08 June 2022

WORKSPACE GROUP PLC
FULL YEAR RESULTS

STRONG TRADING PERFORMANCE DRIVEN BY CUSTOMER DEMAND

Workspace Group PLC ("Workspace"), the leading provider of flexible space, is pleased to announce its Full Year Results for the year ended 31 March 2022. The comments in this announcement refer to the period from 1 April 2021 to 31 March 2022 unless otherwise stated.

Financial highlights: significant increase in trading profit and dividend

- Trading profit after interest[†] up 21% to £46.9m driven by 6.4% (£5.2m) increase in net rental income to £86.7m
- Total dividend up 21% to 21.5p per share (2021: 17.75p) reflecting the strong financial performance
- Property valuation of £2,402m, an underlying uplift of 3.0% (£69m) from 31 March 2021
- EPRA Net Tangible Assets (NTA) per share up 5.3% to £9.88 with total accounting return of 8.0%[†]
- Loan to value of 23% (2021: 24%)
- Profit before tax of £124.0m (2021: £235.7m loss), with increases in both trading profit after interest and the property valuation

Customer activity: strong demand

- Customer demand now running at pre-Covid levels
- 1,520 lettings completed in the year with a total rental value of £30m
- Like-for-like occupancy up 7.8% to 89.6%
- Like-for-like rent roll up 8.7% to £92.9m with rent per sq. ft. up 0.4% to £36.39
- Pricing tension increasing with like-for-like rent per sq. ft. up 2.5% in the second half of the year

ESG: a long-term sustainable model

- Focus on future-proofing our properties for long-term climate resilience
- Committed to be a net zero carbon business by 2030
- Extensive project pipeline repurposing, upgrading and breathing new life into buildings
- Generating hubs of economic activity to create a flatter, fairer and more sustainable London
- 20% reduction in Scope 1 and 2 emissions achieved in the year compared to 2019/20

Portfolio activity: active capital recycling and expansion of our footprint

- Acquired The Old Dairy, Shoreditch for £43m in September 2021
- Acquired Busworks, Islington for £45m in November 2021
- Post year-end completed the acquisition of McKay Securities PLC for £258m in May 2022
- Sold 13-17 Fitzroy Street, Fitzrovia for £92m in September 2021
- Sold Highway Business Park, Limehouse for £24m in March 2022
- Completed the refurbishment of Pall Mall Deposit, Ladbroke Grove in September 2021
- Opened Mirror Works, a new business centre in Stratford in October 2021
- Healthy pipeline of refurbishment and redevelopment activity projected to deliver 1.2m sq. ft. of new and upgraded space over next 5 years

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

"Our focus over the past year has been to support our customers' return to the office, rebuild like-for-like occupancy back to 90% and drive trading profit growth. I am delighted that we have been able to deliver on these targets, reflecting the fantastic efforts of the Workspace team, the quality of space and facilities we provide and the attractions of our distinctive flexible offer.

Customers want their office space to be as flexible as their working habits, without compromising on quality, identity and culture, location or sustainability. Our Workspace offer is resonating because of our deep understanding of the flexible market and what our customers want. This gives us a unique advantage in the market and underpins our confidence in our growth ambitions.

Our recent acquisitions and project activity give us the opportunity to grow and spread our footprint more broadly, exploiting the scalability of our operating platform. The attractively priced acquisition of McKay will allow us to accelerate our growth in London and provides the opportunity to extend our reach into the South-East. We continue to be disciplined in our investment activity, recycling assets that don't meet our demanding return requirements.

Looking ahead, the positive momentum of our recovering occupancy, strong customer demand and improving pricing are tempered, near-term, by wider concerns around the economy. We have not yet seen any impact on customer activity, but we are monitoring this closely. We benefit from the diversity of our customers and the proven agility of SMEs to adapt quickly to changing economic environments. We remain confident that we are well positioned for continued sustainable growth and to deliver strong returns over the medium term."

Summary Results

	March 2022	March 2021	Change
Financial performance			
Net rental income	**£86.7m**	£81.5m	+6.4%
Trading profit after interest†	**£46.9m**	£38.7m	+21%
Profit / (loss) before tax	**£124.0m**	£(235.7)m	
Total dividend per share	**21.5p**	17.75p	+21%
Valuation			
EPRA net tangible assets per share†	**£9.88**	£9.38	+5.3%
EPRA net reinstatement value per share†	**£10.78**	£10.26	+5.1%
CBRE property valuation†	**£2,402m**	£2,324m	+3.0%**
Financing			
Loan to value	**23%**	24%	-1%*
Undrawn bank facilities and cash	**£442m**	£434m	+£8m*

† Alternative performance measure (APM). The Group uses a number of financial measures to assess and explain its performance. Some of these which are not defined within IFRS are considered APMs. For further details see Notes to the Financial Statements.
* absolute change
** underlying change

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Details of results presentation
Workspace will host a results presentation for analysts and investors on Wednesday, 08 June 2022 at 09:30am at The London Stock Exchange, 10 Paternoster Square, EC4M 7LS.

The presentation can also be accessed live via webcast or conference call.

Webcast: The live webcast will be available here:
https://secure.emincote.com/client/workspace/workspace021

Conference call: In order to join via phone at 09.30am, please register at the following link and you will be provided with dial-in details and a unique access code:
https://secure.emincote.com/client/workspace/workspace021/vip_connect

Notes to Editors

About Workspace Group PLC:

Established in 1987, and listed on the London Stock Exchange since 1993. 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

CEO'S STATEMENT

Our focus during the last financial year has been on putting the business back on an even keel after the significant challenges that Covid has posed. Our priorities have been to support our customers return to their offices and rebuild occupancy towards our target 90% level. Despite the ongoing difficulties of operating through Covid-related restrictions for much of the year, I am delighted with the progress the business has made and want to thank all our teams across Workspace for their outstanding efforts.

In terms of performance, the strength of customer demand for space and the improvement in occupancy we have achieved are a testament to the attraction of our flexible offer and the quality of our space. We averaged over 900 enquiries a month and completed on some 1,500 lettings over the year with a total value of £30m. We saw our like-for-like occupancy level improve from 81.8% to 89.6%, and made excellent progress in letting up the space at our recently completed projects. This has delivered a 6% increase in net rental income and a 21% improvement in trading profit after interest to £46.9m. On the back of these strong trading results and confidence in the outlook the Board has recommended a final dividend of 14.5p per share, with the total dividend for the year up 21% to 21.5p per share.

We have also seen a welcome increase in our property valuation this year, up by 3% on an underlying basis to £2,402m, with our EPRA net tangible assets per share up by 5% to £9.88. The improvement over the year was driven by yield movement with the equivalent yield on our like-for-like portfolio coming in from 5.9% to 5.7%; Estimated rental values were down by 1.9% in the year as a whole, despite pricing and estimated rental values improving in the second half of the year.

The changes to working practices that we have been seeing for some time have accelerated in the post-Covid environment and I believe are here to stay. We benefit hugely from these changes; flexibility has become mainstream; businesses have realised that the office must be a place for collaboration and creativity and demand is broadening out to a wider range of locations in and around London. Employers are also aware of the growing importance of creating a culture and environment their employees want to be a part of and want to commute to, helping ensure they attract and retain the best talent. With all of this in mind we are very much in growth mode, both organically from our extensive project pipeline and from acquisitions.

In terms of acquisitions, we purchased The Old Dairy in Shoreditch and Busworks in Islington during the year. Distinctive buildings in locations where we see strong demand, they are great additions to our portfolio.

More recently in May of this year we completed the acquisition of McKay Securities PLC, a well-regarded commercial property company with a portfolio covering both London and the South-East. The portfolio was valued at £495m at 31 March 2022 and we acquired the company at a 14% discount to its net asset value. A third of the portfolio by value are London properties in good locations, with a number having high vacancy levels due to refurbishment activity giving us the opportunity to quickly adapt the buildings to our flexible offer. A further third are South-East offices and business parks which give us the opportunity over time to roll-out our flexible offer in well-connected feeder towns to London, although the majority are currently well let and high income yielding. The remaining third is an industrial portfolio which is again well let but offers limited opportunity for us to add value and we are now considering its sale. Overall, with very limited risk we see this as an attractive opportunity to deliver significant value from integrating McKay onto the Workspace platform, scaling up our portfolio and its reach, and recycling the proceeds from the sale of non-core assets.

Alongside these acquisitions we continue to deliver attractive new and refurbished space from our project pipeline. Just south of the Olympic Park in Stratford, we opened Mirror Works, our latest mixed-use redevelopment project, which is letting up well in an area previously lacking in flexible office space. In West London, we completed the major refurbishment of Pall Mall Deposit, adding 13,000 sq. ft. of space and significantly upgrading the rest of the building, including the front of house and café. We have more exciting projects to come, with an extensive pipeline of projects delivering some 1.2 million sq. ft. of new and upgraded space over the next five years.

While all our projects have different characteristics and asset plans, there is a common thread tying them together; the sustainability lens through which we operate our business. Our focus is on future proofing our properties for generations to come, often breathing new life into older character buildings, ensuring they are climate resilient and will have a positive impact on their local community and environment. By generating hubs of economic activity we aim to create a flatter, fairer, more sustainable London.

