number of shares used for calculating net assets per share:			
Shares in issue at period-end	180,729,144	180,385,498	180,374,393
Less own shares held in trust at period-end	(174,719)	(135,946)	(146,005)
Number of shares for calculating basic net assets per share	180,554,425	180,249,552	180,228,388
Dilution due to share option schemes	1,119,431	1,276,169	1,278,470
Number of shares for calculating diluted adjusted net assets per share	181,673,856	181,516,721	181,506,858

	30 September 2019	31 March 2019	30 September 2018
EPRA net assets per share	£11.15	£10.86	£10.75
Basic net assets per share	£11.31	£11.00	£10.87

Net assets have been adjusted and calculated on a diluted basis to derive a net asset per share measure as defined by EPRA.

9. Investment Properties

	30 September 2019 £m	31 March 2019 £m	30 September 2018 £m
Balance at 1 April	2,591.4	2,288.7	2,288.7
Purchase of investment properties	-	221.8	89.2
Capital expenditure	28.4	88.6	50.5
(Disposal)/ acquisition of finance lease	4.7	(0.3)	-
Capitalised interest on refurbishments (note 4)	1.0	2.7	1.5
Disposals during the period	-	(42.5)	(42.5)
Change in fair value of investment properties	59.6	60.8	60.6
Balance at end of period	2,685.1	2,619.8	2,448.0
Less: reclassified as deferred consideration	-	(2.9)	(2.8)
Less: reclassified as held for sale	(49.5)	(25.5)	(15.0)
Total investment properties	2,635.6	2,591.4	2,430.2

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

Capitalised interest is included at a rate of capitalisation of 4.3% (March 2019: 4.3%, September 2018 4.4%). The total amount of capitalised interest included in investment properties is £13.3m (March 2018: £12.3m, September 2018 £11.1m).

The Group occupies around 14,000 square feet of space within one of its Investment Properties as its Head Office. The deemed valuation of this space equates to approximately 0.4% of the overall Investment Property valuation and as such has not been split out as specific Owner Occupied Property.

Valuation

The Group's investment properties are held at fair value and were revalued at 30 September 2019 by the external valuer, CBRE Limited, a firm of independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards 2017. All the properties are revalued at period end regardless of the date of acquisition. This includes a physical inspection of all properties, at least once a year. In line with IFRS 13, all investment properties are valued on the basis of their highest and best use. For like-for-like properties their current use equates to the highest and best use. For properties undergoing refurbishment or redevelopment, most of these are currently being used for business accommodation in their current state. However, the valuation is based on the current valuation at the balance sheet date including the impact of the potential refurbishment and redevelopment as this represents the highest and best use.

The Executive Committee and the Board both conduct a detailed review of the property valuation to ensure appropriate assumptions have been applied. Meetings are held with the valuers to review and challenge the valuations, ensuring they have considered all relevant information, and rigorous reviews are performed to ensure valuations are sensible.

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

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

construction and market risk to arrive at the residual value of the property.

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

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

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

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

	30 September 2019 £m	31 March 2019 £m	30 September 2018 £m
Total per CBRE valuation report	2,681.9	2,604.0	2,435.3
Deferred consideration on sale of property	(6.3)	(2.9)	(6.3)
Head leases treated as finance leases	20.5	15.8	16.2
Less reclassified as held for sale	(60.5)	(25.5)	(15.0)
Total investment properties per balance sheet	2,635.6	2,591.4	2,430.2

Assets held for sale includes properties for which contracts for sale have been exchanged but not yet completed. The £60.5m reclassified at 30 September 2019 includes £11m relating to an asset already classified as held for sale as at 31 March 2019.

The Group's Investment properties are carried at fair value and under IFRS 13 are required to be analysed by level depending on the valuation method adopted. The different valuation methods are as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data.
- Level 3 – Use of a model with inputs that are not based on observable market data.