This focus on sustainability extends to our engagement with people across all aspects of our business. We prioritise the satisfaction and wellbeing of our employees and our customers and work in partnership with them to drive more sustainable behaviours across our sites. Over the coming year, we will be rolling out a programme of engagement with local schools and youth organisations to offer workshops and work experience placements for disadvantaged young people with our customers' businesses to support the next generation of entrepreneurs.

Looking ahead we are of course conscious of the challenging economic environment in the UK, with inflationary pressures to the fore and concerns over a potential recession. That said, we have proved many times over the enduring appeal of our flexible offer and our ability to manage through these more challenging times. We have a distinctive flexible offer that chimes with the market, a scalable operating platform, a great portfolio of properties with a rich pipeline of project activity and the opportunity to add to this from selective acquisitions. With our like-for-like occupancy now back at its target level, customer demand strong and pricing improving we are well-positioned to deliver superior returns to shareholders over the coming years.

BUSINESS REVIEW

CUSTOMER ACTIVITY

Customer demand for space within our business centres is back at pre-Covid levels with a strong level of conversion of enquiries to viewings and lettings, and momentum continuing into the first quarter of the new financial year.

	Monthly Average						
	Q4 21/22	Q3 21/22	Q2 21/22	Q1 21/22	**FY 21/22**	FY 20/21	FY 19/20
Enquiries	957	831	935	947	**917**	739	1,087
Viewings	634	513	629	615	**598**	328	675
Lettings	127	117	138	125	**127**	96	121

Utilisation of business centres by our customers has increased throughout the year, reaching around 69% of pre-Covid levels in the week ending 01 April 2022 and peaking at 73% mid-week.

RENT ROLL

Total rent roll, representing the total annualised net rental income at a given date, was up 6.8% to £111.0m at 31 March 2022, with overall occupancy increasing from 77.8% to 84.3%.

Total Rent Roll	£m
At 31 March 2021	103.9
Like-for-like portfolio	7.4
Completed projects	2.5
Projects underway and design stage	0.2
Acquisitions	3.8
Disposals / other	(6.8)
At 31 March 2022	**111.0**

The total estimated rental value (ERV) of the portfolio, comprising the ERV of the like-for-like portfolio, and those properties currently undergoing refurbishment or redevelopment (but only including properties at the design stage at their current rent roll and occupancy) is £149.9m.

Like-for-like Portfolio

The like-for-like portfolio represents 84% of the total rent roll as at 31 March 2022. It comprises 39 properties with stabilised occupancy, excluding buildings impacted by significant refurbishment or redevelopment activity or contracted for sale.

	Quarter Ended			
Like-for-like	31 Mar 22	31 Dec 21	30 Sep 21	30 Jun 21
Occupancy	89.6%	86.6%	85.6%	82.9%
Occupancy Change*	3.0%	1.0%	2.7%	1.1%
Rent per sq. ft.	£36.39	£35.92	£35.50	£35.41
Rent per sq. ft. change	1.3%	1.2%	0.3%	(2.3)%
Rent Roll	£92.9m	£89.3m	£87.3m	£84.6m
Rent Roll change	4.0%	2.3%	3.2%	(1.1)%

* absolute change

The like-for-like rent roll has increased by 8.7% (£7.4m) in the year to 31 March 2022 to £92.9m driven by a recovery in occupancy to pre-Covid levels, increasing from 81.8% to 89.6%. After a decrease in like-for-like pricing of 2.3% in the first quarter, we have seen pricing growth in each subsequent quarter, resulting in like-for like pricing increasing by 0.4% (£0.14 per sq. ft.) over the year to £36.39 per sq. ft.

If all the like-for-like properties were at 90% occupancy at the CBRE estimated rental values, the rent roll would be £106.2m, £13.3m higher than the actual cash rent roll at 31 March 2022.

Completed Projects

There are eight projects in the completed projects category. Rent roll in this category has increased by 61% (£2.5m) in the year to £6.6m. This movement has been driven by significant improvements in occupancy, with properties we launched both during the Covid pandemic and more recently letting up well. Occupancy across completed projects has increased to 69.2% from 55.2% in March 2021.

Particularly pleasing is the letting up of Mare Street Studios, Hackney, which was launched in June 2020, and is now 70.1% let (up from 5.6% at March 2021), with rent roll increasing by £0.8m.

A further £0.5m was added to rent roll at Pall Mall Deposit, Ladbroke Grove, where we completed an extensive refurbishment in September 2021, and have seen good demand for space, with occupancy increasing from 50.7% to 75.6% over the year.

This category also contains buildings launched more recently including, Mirror Works, Stratford, a new business centre and an additional 17,000 sq. ft. of new space at The Light Bulb, Wandsworth, both of which launched in the second half and are letting up well.

If the buildings in this category were all at 90% occupancy at the CBRE estimated rental values at 31 March 2022, the rent roll would be £10.7m, an uplift of £4.1m.

Projects Underway – Refurbishments

We are currently underway on four refurbishment projects that will deliver 195,000 sq. ft. of new and upgraded space. As at 31 March 2022, rent roll was £3.5m, down £0.1m in the year.

In January 2022 we commenced the refurbishment of Leroy House, where we will upgrade, extend and reconfigure the whole building, adding 12,000 sq. ft. of net lettable space. Our sustainability goals are at the heart of the design, which aims to achieve a BREEAM excellent certification. The project has been designed to achieve significantly less embodied carbon than a typical new build (estimated at a 77% reduction) by retaining the existing structure, opting for natural ventilation and using materials with a high recycled content.

Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2022, the rent roll at these four buildings once they are completed would be £8.4m, an uplift of £4.9m.

Projects at Design Stage

These are properties where we are planning a refurbishment or redevelopment that has not yet commenced. The rent roll at these properties at 31 March 2022 was £4.2m, an uplift of £0.3m in the year.

Acquisitions

In September 2021, we completed the acquisition of Old Dairy in Shoreditch for £43.4m. In November 2021 we completed the acquisition of The Busworks in Islington for £45.0m. The rent roll across these two sites at 31 March 2022 was £3.8m.

Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2022, the rent roll at these two properties would be £5.8m, an uplift of £2.0m.

PROFIT PERFORMANCE

Trading profit after interest for the year is up 21.2% (£8.2m) on the prior year to £46.9m.

£m	**31 March 2022**	31 March 2021
Net rental income	**86.7**	81.5
Administrative expenses – underlying	**(17.7)**	(16.5)
Administrative expenses - share based costs*	**(1.6)**	(2.5)
Net finance costs	**(20.5)**	(23.8)
Trading profit after interest	**46.9**	38.7

*These relate to both cash and equity settled costs

Net rental income was up 6.4% (£5.2m) in total to £86.7m, as detailed below:

£m	**31 March 2022**	31 March 2021
Rental income	**100.3**	115.0
Unrecovered service charges	**(4.2)**	(2.1)
Empty rates and other non-recoverable costs	**(10.5)**	(7.0)
Services, fees, commissions and sundry income	**0.7**	(0.7)
Underlying net rental income	**86.3**	105.2
Rent discounts and waivers	**0.3**	(19.9)
Expected credit losses	**(1.5)**	(4.2)
Acquisitions	**1.3**	-
Disposals	**0.3**	0.4
Net rental income	**86.7**	81.5

The reduction in rental income of £14.7m has been driven by the fall of 11.7% in like-for-like occupancy together with a reduction of 12.9% in rent per sq. ft. during 2020/2021, combined with the impact of the disposal of Fitzroy Street which was vacant from June 2021. This resulted in a lower opening total rent roll of £103.9m at 31 March 2021 compared to £132.8m at 31 March 2020.

Our focus on cost control during Covid lockdown periods enabled us to reduce unrecovered service charges in the year to 31 March 2021. With customers returning to our centres in increasing numbers over the course of the year to 31 March 2022, and with the impact of increased energy prices, service charge costs have returned to more normal levels. This, combined with lower average occupancy compared to the prior year, has resulted in an increase of £2.1m in unrecovered service charge costs in this financial year.

The lower average occupancy has also resulted in an increase in empty rates which, combined with increased marketing and customer acquisition costs has resulted in non-recoverable costs increasing by £3.5m to £10.5m. Increased customer activity has also resulted in net income from services, fees, commissions and sundry income increasing to £0.7m.

Net rental income in the prior year was significantly reduced by rent discounts and waivers given to customers, predominantly in respect of the first quarter when we offered a 50% discount to our business centre customers. These one-off discounts and waivers have not been repeated in the current financial year.

In addition, although we hold rent deposits for the majority of our customers, the extension of Government restrictions on rent collection has impeded efforts to collect rent from a number of our customers which resulted in a significant charge of £4.2m for expected credit losses in the prior year. Although the restrictions still remained in place until 31 March 2022, rent collection has continued to improve, with a reduction in the charge to £1.5m in the current financial year.

Administrative expenses increased by 1.6% (£0.3m) to £19.3m with an underlying increase of 7%, reflecting an average pay rise of 2%, increased recruitment and other staff costs and continued investment in technology. This was largely offset by a reduced charge for share-based costs due to lower vesting assumptions.

Net finance costs decreased by 13.9% (£3.3m) in the year, reflecting a decrease in the average interest rate from 3.8% to 3.1%, following the pre-payment of £148.5m of 5.6% Private Placement loan notes in April 2021.