Property valuations are complex and involve data which is not publicly available and involves a degree of judgement. All the investment properties are classified as Level 3, due to the fact that one or more significant inputs to the valuation are not based on observable market data. If the degree of subjectivity or nature of the measurement inputs changes then there could be a transfer between Levels 2 and 3 of classification. No changes requiring a transfer have occurred during the current or previous year.

The following table summarises the valuation techniques and inputs used in the determination of the property valuation at 30 September 2019.

Key unobservable inputs:

Property category	Valuation £m	Valuation technique	ERVs – per sq. ft.		Equivalent yields	
			Range	Weighted average	Range	Weighted average
Like-for-like	1,671.4	1	£12 - £79	£45	3.8% - 7.1%	5.8%
Completed projects	583.8	1	£19 - £74	£46	5.0% - 7.0%	5.6%
Refurbishments	219.0	2	£19 - £68	£41	4.3% - 6.3%	5.0%
Redevelopments	140.9	2	£16 - £35	£20	3.4% - 7.0%	5.6%
Head leases	20.5	n/a				
Total	2,635.6					

- 1 = Income capitalisation method.
- 2 = Residual value method.

Developer's profit is a key unobservable input for redevelopments and refurbishments at planning stage. The range is 12%–19% with a weighted average of 17%.

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £213–£297 per sq. ft. and a weighted average of £248 per sq. ft.

Costs to complete are not considered to be a significant unobservable input for refurbishments due to the high percentage that is already fixed.

10. Trade and other receivables

	30 September 2019 £m	31 March 2019 £m	30 September 2018 £m
Non-current deferred consideration			
Deferred consideration on sale of investment properties	4.5	-	-
	4.5	-	-
Current trade and other receivables			
Trade receivables	7.6	4.3	8.4
Prepayments, other receivables and accrued income	12.2	6.5	23.2
Deferred consideration on sale of investment properties	1.8	2.9	6.3
	21.6	13.7	37.9

The deferred consideration arising on the sale of investment properties relates to cash and overage. The overage has been fair valued by CBRE Limited on the basis of residual value, using appropriate discount rates, and will be revalued on a regular basis. This is a Level 3 valuation of a financial asset, as defined by IFRS 13. The change in fair value recorded in the Consolidated income statement was a loss of £0.6m (31 March 2019: loss of £1.1m, 30 September 2018: profit of £0.2m) (note 3(c)).

Receivables at fair value:

Included within deferred consideration (both non-current and current) on sale of investment properties is £6.3m (March 2019: £2.9m, September 2018: £0.9m) of overage or cash which is held at fair value through profit and loss.

Receivables at amortised cost:

The remaining receivables are held at amortised cost. There is no material difference between the above amounts and their fair values due to the short-term nature of the receivables. All the Group's trade and other receivables are denominated in Sterling.

11. Cash and cash equivalents

	30 September 2019 £m	31 March 2019 £m	30 September 2018 £m
Cash at bank and in hand	11.6	17.3	57.8
Restricted cash – tenants' deposit deeds	8.9	9.4	8.5
	20.5	26.7	66.3

Tenants' deposit deeds represent returnable cash security deposits received from tenants and are ring-fenced under the terms of the individual lease contracts.

12. Trade and other payables

	30 September 2019 £m	31 March 2019 £m	30 September 2018 £m
Trade payables	6.7	5.7	6.1
Other tax and social security payable	6.1	0.4	2.7
Tenants' deposit deeds (note 14)	8.9	9.4	8.5
Tenants' deposits	24.2	21.2	19.7
Accrued expenses	29.0	28.7	27.4
Deferred income – rent and service charges	12.5	11.6	9.4
	87.4	77.0	73.8

There is no material difference between the above amounts and their fair values due to the short-term nature of the payables.