Profit before tax was £124.0m compared to a loss before tax of £235.7m in the prior year.

£m	**31 March 2022**	31 March 2021
Trading profit after interest	**46.9**	38.7
Change in fair value of investment properties	**68.7**	(257.7)
Gain/(loss) on sale of investment properties	**7.8**	(0.1)
Exceptional finance costs	**-**	(16.4)
Other items	**0.6**	(0.2)
Profit/(loss) before tax	**124.0**	(235.7)
Adjusted underlying earnings per share	**25.8p**	21.3p

The increase in the property revaluation was £68.7m compared to a decrease of £257.7m in the prior year.

The gain on sale of investment properties of £7.8m reflected the disposal of Highway in March 2022 for £24m and Fitzroy Street in September 2021 for £92m.

Exceptional finance costs in the prior financial year related to the refinancing of $100m and £84m of private placement notes due in 2030 which were repaid early in April 2021 after notice was given in March 2021.

Adjusted underlying earnings per share, based on EPRA earnings adjusted for non-trading items and calculated on a diluted share basis, was up 21.1% to 25.8p.

DIVIDEND

Our dividend policy is based on trading profit after interest, taking into account our investment and acquisition plans and the distribution requirements that we have as a REIT, with our aim being to ensure the dividend per share is covered at least 1.2 times by adjusted underlying earnings per share.

In line with our policy, the Board is recommending a final dividend of 14.5p per share, taking the full year dividend to 21.5p (2021: 17.75p). The final dividend will be paid on 05 August 2022 to shareholders on the register at 08 July 2022. The dividend will be paid as a Property Income Distribution and fully meets the REIT distribution requirement for the year to 31 March 2022.

PROPERTY VALUATION

At 31 March 2022, our property portfolio was independently valued by CBRE at £2,402m, an underlying increase of 3.0% (£69m) in the year. The main movements in the valuation over the year are set out below:

	£m
Valuation at 31 March 2021	2,324
Revaluation surplus	69
Capital expenditure	28
Capital receipts	(1)
Acquisitions	90
Disposals	(108)
Valuation at 31 March 2022	**2,402**

There was an underlying revaluation increase of 3.6% (£84m) in the second half of the year compared to a decrease of 0.7% (£15m) in the first half. A summary of the full year valuation and revaluation movement by property type is set out below:

£m	Valuation 31 March	Revaluation increase/(decrease)		
	2022	Full year	H2	H1
Like-for-like Properties	1,897	63	74	(11)
Completed Projects	186	8	9	(1)
Refurbishments	161	(4)	(2)	(2)
Redevelopments	70	5	6	(1)
Acquisitions	88	(3)	(3)	-
Total	**2,402**	**69**	**84**	**(15)**

Like-for-like Properties

There was a 3.4% (£63m) underlying increase in the valuation of like-for-like properties to £1,897m. This was driven by yield movement, with the equivalent yield of the like-for-like portfolio coming in from 5.9% to 5.7%. This was partly offset by a 1.9% decrease in ERV per sq. ft. reflecting price reductions we have seen on lettings and renewals completed during the first half of the year. ERV per sq. ft. deceased by 3.1% in the first half, but following improved pricing in the second half, it increased by 1.2%.

	31 March 2022	31 March 2021	Change
ERV per sq. ft.	**£41.42**	£42.23	-1.9%
Rent per sq. ft.	**£36.39**	£36.25	0.4%
Equivalent Yield	**5.7%**	5.9%	-0.2%*
Net Initial Yield	**4.2%**	4.2%	-
Capital Value per sq. ft.	**£666**	£633	+5.2%

* absolute change

Completed Projects

There was an underlying increase of 4.5% (£8m) in the value of the eight completed projects to £186m. The overall valuation metrics for completed projects are set out below:

	31 March 2022
ERV per sq. ft.	**£28.04**
Rent per sq. ft.	**£22.49**
Equivalent Yield	**5.8%**
Net Initial Yield	**3.2%**
Capital Value per sq. ft.	**£437**

The major movements within this category included increases of £3.8m at Parkhall, reflecting an increase in ERV following our recently completed refurbishment project, and an increase of £1.9m at Wenlock Studios, where occupancy has improved significantly over the year.

Current Refurbishments and Redevelopments

There was an underlying reduction of 2.4% (£4m) in the value of our current refurbishments to £161m and an increase of 7.7% (£5m) in the value of our current redevelopments to £70m.

Within the refurbishment category there was an underlying reduction of £4m at Leroy House, where we have now obtained vacant possession ahead of our refurbishment project and have begun incurring construction costs.

The most significant movement in the redevelopment category was an increase of £5m at Garratt Lane, which forms part of our mixed-use redevelopment scheme at Riverside, Wandsworth.

REFURBISHMENT ACTIVITY

A summary of the status of the refurbishment pipeline at 31 March 2022 is set out below:

Projects	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	4	£9m	£46m	195,000
Design stage	3	£2m	£116m	298,000
Design stage (without planning)	5	£0m	£221m	429,000

In May 2021, we received planning permission for the re-designation of land use for a major scheme at Kennington Park. The existing 91,000 sq. ft. of low-grade space situated to the south and east of the Kennington Park campus will be replaced with 169,000 sq. ft. of high specification office space.

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 typically 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 31 March 2022 is set out below:

	No. of properties	Residential units	New commercial space (sq. ft.)
Design stage	4	969	228,000

There are now four schemes at the design stage that have obtained mixed-use planning consents.

In February 2022, we completed a land-swap and a surrender of our long leasehold interest on part of the Chocolate Factory site to the freeholder, Haringey Council. This allows Haringey and Workspace to deliver their share of the consented scheme and unlocks the residential element of Workspace's ownership for redevelopment. As part of the deal we transferred ownership of Mallard Place to Haringey Council.

EPC AND NET ZERO

Improving the energy efficiency of our portfolio is key in helping us to achieve our target of being a net zero carbon business by 2030. The energy efficiency upgrades we deliver as part of our planned refurbishment and redevelopment programme means that a significant proportion of our portfolio will be upgraded to EPC A and B ratings by 2030. Excluding these upgrades, we estimate the additional investment needed to upgrade the remaining portfolio (excluding McKay) to EPC A and B ratings by 2030 will be some £35-47m, with a further £15-20m required to achieve full net-zero. Part of this expenditure will be included within our routine maintenance capital expenditure, and we estimate the incremental investment will be c.£5m per year.

The McKay portfolio we have recently acquired is well positioned with 40% of the portfolio (excluding non-core assets) already EPC A and B rated. We estimate the total investment needed to upgrade all these properties to EPC A and B by 2030 will be some £11-13m or c.£2m per year.

PROPERTY ACQUISITIONS AND DISPOSALS

In September 2021 we acquired The Old Dairy, Shoreditch for £43.4m. It provides 57,000 sq. ft. of net lettable space adjacent to our existing business centre, The Frames. We will reposition the property over time to our distinctive, flexible model, which will strengthen our presence and broaden our offering in this exciting and dynamic area of London.

In November 2021 we acquired Busworks, Islington for £45.0m. The former Victorian bus factory provides 103,000 sq. ft. of net lettable space across two conjoined warehouse buildings on 1.6 acres just north of King's Cross, an attractive area for SMEs. We plan to upgrade the building and reposition the offering towards our distinctive, flexible model, creating a flagship centre in North London.

In September 2021, we disposed of 13-17 Fitzroy Street in Fitzrovia, for a total of £92m, a loss on disposal of £3.5m.

In March 2022, we simultaneously exchanged and completed on the disposal of Highway Business Park in Limehouse, for £23.7m for its share of the sale, a significant premium to the 30 September 2021 valuation of £11.6m.

CASH FLOW

The Group generates strong operating cash flow in line with trading profit. A summary of cash flows in the year are set out below:

£m	**31 March 2022**	31 March 2021
Net cash from operations after interest	**58**	39
Dividends paid	**(43)**	(46)
Purchase of Investment Properties	**(88)**	-
Capital expenditure	**(31)**	(26)
Property disposals and cash receipts	**122**	11
Other	**(11)**	(2)
Net movement	**7**	(24)
Opening debt (net of cash)	**(565)**	(541)
Closing debt (net of cash)	**(558)**	(565)

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

Rent collection for the year was robust, despite the Government restrictions on rent collection measures which have been in place. Overall, 98% of rent due has been collected to date, including 97% of rent due for the fourth quarter of 2021/22.

NET ASSETS

Net assets increased in the year by £80m to £1,800m. EPRA net tangible assets (NTA) per share at 31 March 2022 was up 5.3% (£0.50) to £9.88:

	EPRA NTA per share £
At 31 March 2021	9.38
Adjusted trading profit after interest	0.26
Property valuation surplus	0.38
Profit on disposal of investment property	0.04
Dividends paid	(0.25)
Other	0.07
At 31 March 2022	**9.88**

The calculation of EPRA NTA per share is set out in note 9 of the financial statements.

TOTAL ACCOUNTING RETURN

The total accounting return for the year was 8.0% compared to (11.5)% in the year ended March 2021. The total accounting return comprises the growth in absolute EPRA net tangible assets per share plus dividends paid in the year as a percentage of the opening EPRA net tangible assets per share. The calculation of total accounting return is set out in note 9 of the financial statements.