13. Borrowings

(a) Balances

	30 September 2019 £m	31 March 2019 £m	30 September 2018 £m
Non-current			
Bank loans (unsecured)	149.8	138.5	148.2
5.6% Senior US Dollar Notes 2023 (unsecured)	81.1	76.9	76.9
5.53% Senior Notes 2023 (unsecured)	83.9	83.8	83.8
Senior Floating Rate Notes 2020 (unsecured)	9.0	9.0	9.0
3.07% Senior Notes (unsecured)	79.7	79.7	79.7
3.19% Senior Notes (unsecured)	119.7	119.7	119.6
3.6% Senior Notes (unsecured)	99.8	99.8	-
Finance lease obligations	20.5	15.8	16.2
	643.5	623.2	533.4

(b) Net Debt

	30 September 2019 £m	31 March 2019 £m	30 September 2018 £m
Borrowings per (a) above	643.5	623.2	533.4
Adjust for:			
Finance leases	(20.5)	(15.8)	(16.2)
Cost of raising finance	2.2	2.6	2.8
Foreign exchange differences	(16.7)	(12.5)	(12.5)
	608.5	597.5	507.5
Cash at bank and in hand (note 11)	(11.6)	(17.3)	(57.8)
Net Debt	596.9	580.2	449.7

At 30 September 2019, the Group had £99m (31 March 2019: £110m) of undrawn bank facilities and £11.6m of unrestricted cash (31 March 2019: £17.3m).

The Group has a loan to value covenant applicable to these borrowings of 60%, and compliance is being comfortably met. Loan to value at 30 September 2019 was 22% (March 2019: 22%, September 2018: 18%).

The Group also has an interest cover covenant of 2.0x, calculated as net rental income divided by finance costs. At 30 September 2019 interest cover was 5.2 (31 March 2019: 5.2x, September 2018: 5.3x).

(c) Maturity

	Unaudited 30 September 2019 £m	Audited 31 March 2019 £m	Unaudited 30 September 2018 £m
Repayable between one and two years	9.0	9.0	9.0
Repayable between two and three years	151.0	-	-
Repayable between three years and four years	148.5	140.0	150.0
Repayable between four years and five years	0.0	148.5	148.5
Repayable in five years or more	300.0	300.0	200.0
	608.5	597.5	507.5
Cost of raising finance	(2.2)	(2.6)	(2.8)
Foreign exchange differences	16.7	12.5	12.5
	623.0	607.4	517.2
Finance leases			
Repayable in five years or more	20.5	15.8	16.2
	643.5	623.2	533.4

(d) Interest rate and repayment profile

	Principal at period end £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand (£2m facility)	–	Base +2.25%	Variable	On demand
Non-current				
Private Placement Notes:				
5.6% Senior US Dollar Notes	64.5	5.6%	Half Yearly	June 2023
5.53% Senior Notes	84.0	5.53%	Half Yearly	June 2023
Senior Floating Rate Notes	9.0	LIBOR +3.5%	Half Yearly	June 2020
3.07% Senior Notes	80.0	3.07%	Half Yearly	August 2025
3.19% Senior Notes	120.0	3.19%	Half Yearly	August 2027
3.6% Senior Notes	100.0	3.6%	Half Yearly	January 2029
Revolver loan	151.0	LIBOR +1.65%	Monthly	June 2022
	608.5			

(e) Derivative financial instruments

The Group has cross currency swaps to ensure the US Dollar liability streams generated from the US Dollar Notes are fully hedged into Sterling for the life of the transaction. Through entering into cross currency swaps the Group has created a synthetic Sterling fixed rate liability totalling £64.5m.

These swaps have been designated as a cash flow hedge with changes in fair value dealt with in other comprehensive income. The Group has elected to continue applying hedge accounting as set out in IAS 39 to these swaps as permitted by IFRS 9.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The critical terms of this hedging relationship perfectly matched at origination, so for the prospective assessment of effectiveness a qualitative assessment was performed. Quantitative retrospective effectiveness tests using the hypothetical derivative method are performed at each period end to determine the continuing effectiveness of the relationship. Sources of hedge ineffectiveness include credit risk or changes made to the critical terms of the hedged item or the hedging instrument.

The effects of the cash flow US Dollar swap hedging relationship is as follows:

	30 September 2019 £m	31 March 2019 £m	30 September 2018 £m
Carrying amount of derivative	16.5	10.1	8.2
Change in fair value of designated hedging instrument	6.4	7.6	5.7
Change in fair value of designated hedged item	(4.3)	(5.4)	(5.5)
Notional amount £m	64.5	64.5	64.5
Notional amount (\$m)	100	100	100
Rate payable (%)	5.66%	5.66%	5.66%
Maturity	June 2023	June 2023	June 2023
Hedge ratio	1:1	1:1	1:1

(f) Financial instruments and fair values

	Unaudited 30 September 2019		Audited 31 March 2019		Unaudited 30 September 2018	
	Book Value £m	Fair Value £m	Book Value £m	Fair Value £m	Book Value £m	Fair Value £m
Financial liabilities held at amortised cost						
Bank loans	149.8	151.0	138.5	140.0	148.2	150.0
Private Placement Notes	473.2	504.0	468.9	478.1	369.0	387.0
Finance lease obligations	20.5	20.5	15.8	15.8	16.2	16.2
	643.5	675.5	623.2	633.9	533.4	553.2

Financial (assets)/liabilities at fair value through other comprehensive income						
Derivative financial instruments:						
Cash flow hedge – derivatives used for hedging	(16.5)	(16.5)	(10.1)	(10.1)	(8.2)	(8.2)
Other Investments	(8.2)	(8.2)	(9.8)	(9.8)	(3.2)	(3.2)
	(24.7)	(24.7)	(19.9)	(19.9)	(11.4)	(11.4)
Financial assets at fair value through profit or loss						
Deferred consideration (overage)	1.8	1.8	2.9	2.9	0.9	0.9
	1.8	1.8	2.9	2.9	0.9	0.9

In accordance with IFRS 13 disclosure is required for financial instruments that are carried or disclosed in the financial statements at fair value. The fair values of all the Group's financial derivatives, bank loans and Private Placement Notes have been determined by reference to market prices and discounted expected cash flows at prevailing interest rates and are Level 2 valuations. There have been no transfers between levels in the year.

The different levels of valuation hierarchy as defined by IFRS 13 are set out below in note 10.

The total change in fair value of derivative financial instruments recorded in other comprehensive income was a £0.5m gain (March 2019: gain of £6.1m, September 2018: gain of £0.2m).

14. Notes to cash flow statement

Reconciliation of profit for the year to cash generated from operations:

	6 months ended 30 September 2019	6 months ended 30 September 2018	Year ended 31 March 2019
	£m	£m	£m
Profit before tax	99.1	101.6	137.3
Depreciation	0.3	0.6	1.0
Amortisation of intangibles	0.2	0.2	0.4
Profit on disposal of investment properties	-	(8.5)	(8.3)
Other (income)/ expenses	0.6	(0.2)	1.1
Net gain from change in fair value of investment property	(59.6)	(60.6)	(60.8)
Equity settled share based payments	0.8	0.9	1.9
Finance expense	11.5	10.3	21.5
Exceptional finance cost	-	3.1	3.1
Changes in working capital:			
(Increase) / decrease in trade and other receivables	(9.4)	(6.6)	1.8
Increase / (decrease) in trade and other payables	11.9	(3.7)	0.8
Cash generated from operations	55.4	37.1	99.8

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	30 September 2019	31 March 2019	30 September 2018
	£m	£m	£m
Cash at bank and in hand	11.6	17.3	57.8
Restricted cash – tenants' deposit deeds	8.9	9.4	8.5
	20.5	26.7	66.3

15. Capital commitments

At the period end the estimated amounts of contractual commitments for future capital expenditure not provided for were:

	Unaudited 30 September 2019	Audited 31 March 2019	Unaudited 30 September 2018
	£m	£m	£m
Construction or refurbishment of investment properties	12.3	16.1	41.2
Purchase of investment properties	-	-	120.0

In the prior year, the Group had exchanged contracts in September 2018 for the purchase of Shepherds Building, Shepherd's Bush for £125.3m and transaction costs of £7.2m. A deposit of £12.5m was paid in September 2018 and the balance was paid on

completion in October 2018.