MCKAY ACQUISITION

We completed the acquisition of McKay Securities PLC on 6 May 2022 for a total consideration of £265.7m, comprising £191.1m in cash and 10.5m Workspace shares, and £7.5m transaction costs, representing a 14% discount to NTA acquired (after seller's transaction costs) of £310.3m.

The acquisition comprises 31 assets, with a value as at 31 March 2022 of £495m. A third of the portfolio (by value) are London office buildings, which lend themselves well to our model and are in areas which are complementary to our existing portfolio. A further third of the portfolio are quality office buildings in the South-East, which are well let but provide a good opportunity to selectively test demand for our offering and expand our total addressable market. The remaining third of the portfolio are South-East light industrial assets.

The table below shows the proforma combined group based on the results for the year to 31 March 2022, adjusted for the disposal of Great Brighams Mead, Reading which was held for sale at 31 March with the sale completing on 4 May 2022, reduced administration expenses which includes the departure of McKay executive team and increased finance costs and net debt reflecting the cash consideration paid for McKay.

£m	**Workspace**	McKay	Adjustments	**Combined**
12 Months to 31 March 2022:				
Net rental income	**86.7**	20.4	(2.2)	**104.9**
Administrative expenses	**(19.3)**	(6.4)	3.2	**(22.5)**
Net finance costs	**(20.5)**	(6.2)	(5.9)	**(32.6)**
Trading profit after interest	**46.9**	7.8	(4.9)	**49.8**
No. shares (m)	**182.0**	91.4		**192.5**
Adjusted underlying EPS	**25.8p**	8.5p		**25.9p**
At 31 March 2022:				
Investment property valuation	**2,402**	495	(19)	**2,878**
Net debt	**(558)**	(170)	(186)	**(914)**
Other	**(44)**	(15)	7	**(52)**
Net assets	**1,800**	310	(198)	**1,912**
EPRA NTA per share	**£9.88**	£3.39		**£9.93**
LTV	**23%**	34%		**32%**

The total rent roll of the portfolio at 31 March 2022, excluding Great Brighams Mead, was £23.6m. Assuming 90% occupancy at the estimated rental values at 31 March 2022, the rent roll at these properties would be £27.6m, an uplift of £4.0m.

Workspace will be disposing of non-core assets which are likely to include the light industrial portfolio. Any such asset disposals would result in a reduction in net debt, to, but would not be expected to have a material impact on trading profit after interest, with any reduction in net rental income being broadly offset by reduced finance costs.

FINANCING

As at 31 March 2022, the Group had £42.3m of cash and £400.0m of undrawn facilities:

	Drawn amount £m	Facility amount £m	Maturity
Private placement notes	300.0	300.0	2025-2029
Green bond	300.0	300.0	2028
Revolving credit facility	-	200.0	2024
Acquisition facility	-	200.0	2023
Total	**600.0**	**1,000.0**	

In December 2021, we agreed a new £200m sustainability-linked revolving credit facility (“RCF”) replacing the Group’s previous revolving credit facility. The facility has an initial term of three years, with the potential to extend by a further two years and to increase the facility amount to a maximum of £300m, subject to lender consent.

In March 2022, we agreed a new £200m acquisition facility with a term of 18 months to fund the acquisition of McKay.

All facilities are provided on an unsecured basis with an average maturity of 4.2 years, or 4.9 years excluding the acquisition facility (31 March 2021: 4.8 years).

At 31 March 2022, the average interest cost of our fixed rate private placement notes and Green bond was 3.1%. Our revolving credit bank facility is provided at a margin of 1.65% over SONIA with a margin adjustment depending on performance against a number of ESG-related metrics.

At 31 March 2022, loan to value (LTV) was 23% (31 March 2021: 24%) and interest cover, based on net rental income and interest paid, was 4.8 times (31 March 2021: 3.8), providing good headroom on all facility covenants.

In addition to the facilities noted above, with the acquisition of McKay in May 2022, the Group has inherited a £180m revolving credit facility maturing in April 2024 and a £65m term loan from Aviva due May 2030. Both facilities are secured and contain change of control prepayment provisions however there is significant overlap between our existing relationship banks and the McKay lending banks, who have already consented to the change of control. Including the McKay facilities, on a proforma basis, the enlarged Group would have cash and available facilities of £331m, with the combined facilities having an average maturity of 4.1 years and an average effective interest rate of 3.2%.

FINANCIAL OUTLOOK FOR 2022/23

Over the last year we have seen a good recovery from the impact of the Covid-19 pandemic driven by strong levels of customer demand. Rental income in 2022/23 will be underpinned by the full year benefit of the growth in like-for-like rent roll in 2021/22 of 8.7%. Our opening like-for-like rent roll of £92.9m is over 5% ahead of the average like-for-like rent roll last year. As occupancy recovered to pre-Covid levels, we were able to selectively start increasing pricing with average rent per sq. ft. up 2.5% in the second half of last year. The extent to which this pricing momentum continues will, in part, depend on the impact of any economic downturn on our customers, although our pricing still remains well below pre-Covid levels.

Rental income will be boosted by a full year’s contribution from Busworks and The Old Dairy which were acquired part way through last year and by the letting up of recently completed projects, including Mirror Works and Pall Mall Deposit.

The current high levels of inflation will impact both our service charge and administrative costs. In relation to service charge costs, where the majority of the cost is passed on to our customers, we have been able to limit the impact by hedging our energy costs for three years from October 2021. We will also benefit from a reduction in void costs due to increased occupancy levels. Staff costs are the most significant driver of our administration costs and, whilst we have limited inflationary salary increases to 3%, we are seeing higher increases in more junior roles across the Group.

The results for the year will also benefit from the ownership of McKay for 11 months of the year. Rental income from the McKay portfolio will be reduced by the sale of non-core assets but the impact on net rental income will be broadly offset by reduced interest costs. Underlying administrative costs of the McKay business will be reduced by around £3m per annum which includes the departure of the McKay executive team, with one-off synergy realisation costs expected to be around £3m.

Whilst our core debt bears interest at fixed-rates, the majority of the McKay debt, as well as the acquisition facility used to finance the cash consideration for McKay, bears interest at a margin over SONIA, and is therefore subject to changes in market interest rates. Given recent and expected increases in interest rates, we therefore anticipate a slight increase in our average cost of borrowing to around 3.2%.

We expect capital expenditure to double to around £50m in 2022/23 as we progress with planned projects, including at Leroy House.

We expect to complete the sale of the residential element of our planned developments at Riverside, Wandsworth and the Chocolate Factory, Wood Green during this financial year. With these sales and the disposal of non-core assets from the McKay portfolio our LTV will reduce to below 30%.

KEY PROPERTY STATISTICS

	Half Year ended			
	31 Mar 2022	30 Sept 2021	31 Mar 2021	30 Sept 2020
Workspace Group Portfolio				
CBRE property valuation	**£2,402m**	£2,271m	£2,324m	£2,450m
Number of locations	**57**	58	58	58
Lettable floorspace (million sq. ft.)	**4.0**	3.9	3.9	3.9
Number of lettable units	**4,482**	4,234	4,196	4,147
Rent roll of occupied units	**£111.0m**	£102.1m	£103.9m	£118.2m
Average rent per sq. ft.	**£33.26**	£32.28	£33.90	£37.15
Overall occupancy	**84.3%**	81.2%	77.8%	81.1%
Like-for-like number of properties	**39**	39	38	38
Like-for-like lettable floor space (million sq. ft.)	**2.8**	2.9	2.8	2.8
Like-for-like rent roll movement	**6.4%**	2.1%	(13.9)%	(11.6)%
Like-for-like rent per sq. ft. movement	**2.5%**	(2.1)%	(9.9)%	(3.3)%
Like-for-like occupancy movement	**4.0%**	3.8%	(3.9)%	(7.8)%

1) The like-for-like category has been restated in the current financial year for the following:
   - The transfer in of Brickfields and Rainbow Industrial Estate (part) from the completed projects category
   - The transfer out of Leroy House to the refurbishment 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.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £m	2021 £m
Revenue	1	**132.9**	142.3
Direct costs[1]	1	**(46.2)**	(60.8)
Net rental income	1	**86.7**	81.5
Administrative expenses	2	**(19.3)**	(19.0)
Trading profit		**67.4**	62.5
Profit/ (loss) on disposal of investment properties	3(a)	**7.8**	(0.1)
Other income	3(b)	**0.6**	–
Other expenses	3(c)	**–**	(0.2)
Change in fair value of investment properties	10	**68.7**	(257.7)
Operating profit/ (loss)		**144.5**	(195.5)
Finance costs	4	**(20.5)**	(23.8)
Exceptional finance costs	4	**–**	(16.4)
Profit/ (loss) before tax		**124.0**	(235.7)
Taxation	6	**(0.1)**	–
Profit/ (loss) for the financial year after tax		**123.9**	(235.7)
Basic earnings/ (loss) per share	8	**68.5p**	(130.3)p
Diluted earnings/ (loss) per share	8	**68.1p**	(130.3)p

1. Direct costs in 2022 includes impairment of receivables of £1.5m (2021: £4.2m). See note 1 for additional information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	2022 £m	2021 £m
Profit/ (loss) for the financial year	**123.9**	(235.7)
Other comprehensive income:		
Items that may be classified subsequently to profit or loss:		
Fair value of investments recycled to retained earnings	**2.1**	–
Cash flow hedge – transfer to income statement	**(0.3)**	8.6
Cash flow hedge – change in fair value	**–**	(9.8)
Other comprehensive loss in the year	**1.8**	(1.2)
Total comprehensive income/ (loss) for the year	**125.7**	(236.9)

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Investment properties	10	**2,366.7**	2,349.9
Intangible assets		**1.9**	2.4
Property, plant and equipment	11	**2.9**	4.0
Other investments	12	**1.7**	7.9
Derivative financial instruments	16(e)	**–**	8.7
Deferred tax	6	**0.3**	0.4
		2,373.5	2,373.3
Current assets			
Trade and other receivables	13	**23.5**	29.3
Assets held for sale	10	**65.9**	–
Cash and cash equivalents	14	**49.0**	191.0
		138.4	220.3
Total assets		**2,511.9**	2,593.6
Current liabilities			
Trade and other payables	15	**(85.8)**	(95.0)
Borrowings	16(a)	**–**	(156.6)
		(85.8)	(251.6)
Non-current liabilities			
Borrowings	16(a)	**(595.5)**	(596.2)
Lease obligations	17	**(31.0)**	(26.3)
		(626.5)	(622.5)
Total liabilities		**(712.3)**	(874.1)
Net assets		**1,799.6**	1,719.5
Shareholders' equity			
Share capital	19	**181.1**	181.1
Share premium	19	**295.5**	295.5
Investment in own shares		**(9.9)**	(9.6)
Other reserves	20	**32.6**	33.1
Retained earnings		**1,300.3**	1,219.4
Total shareholders' equity		**1,799.6**	1,719.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Attributable to owners of the Parent					
		Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 31 March 2020		180.7	295.4	(9.6)	32.2	1,499.3	1,998.0
Loss for the financial year		–	–	–	–	(235.7)	(235.7)
Other comprehensive loss for the year	20	–	–	–	(1.2)	–	(1.2)
Total comprehensive loss		–	–	–	(1.2)	(235.7)	(236.9)
Transactions with owners:							
Share issues	19	0.4	0.1	–	(0.4)	–	0.1
Dividends paid	7	–	–	–	–	(44.2)	(44.2)
Share based payments		–	–	–	2.5	–	2.5
Balance at 31 March 2021		181.1	295.5	(9.6)	33.1	1,219.4	1,719.5
Profit for the financial year		**–**	**–**	**–**	**–**	**123.9**	**123.9**
Other comprehensive loss for the year		**–**	**–**	**–**	**–**	**1.8**	**1.8**
Total comprehensive profit		**–**	**–**	**–**	**–**	**125.7**	**125.7**
Transactions with owners:							
Share issues	19	**–**	**–**	**–**	**–**	**–**	**–**
Purchase of own shares		**–**	**–**	**(0.3)**	**–**	**–**	**(0.3)**
Dividends paid	7	**–**	**–**	**–**	**–**	**(44.8)**	**(44.8)**
Share based payments		**–**	**–**	**–**	**1.6**	**–**	**1.6**
Recycled OCI to retained earnings	20	**–**	**–**	**–**	**(2.1)**	**–**	**(2.1)**
Balance at 31 March 2022		**181.1**	**295.5**	**(9.9)**	**32.6**	**1,300.3**	**1,799.6**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	**2022 £m**	2021 £m
Cash flows from operating activities			
Cash generated from operations	18	**80.5**	62.4
Interest paid		**(22.6)**	(23.4)
Tax paid		**–**	(0.6)
Net cash inflow from operating activities		**57.9**	38.4
Cash flows from investing activities			
Purchase of investment properties		**(88.4)**	–
Capital expenditure on investment properties		**(29.8)**	(23.6)
Proceeds from disposal of investment properties (net of sale costs)		**117.3**	11.0
Purchase of intangible assets		**(0.5)**	(1.2)
Purchase of property, plant and equipment		**(0.7)**	(1.2)
Other income (deferred consideration/overage receipts)		**4.5**	0.1
Proceeds from sale of investments	3(b)/12	**6.8**	–
Net cash inflow/ (outflow) from investing activities		**9.2**	(14.9)
Cash flows from financing activities			

Proceeds from issue of ordinary share capital	19	**–**	0.1
Finance costs for new/amended borrowing facilities		**(1.3)**	(2.0)
Exceptional finance costs		**(16.4)**	–
Settlement of derivative financial instruments		**0.7**	–
Repayment of bank borrowings and Private Placement Notes	16(h)	**(173.5)**	(217.0)
Draw down of bank borrowings	16(h)	**25.0**	54.0
Green Bond proceeds		**–**	299.5
Own shares purchase (net)		**(0.3)**	–
Dividends paid	7	**(43.3)**	(46.3)
Net cash (outflow)/ inflow from financing activities		**(209.1)**	88.3
Net (decrease)/ increase in cash and cash equivalents		**(142.0)**	111.8
Cash and cash equivalents at start of year	18	**191.0**	79.2
Cash and cash equivalents at end of year	18	**49.0**	191.0

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2022 or 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies, and those for 2022 will be delivered in due course. The auditor has reported on those accounts; their reports were i) unqualified and i i) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The accounting policies are consistent with those contained in the Group's last ANNUAL REPORT and accounts for the year ended 31 March 2021, with exception of the following:

BASIS OF PREPARATION

These condensed financial statements are presented in Sterling, which is the Company's functional currency and the Group's presentation currency and have been prepared and approved by the Directors on a going concern basis, in accordance with UK adopted international accounting standards. In addition, the Group financial statements are required under the UK Disclosure and Transparency Rules 4.1.6, to be prepared in accordance with United Kingdom adopted international accounting standards.

Whilst the impact of Covid-19 on the Group has reduced in the last 12 months, the war in Ukraine, current high levels of inflation and higher interest rate environment means there is an increased risk of an economic downturn.

We have modelled a number of different scenarios considering a period of 12 months from the date of signing of these financial statements. These scenarios include a severe, but realistically possible, downside scenario which includes the following key assumptions:

- A stalling of the UK economy, with low levels of GDP growth and inflationary pressure, resulting in a reduction in customer demand over the next two years, compared to current levels.
- Like-for-like occupancy reduces by c.5% to 85% over the next two years, with associated increase in void costs and downward pressure on pricing of new lettings.
- New lettings at below the average price per sq. ft. of vacating customers resulting in a overall reduction in average rent per sq. ft.
- Increase in counterparty risk, with bad debt significantly higher than pre-pandemic levels.
- Higher levels of cost inflation.
- Higher interest rate environment resulting in an increase in the cost of variable rate borrowings.

The appropriateness of the going concern basis is reliant on the continued availability of borrowings, sufficient liquidity and compliance with loan covenants.

The Group's revolving credit facility was refinanced in December 2021 with a limit of £200m and a term to December 2024 bringing the total longer-term debt facilities to £800m. In addition, in March 2022, a £200m "Acquisition facility" was secured, in relation to the purchase of McKay Securities PLC, bringing total facilities to £1bn as at 31 March 2022.

As at 31 March 2022, the Company had significant headroom with £442m of cash and undrawn facilities. On 6 May 2022 we completed the acquisition of McKay, with the consideration comprising a £191m cash payment and the issuance of new shares. Under the downside scenario, whereby we assume that the McKay facilities are required to be prepaid in June 2022, the Group maintains sufficient headroom in its cash and loan facilities for the full period of assessment.

The £200m Acquisition facility expires in September 2023 and no other debt is due to be refinanced until December 2024.

All outstanding borrowings require compliance with LTV and Interest Cover covenants. As at the tightest test date in the scenarios modelled, the Group could withstand a reduction in net rental income of 51% and a fall in the asset valuation of 56% compared to 31 March 2022 (pro-forma including McKay) before these covenants are breached, assuming no mitigating actions are taken.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND GUIDANCE

a) During the year to 31 March 2022 the Group adopted the following accounting standards and guidance:

IFRS Standards	Amendments to References to the Conceptual Framework in IFRS Standards
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amended)	Interest Rate Benchmark Reform – Phase 2
IFRS 16 (amended)	COVID-19 related rent concessions

There was no material impact from the adoption of these accounting standard amendments on the financial statements.

b) The following accounting standards and guidance are not yet effective but are not expected to have a significant impact on the Group's financial statements or will result in changes to presentation and disclosure only. They have not been adopted early by the Group:

IFRS 17	Insurance contracts
IAS 1 (amended)	Classification of Liabilities as Current or Non-Current
IAS 1 and IFRS Practise Statement 2 (amended)	Disclosure of Accounting Policy
IAS 8 (amended)	Definition of Accounting Estimate
IAS 37 (amended): Onerous Contracts	Cost of Fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IFRS Standards 2018-2020	Annual Improvements to IFRS Standards 2018-2020
IFRS 3 (amended)	Reference to the Conceptual Framework
IAS 1 (amended)	Presentation of Financial Statements and IFRS Practise Statement 2 Making Materiality Judgements

1. ANALYSIS OF NET RENTAL INCOME AND SEGMENTAL INFORMATION

	2022			2021		
	Revenue £m	**Direct costs[1] £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**104.3**	**(2.9)**	**101.4**	118.0	(24.4)	93.6
Service charges	**21.1**	**(25.9)**	**(4.8)**	20.3	(24.6)	(4.3)
Empty rates and other non-recoverables	**–**	**(10.6)**	**(10.6)**	–	(7.1)	(7.1)
Services, fees, commissions and sundry income	**7.5**	**(6.8)**	**0.7**	4.0	(4.7)	(0.7)
	132.9	**(46.2)**	**86.7**	142.3	(60.8)	81.5

1. There are no properties within the current or prior period that are non-rent producing.

Included within direct costs for rental income and service charges in the period are amounts of £nil (2021: £17.8m) and £nil (2021: £2.1m) respectively, relating to discounts provided to customers, accounted for in accordance with IFRS 9. Additionally, a charge of £1.5m (2021: £4.2m) for expected credit losses in respect of receivables from customers is recognised in direct costs of rental income in the period.