16. Share Capital

	Unaudited 30 September 2019 £m	Audited 31 March 2019 £m	Unaudited 30 September 2018 £m
Issued: Fully paid ordinary shares of £1 each	180.7	180.4	180.4
Movements in share capital were as follows:			
	Unaudited 30 September 2019 £m	Audited 31 March 2019 £m	Unaudited 30 September 2018 £m
Number of shares at 1 April	180,385,498	163,806,591	163,806,591
Issue of shares	343,646	16,578,907	16,567,802
Number of shares at period end	180,729,144	180,385,498	180,374,393

The Group has issued 0.3m of shares to satisfy the exercise of employee share option schemes.

17. Post balance sheet events

In October 2019, the Group completed on the sale of Vestry Street Studios for £19.3m. It also exchanged and completed on the sale of two properties on Greville Street, Farringdon for combined sales proceeds of £14.8m.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Workspace Group PLC are listed in the Workspace Group PLC Annual Report and Accounts for 31 March 2019. A list of current Directors is maintained on the Workspace Group website: www.workspace.co.uk.

Approved by the Board on 12 November 2019 and signed on its behalf by

G Clemett
Director

INDEPENDENT REVIEW REPORT TO WORKSPACE GROUP PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 which comprises the Consolidated Income Statement, Consolidated Statement of other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Richard Kelly
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
12 November 2019

Principal Risks and uncertainties

The Board assesses and monitors the key risks of the business. The key risks that could affect the Group's medium-term performance and the factors which mitigate these risks, have not materially changed from those set out in the Group's Annual Report and Accounts 2019 and have been assessed in line with the requirements of the 2019 UK Corporate Governance Code. They are reproduced below. The Board is satisfied that we continue to operate within our risk profile.

Risk area	Description	Mitigating activities
<p>Brexit</p>	<ul style="list-style-type: none"> • 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. 	<p>The Board has debated the potential implications of Brexit and mitigating actions required for key areas of the business, including the following</p> <ul style="list-style-type: none"> • The operational impact of Brexit and how it may affect customers is being monitored • Close relationships are maintained with key suppliers and due diligence carried out when entering into new relationships. Assurances are sought that the services and materials they provide will not be materially impacted • We plan to assist relevant staff with visa arrangements once the requirements under Brexit become clear
<p>Financing</p> <p>Reduced availability of financing options resulting in inability to meet business plans or satisfy liabilities.</p>	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • We regularly review funding requirements for business plans and ensure we have a wide range of options to fund our forthcoming plans. We also prepare a five-year business plan which is reviewed and updated annually • We have a broad range of funding relationships in place and regularly review our refinancing strategy • We 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
<p>Valuation</p> <p>Value of our properties declining as a result of external market or internal management factors</p>	<ul style="list-style-type: none"> • Covenants (Loan to Value) • Impact on share price 	<ul style="list-style-type: none"> • Market-related valuation risk is largely dependent on external factors which we cannot influence. However, we continue to do the following to ensure we are aware of any market changes, and are generating the maximum value from our portfolio • Monitor the investment market mood • Monitor market yields and pricing of property transactions across the London market • Alternative use opportunities pursued across the portfolio and continue to drive progress made in achieving planning consent for mixed-use development schemes
<p>Customer</p> <p>Demand for our accommodation declining as a result of social, economic or competitive factors.</p>	<ul style="list-style-type: none"> • Fall in occupancy levels at our properties • Falling rent roll and property valuation 	<ul style="list-style-type: none"> • Every week the Executive Committee meet with Senior Management to monitor occupancy levels, pricing, demand levels and reasons for customers vacating. This