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 review performance is reviewed as one portfolio. As a result, management have determined that the Group operates a single operating segment providing business accommodation for rent in London.

2. OPERATING PROFIT/ (LOSS)

The following items have been charged in arriving at operating profit/ (loss):

	2022 £m	2021 £m
Depreciation[1]	**1.8**	2.0
Staff costs (including share based costs)[1] (note 5)	**19.6**	20.1
Repairs and maintenance expenditure on investment properties	**2.0**	2.5
Trade receivables impairment (note 13)	**1.5**	3.5
Amortisation of intangibles	**0.9**	0.9
Audit fees payable to the Company's Auditor	**0.3**	0.2

1. Charged to direct costs and administrative expenses based on the underlying nature of the expenses.

Auditor's remuneration: services provided by the Company's Auditor and its associates	**2022 £000**	2021 £000
Audit fees:		
Audit of Parent Company and consolidated financial statements	**245**	207
Audit of subsidiary financial statements	**35**	33
	280	240
Fees for other services:		
Audit-related assurance services[1]	**55**	96
Total fees payable to Auditor	**335**	336

1. Audit-related assurance services consist of £40k for half year review (2021: £36k); £nil for ICMA letter (2021: £60k); and £15k for Green Bond use of Proceeds Assurance (2021: £nil).

	2022 £m	2021 £m
Total administrative expenses are analysed below:		
Staff costs	**10.7**	11.3
Cash-settled share based costs	**–**	0.2
Equity settled share based costs	**1.6**	2.3
Other	**7.0**	5.2
	19.3	19.0

3(A). PROFIT/ (LOSS) ON DISPOSAL OF INVESTMENT PROPERTIES

	2022 £m	2021 £m
Proceeds from sale of investment properties (net of sale costs)	**117.3**	11.0
Book value at time of sale	**(109.5)**	(11.1)
Profit/ (loss) on disposal	**7.8**	(0.1)

3(B). OTHER INCOME

	2022 £m	2021 £m
Sale of investment	**0.6**	–
	0.6	–

The Group disposed of the investment in Lovespace Ltd, resulting in a gain of £0.6m in the year.

3(C). OTHER EXPENSES

	2022 £m	2021 £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 revalued by CBRE Limited at 31 March 2022 and 31 March 2021. This resulted in a reduction in the fair value of deferred consideration of £nil at 31 March 2022 (31 March 2021: £0.2m). The amounts receivable are included in the consolidated balance sheet under current trade and other receivables (note 13).

4. FINANCE COSTS

	2022 £m	2021 £m
Interest payable on bank loans and overdrafts	**(1.4)**	(3.1)
Interest payable on other borrowings	**(16.7)**	(18.6)
Amortisation of issue costs of borrowings	**(1.1)**	(0.9)
Interest payable on leases	**(1.7)**	(1.6)
Interest capitalised on property refurbishments (note 10)	**0.4**	0.4
Foreign exchange losses on financing activities	**–**	(8.6)
Cash flow hedge – transfer from equity	**–**	8.6
Finance costs	**(20.5)**	(23.8)
Exceptional finance costs	**–**	(16.4)
Total finance costs	**(20.5)**	(40.2)

In the prior year, the exceptional finance costs related to the refinancing of the $100m and £84m private placement notes due 2023 which were repaid early in April 2021. An irrevocable notice for the repayment was given in March 2021. The costs included a £16.3m premium on redemption and £0.1m of unamortised finance costs.

All exceptional finance costs have been calculated in accordance with IFRS 9, re-estimating the cash flows based on the original effective interest rate with the adjustment being taken through P&L.

5. EMPLOYEES AND DIRECTORS

Staff costs for the Group during the year were:	2022 £m	2021 £m
Wages and salaries	**17.4**	16.3
Social security costs	**2.0**	2.1
Other pension costs	**0.8**	0.8
Cash-settled share based costs	**–**	0.2
Equity-settled share based costs	**1.6**	2.3
	21.8	21.7
Less costs capitalised	**(2.2)**	(1.6)
	19.6	20.1

The monthly average number of people employed during the year was:	2022 Number	2021 Number
Head office staff (including Directors)	**124**	121
Estates and property management staff	**125**	118
	249	239

The emoluments and pension benefits of the Directors are determined by the Remuneration Committee of the Board and are set out in detail in the Directors' Remuneration Report. These form part of the financial statements.

Total Directors' emoluments for the financial year were £2.3m (2021: £1.7m), comprising of £2.2m (2021: £1.6m) of Directors' remuneration, £nil (2021: £nil) gain on exercise of share options and £0.1m (2021: £0.1m) of cash contributions in lieu of pension in respect of two Directors (2021: two).

6. TAXATION

	2022 £m	2021 £m
Current tax:		
UK corporation tax	**–**	–
Adjustments to tax in respect of previous periods	**–**	–
	–	–
Deferred tax:		
On origination and reversal of temporary differences	**0.1**	–
	0.1	–
Total taxation charge	**0.1**	–

Taxation chargeable in the year relates to income from non-REIT activities such as overage, meeting room income and utilities recharges.

The tax on the Group's profit for the year differs from the standard applicable corporation tax rate in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £m	2021 £m
Profit/ (loss) before taxation	**124.0**	(235.7)

Tax at standard rate of corporation tax in the UK of 19% (2021: 19%)	**23.6**	(44.8)
Effects of:		
REIT exempt income	**(11.3)**	(8.0)
Changes in fair value not subject to tax as a REIT	**(13.1)**	49.0
Share based payment adjustments	**0.4**	(0.1)
Unrecognised losses carried forward	**0.4**	3.8
Other non-taxable expenses	**0.1**	0.1
Total taxation charge	**0.1**	–

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 estimates that as the majority of its future profits will be exempt from tax, future tax charges are likely to be low.

An increase in the rate of corporation tax was enacted on 24 May 2021 and, from 1 April 2023, the corporation tax rate will increase to 25%. This will increase the Company's future current tax charge accordingly. The deferred tax asset at the balance sheet date has been calculated at 19% (2021: 19%) expected to be utilised within 12 months.

The Group currently has an unrecognised asset in relation to tax losses from the non-REIT business carried forward of £7.3m (2021: £5.6m) calculated at a corporation tax rate of 25% (2021: 19%).

	2022 £m	2021 £m
Deferred tax assets:		
– Deferred tax to be recovered within 12 months	**0.4**	0.5
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered within 12 months	**(0.1)**	(0.1)
Deferred tax assets (net)	**0.3**	0.4

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Other income (overage receipts) £m	Total £m
At 1 April 2020	0.2	0.2
Credited to income statement	(0.1)	(0.1)
At 31 March 2021	0.1	0.1
Credited to income statement	–	–
At 31 March 2022	**0.1**	**0.1**

Deferred tax assets	Expenses (share based payment) £m	Tax losses £m	Total £m
At 1 April 2020	(0.6)	(0.2)	(0.8)
Other movement	–	0.2	0.2
Charged to income statement	0.1	–	0.1
At 31 March 2021	(0.5)	–	(0.5)
Charged to income statement	0.1	–	0.1
At 31 March 2022	**(0.4)**	**–**	**(0.4)**

7. DIVIDENDS

	Payment date	Per share	**2022 £m**	2021 £m
For the year ended 31 March 2020:				
Final dividend	August 2020	24.49p	**–**	44.2
For the year ended 31 March 2021:				
Final dividend	August 2021	17.75p	**32.1**	–
For the year ended 31 March 2022:				
Interim dividend	February 2022	7.0p	**12.7**	–
Dividends for the year			**44.8**	44.2
Timing difference on payment of withholding tax			**(1.5)**	2.1
Dividends cash paid			**43.3**	46.3

The Directors are proposing a final dividend in respect of the financial year ended 31 March 2022 of 14.5 pence per ordinary share, which will absorb an estimated £27.9m of revenue reserves and cash. If approved by the shareholders at the AGM, it will be paid on 5 August 2022 to shareholders who are on the register of members on 8 July 2022. The dividend will be paid as a REIT Property Income Distribution ('PID') net of withholding tax where appropriate.

8. EARNINGS PER SHARE

Earnings used for calculating earnings per share:	**2022 £m**	2021 £m
Basic and diluted earnings	**123.9**	(235.7)
Change in fair value of investment properties	**(68.7)**	257.7
Exceptional finance costs	**–**	16.4
(Profit) /loss on disposal of investment properties	**(7.8)**	0.1
EPRA earnings	**47.4**	38.5
Adjustment for non-trading items:		
Other (income)/ expenses	**(0.6)**	0.2
Taxation	**0.1**	–
Trading profit after interest	**46.9**	38.7

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:	**2022 Number**	2021 Number
Weighted average number of shares (excluding own shares held in trust)	**180,983,916**	180,839,945
Dilution due to share option schemes	**998,280**	–
Weighted average number of shares for diluted earnings per share	**181,982,196**	180,839,945

In pence:	**2022**	2021
Basic earnings/ (loss) per share	**68.5p**	(130.3p)
Diluted earnings/ (loss) per share	**68.1p**	(130.3p)
EPRA earnings per share	**26.2p**	21.3p
Adjusted underlying earnings per share[1]	**25.8p**	21.3p

1. Adjusted underlying earnings per share is calculated by dividing trading profit after interest by the diluted weighted average number of shares of 181,982,196 (2021: 181,831,833).

The diluted loss per share for the period to 31 March 2021 has been restricted to a loss of 130.3p per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33 Earnings per Share.

9. NET ASSETS PER SHARE AND TOTAL ACCOUNTING RETURN

Net assets used for calculating net assets per share:	**2022 £m**	2021 £m
Net assets at end of year (basic)	**1,799.6**	1,719.5
Derivative financial instruments at fair value	**–**	(8.7)
EPRA net assets	**1,799.6**	1,710.8

Number of shares used for calculating net assets per share:	**2022 Number**	2021 Number
Shares in issue at year end	**181,125,259**	181,113,594
Less own shares held in trust at year end	**(162,113)**	(159,139)
Dilution due to share option schemes	**1,078,852**	1,116,127
Number of shares for calculating diluted adjusted net assets per share	**182,041,998**	182,070,582

	2022	2021
EPRA net assets per share	**£9.89**	£9.40
Basic net assets per share	**£9.94**	£9.50
Diluted net assets per share	**£9.89**	£9.44

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

EPRA NET ASSET VALUE METRICS

EPRA published updated best practice reporting guidance in October 2019, which included three new Net Asset Valuation metrics; EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV). This new set of EPRA NAV metrics came into full effect for accounting periods starting from 1 January 2020, presented below for comparison to the previous EPRA NAV metric.

	March 2022			March 2021		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to shareholders	**1,799.6**	**1,799.6**	**1,799.6**	1,719.5	1,719.5	1,719.5
Fair value of derivative financial instruments	**–**	**–**	**–**	(8.7)	(8.7)	–
Intangibles per IFRS balance sheet	**–**	**(1.9)**	**–**	–	(2.4)	–
Excess of book value of debt over fair value/ (Excess of fair value of debt over book value)	**–**	**–**	**13.0**	–	–	(22.2)
Purchasers' costs	**163.3**	**–**	**–**	158.1	–	–
EPRA measure	**1,962.9**	**1,797.7**	**1,812.6**	1,868.9	1,708.4	1,697.3
EPRA measure per share	**£10.78**	**£9.88**	**£9.96**	£10.26	£9.38	£9.32

RECONCILIATION TO PREVIOUSLY REPORTED EPRA NAV

	March 2022			March 2021		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
EPRA NAV	**1,799.6**	**1,799.6**	**1,799.6**	1,710.8	1,710.8	1,710.8
Include fair value of derivative financial instruments	**–**	**–**	**–**	–	–	8.7
Exclude intangibles per IFRS balance sheet	**–**	**(1.9)**	**–**	–	(2.4)	–
Excess of book value of debt over fair value/ (Excess of fair value of debt over book value)	**–**	**–**	**13.0**	–	–	(22.2)
Purchasers' costs	**163.3**	**–**	**–**	158.1	–	–
EPRA measure	**1,962.9**	**1,797.7**	**1,812.6**	1,868.9	1,708.4	1,697.3

TOTAL ACCOUNTING RETURN

Total Accounting Return	2022 £	2021 £
Opening EPRA net tangible assets per share (A)	**9.38**	10.88
Closing EPRA net tangible assets per share	**9.88**	9.38
Increase/ (decrease) in EPRA net tangible assets per share	**0.50**	(1.50)
Ordinary dividends paid in the year	**0.25**	0.24
Total return (B)	**0.75**	(1.26)
Total accounting return (B/A)	**8.0%**	(11.5%)

The total accounting return for the year comprises the growth in absolute EPRA net tangible assets per share plus dividends paid in the year as a percentage of the opening EPRA net tangible assets per share. The total return for the year ended 31 March 2022 was 8.0% (31 March 2021: (11.5%)).

10. INVESTMENT PROPERTIES

	2022 £m	2021 £m
Balance at 1 April	**2,349.9**	2,586.3
Purchase of investment properties	**88.4**	–
Capital expenditure	**30.0**	22.8
Change in value of lease obligations	**4.7**	(1.9)
Capitalised interest on refurbishments (note 4)	**0.4**	0.4
Disposals during the year	**(109.5)**	–
Change in fair value of investment properties	**68.7**	(257.7)
Less: Classified as assets held for sale	**(65.9)**	–
Balance at 31 March	**2,366.7**	2,349.9

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 3.0% (2021: 3.7%). The total amount of capitalised interest included in investment properties is £14.9m (2021: £14.5m). The change in fair value of investment properties is recognised in the consolidated income statement.

Investment properties include buildings with a carrying amount of £315m (2021: £271m) held under leases with a carrying amount of £31.0m (2021: £26.3m). Investment property lease commitment details are shown in note 17.

Two properties were reclassified as held for sale at year end and have been classified as current assets. One of these properties has exchanged for sale and the other has agreed terms with a buyer, both are likely to complete within the next 12 months. The value they have been transferred at is their year end valuation per CBRE less costs for sale.

VALUATION

The Group's investment properties are held at fair value and were revalued at 31 March 2022 by the external valuer, CBRE Limited, a firm of independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Global Standards at this balance sheet date. All the properties are revalued at period end regardless of the date of acquisition. In line with IFRS 13, all investment properties are valued on the basis of their highest and best use. For like-for-like properties their current use equates to the highest and best use. For properties undergoing refurbishment or redevelopment, most of these are currently being used for business accommodation in their current state. However, the valuation is based on the current valuation at the balance sheet date including the impact of the potential refurbishment and redevelopment as this represents the highest and best use.

The Executive Committee and the Board both conduct a detailed review of each property valuation to review appropriate assumptions have been applied. Meetings are held with the valuers to review and challenge the valuations, to confirm that they have considered all relevant information, and rigorous reviews are performed to check that valuations are sensible. In the prior year, they discussed the impact on the valuation of the Covid-19 rent reductions. They are satisfied with the valuer's conclusions.

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 and market comparatives whilst also considering the occupancy and timing of rent reviews at each property. Although occupancy and rent review timings are known, and there is market evidence for transaction prices for similar properties, there is still a significant element of estimation and judgement in estimating ERVs. 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:

	2022 £m	2021 £m
Total per CBRE valuation report	**2,402.2**	2,324.2
Deferred consideration on sale of property	**(0.6)**	(0.6)
Head leases treated as leases under IFRS 16	**31.0**	26.3
Less: Reclassified as assets held for sale	**(65.9)**	–
Total investment properties per balance sheet	**2,366.7**	2,349.9

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

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

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

The following table summarises the valuation techniques and inputs used in the determination of the property valuation for 31 March 2022.

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	1,865.1	A	£20-£66	£42	4.1%-7.3%	5.5%
Completed projects	185.6	A	£21-£44	£28	4.9%-6.4%	5.6%
Refurbishments	161.3	A/B	£18-34	£25	3.6%-6.4%	5.3%
Redevelopments	35.3	A/B	£13-25	£16	4.5%-6.5%	6.0%
Acquisitions	88.4	A	£33-£53	£40	4.9%-5.8%	5.4%
Head leases	31.0	n/a	–	–	–	–
Total	**2,366.7**					

A = Income capitalisation method.
B = Residual value method.

A key unobservable input for redevelopments at planning stage and refurbishments is developer's profit. The range is 13%–19% with a weighted average of 14%.

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £213–£280 per sq. ft. and a weighted average of £250 per sq. ft.

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

Sensitivity analysis:
A +/- 10% movement in ERVs or a +/- 25 basis points movement in yields would result in the following increase/decrease in the valuation.

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+186/-186	-82/+90
Completed projects	+19/-19	-8/+9
Refurbishments	+17/-17	-8/+9
Redevelopments	+4/-4	-1/+1
Acquisitions	+9/–9	–4/+4

The following table summarises the valuation techniques and inputs used in the determination of the property valuation at 31 March 2021.

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	1,790.5	A	£12-£68	£42	4.5%-7.4%	5.8%
Completed projects	180.7	A	£19-£48	£31	4.5%-6.5%	5.7%
Refurbishments	255.7	A/B	£20-£70	£36	3.85-6.6%	5.1%
Redevelopments	96.7	A/B	£14-£33	£20	3.9%-6.7%	5.3%
Head leases	26.3	n/a	–	–	–	–
Total	2,349.9					

A = Income capitalisation method.
B = Residual value method.

A key unobservable input for redevelopments at planning stage and refurbishments is developer's profit. The range is 14%–19% with a weighted average of 16%.