		<p>ensures we react quickly to changes in any of these indicators</p> <ul style="list-style-type: none"> • Our extensive marketing programme ensures that we are in control of our own customer leads and pipeline of deals. We also utilise social media, backed up by a busy events programme which has further helped us to engage with customers. This differentiates us as we provide not only space but also an opportunity to network with other businesses based in our portfolio • We stress test our business plans to assess the sensitivity we could tolerate if demand from our customers reduced
<p>Development</p> <p>Impact on underlying income and capital performance.</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • For every potential development scheme we work hard to gain a thorough understanding of the planning environment and ensure we seek counsel from appropriate advisers • We undertake a detailed development analysis and appraisal prior to commencing a development scheme. Appraisals are presented for Investment Committee approval and sign-off is required for every project • The Investment Committee reviews progress on refurbishments and redevelopments every fortnight, against project timings and cost budgets both during and after the completion of a project
<p>London</p> <p>Changes in the political, infrastructure and environmental dynamics of London lead to reduced demand from our customers.</p>	<ul style="list-style-type: none"> • Impact on demand for space if London adversely affected by a major incident • Changes in the political and economic environment 	<ul style="list-style-type: none"> • Having been based within the London market for a number of years, we know our markets and areas well • We regularly monitor the London economy and commission research reports. We also hold regular meetings with the GLA and the councils in the London boroughs in which we operate to ensure that we are aware of any changes coming through ahead of time
<p>Investment</p> <p>Under performance due to inappropriate strategy on acquisitions and disposals.</p>	<ul style="list-style-type: none"> • Poor timing of disposals • Poor timing of acquisitions • Failure to achieve expected returns • Negative reputational impact amongst investors and sell-side analysts. 	<ul style="list-style-type: none"> • 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 monitor acquisition performance against target returns • Property disposals are subject to detailed review and Board approval

<p>Regulatory</p> <p>Failure to meet regulatory requirements leading to fines or tax penalties, or the introduction of new requirements that inhibit activity.</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • REIT conditions are monitored and tested on a regular basis and reported to the Board. We work closely with HMRC and our tax advisers to ensure we are aware of emerging issues and keeping up to date with changes • Close working relationship maintained with appropriate authorities and all relevant issues openly disclosed • The Company Secretary issues a detailed briefing to the Board regularly • The Group's Health and Safety Manager meets regularly with the CEO to keep abreast of any actual or potential Issues
<p>Business Interruption</p> <p>Major events mean that Workspace is unable to carry out its business for a sustained period.</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • We have robust Business Continuity Plans and procedures in place which are regularly tested and updated • IT controls and safeguards are in place across all our systems, including a specific standalone data centre back-up facility
<p>Resourcing</p> <p>Failure to progress with strategy due to inability to recruit and retain correct staff.</p>	<ul style="list-style-type: none"> • Reduced ability to action strategy successfully • Insufficient resource to manage increased demands as the Company grows 	<ul style="list-style-type: none"> • We have a robust recruitment process in place to ensure that there is an appropriate level of interviewing and scrutiny of new joiners • We have various incentives to align staff objectives with those of the Group to help ensure staff are working in the best interests of the Group and its stakeholders • Our HR team run a detailed training and development programme to ensure staff are supported and encouraged to progress their learning and study opportunities
<p>Cyber security</p> <p>Loss of data or income due to cyber security attack on our business and on that of our customers.</p>	<ul style="list-style-type: none"> • Loss of critical data • Financial loss due to fraud • Reputational damage amongst customers • Potential loss of income 	<ul style="list-style-type: none"> • Monitoring information on security threats and targets • Monitoring guidance and best practice issued by Government and advisors • Review of IT systems and infrastructure in place to ensure these are as robust as possible
<p>Competition</p> <p>Emerging third parties and competitors within our market</p>	<ul style="list-style-type: none"> • Reduced customer demand • Adverse impact on rental growth 	<ul style="list-style-type: none"> • 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

<p>Reputational Risk</p> <p>Failure to meet customer and external stakeholder expectations. Joint ventures or other ventures with third parties do not deliver the expected return.</p>	<ul style="list-style-type: none"> • Damage to brand and perception by customers and stakeholders • Adverse publicity impacting on demand from new customers 	<ul style="list-style-type: none"> • To ensure we understand our customers and their ever-evolving requirements we undertake twice-yearly customer surveys • We maintain regular communication with all stakeholders. We hold investor presentations, roadshows and an annual Capital Markets Day
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