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £213–£242 per sq. ft. and a weighted average of £232 per sq. ft.

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

Sensitivity analysis:
A +/- 10% movement in ERVs or a +/- 25 basis points movement in yields would result in the following increase/decrease in the valuation.

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+179/–179	–74/+81
Completed projects	+18/–18	–8/+8
Refurbishments	+28/–28	–16/+17
Redevelopments	+9/–7	–3/+5

11. PROPERTY, PLANT AND EQUIPMENT

Cost or valuation	Equipment and fixtures £m
1 April 2020	11.0
Additions during the year	1.2
Disposals during the year	(1.6)
Balance at 31 March 2021	10.6
Additions during the year	0.7
Disposals during the year	(1.8)
Balance at 31 March 2022	**9.5**

Accumulated depreciation	
1 April 2020	6.2
Charge for the year	2.0
Disposals during the year	(1.6)
Balance at 31 March 2021	6.6
Charge for the year	1.8
Disposals during the year	(1.8)
Balance at 31 March 2022	**6.6**

Net book amount at 31 March 2022	**2.9**
Net book amount at 31 March 2021	4.0

12. OTHER INVESTMENTS

The Group holds the following investments:

	2022 £m	2021 £m
2.8% of share capital of Wavenet Limited (2021: 0%)	**1.7**	–
0% of share capital of Excell Holdings Limited (2021: 15%)	**–**	7.9
	1.7	7.9

Within the year, Wavenet Limited purchased the entire share capital in Excell Holdings Limited. As a result, the group received cash of £6.2m and acquired 2.8% of share capital in Wavenet Limited.

In accordance with IFRS 9 the shares in Wavenet Limited have been valued at fair value, resulting in no movement in the financial year (2021: no movement in Excell Holdings Limited), recognised in the consolidated statement of comprehensive income.

In addition, included within other income (note 3(b)) is £0.6m for the sale of investment in Lovespace Ltd which was previously written off.

13. TRADE AND OTHER RECEIVABLES

Current trade and other receivables	**2022 £m**	2021 £m
Trade receivables	**11.9**	16.0
Less provision for impairment of receivables	**(5.2)**	(4.6)
Trade receivables – net	**6.7**	11.4
Prepayments, other receivables and accrued income	**16.2**	12.8
Deferred consideration on sale of investment properties	**0.6**	5.1
	23.5	29.3

RECEIVABLES AT FAIR VALUE

Included within deferred consideration on sale of investment properties is £0.6m (2021: £0.6m) of overage which is held at fair value through profit and loss. In the current year, as the amounts receivable are expected within the following 12 months they have been classified as current receivables.

The deferred consideration arising on the sale of investment properties relates to cash and overage. The overage has been fair valued by CBRE Limited 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, including both current and non-current elements, was £nil (31 March 2021: loss of £0.2m) (note 3(c)).

	2022 £m	2021 £m
Deferred consideration on sale of investment properties:		
Balance at 1 April	**5.1**	5.3
Cash received	**(4.5)**	–
Change in fair value	**–**	(0.2)
Balance at 31 March	**0.6**	5.1

RECEIVABLES AT AMORTISED COST

The remaining receivables are held at amortised cost. There is no material difference between the above amounts and their fair values due to the short-term nature of the receivables. Trade receivables are impaired when there is evidence that the amounts may not be collectable under the original terms of the receivable. All the Group's trade and other receivables are denominated in Sterling.

Movements on the provision for impairment of trade receivables are shown below:

	2022 £m	2021 £m
Balance at 1 April	**4.6**	1.1
Increase in provision for impairment of trade receivables	**1.5**	4.3
Receivables written off during the year	**(0.9)**	(0.8)
Balance at 31 March	**5.2**	4.6

14. CASH AND CASH EQUIVALENTS

	2022 £m	2021 £m
Cash at bank and in hand	**42.3**	183.6
Restricted cash – tenants' deposit deeds	**6.7**	7.4
	49.0	191.0

Tenants' deposit deeds represent returnable cash security deposits received from tenants and are held in ring-fenced bank accounts in accordance with the terms of the individual lease contracts.

15. TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Trade payables	**13.2**	10.4
Other tax and social security payable	**3.8**	3.6
Tenants' deposit deeds (note 14)	**6.7**	7.4
Tenants' deposits	**26.5**	20.7
Accrued expenses	**27.4**	43.4
Deferred income – rent and service charges	**8.2**	9.5
	85.8	95.0

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

16. BORROWINGS
(A) BALANCES

	2022 £m	2021 £m
Current		
5.6% Senior US Dollar Notes 2023 (unsecured)	**–**	72.6
5.53% Senior Notes 2023 (unsecured)	**–**	84.0
Non-current		
Bank loans (unsecured)	**(2.1)**	(0.8)
3.07% Senior Notes (unsecured)	**79.9**	79.8
3.19% Senior Notes (unsecured)	**119.8**	119.7
3.6% Senior Notes (unsecured)	**99.8**	99.8
Green Bond (unsecured)	**298.1**	297.7
	595.5	752.8

In March 2021, the Group issued a Green Bond of £300m. At year end, the bank loan facilities were undrawn, there are unamortised finance costs of £2.1m (2021: £0.8m) included within borrowings.

(B) NET DEBT

	2022 £m	2021 £m
Borrowings per (a) above	**595.5**	752.8
Adjust for:		
Cost of raising finance	**4.5**	3.8
Foreign exchange differences	**–**	(8.1)
	600.0	748.5
Cash at bank and in hand (note 14)	**(42.3)**	(183.6)
Net debt	**557.7**	564.9

At 31 March 2022, the Group had £400m (2021: £250m) of undrawn bank facilities, a £2m overdraft facility (2021: £2m) and £42.3m of unrestricted cash (2021: £183.6m).

Net debt represents borrowing facilities drawn, less cash at bank and in hand. It excludes impacts of foreign exchange differences as these are fixed via swaps, lease obligations and any cost of raising finance as they have no future cash flows.

(C) MATURITY

	2022 £m	2021 £m
Repayable within one year	**–**	148.5
Repayable between three years and four years	**80.0**	–
Repayable between four years and five years	**80.0**	80.0
Repayable in five years or more	**440.0**	520.0
	600.0	748.5
Cost of raising finance	**(4.5)**	(3.8)
Foreign exchange differences	**–**	8.1
	595.5	752.8

(D) INTEREST RATE AND REPAYMENT PROFILE

	Principal at period end £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	–	Base+2.25%	Variable	On demand
Non-current				
Private Placement Notes:				
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
Bank Loan	–	SONIA + 1.65%[2]	Monthly	December 2024
Bank Loan	–	SONIA + 1.75%[1]	Monthly	September 2023
Green Bond	300.0	2.25%	Half yearly	March 2028
	600.0			

1. This is an average over the life of the debt. This ranges from SONIA + 1.5% – 2.15% based on the remaining life of the loan.
2. There are 3 ESG linked metrics which can fluctuate the interest by up to 4.5 BPS.

(E) DERIVATIVE FINANCIAL INSTRUMENTS

The Group had cross currency swaps to ensure the US Dollar liability streams generated from the US Dollar Notes were fully hedged into Sterling for the life of the transaction. Through entering into cross currency swaps the Group created a synthetic Sterling fixed rate liability totalling £64.5m at 31 March 2021.

These swaps were designated as a cash flow hedge with changes in fair value dealt with in other comprehensive income. The Group previously elected to continue applying hedge accounting as set out in IAS 39 to these swaps as permitted by IFRS 9. The cash flow hedge was terminated during the year ended 31 March 2022 in line with the repayment of the US Dollar Notes in April 2021 and therefore there is nil notional amount at this date.

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 hedged instrument.

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

	2022	2021
Carrying amount of derivative (£m)	**–**	8.7
Change in fair value of designated hedging instrument (£m)	**–**	(9.8)
Change in fair value of designated hedged item (£m)	**–**	8.6
Notional amount (£m)	**–**	64.5
Notional amount ($m)	**–**	100
Rate payable (%)	**–**	5.66%
Maturity	**–**	June 2023
Hedge ratio	**–**	1:1

The cash flow hedge was terminated in line with the repayment of the US Dollar Notes.

(F) FINANCIAL INSTRUMENTS AND FAIR VALUES

	2022 Book value £m	2022 Fair value £m	2021 Book value £m	2021 Fair value £m
Financial liabilities held at amortised cost				
Bank loans	**(2.1)**	**(2.1)**	(0.8)	(0.8)
Private Placement Notes	**299.5**	**301.8**	455.9	478.1
Lease obligations	**31.0**	**31.0**	26.3	26.3
Green Bond	**298.1**	**282.8**	297.7	297.7
	626.5	**613.5**	779.1	801.3
Financial assets at fair value through other comprehensive income				
Derivative financial instruments:				
Cash flow hedge – derivatives used for hedging	**–**	**–**	8.7	8.7
Other investments	**1.7**	**1.7**	7.9	7.9
	1.7	**1.7**	16.6	16.6
Financial assets at fair value through profit or loss				
Deferred consideration (overage)	**0.6**	**0.6**	5.1	5.1
	0.6	**0.6**	5.1	5.1

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 in note 10.

(G) FINANCIAL INSTRUMENTS BY CATEGORY

Assets	2022 £m	2021 £m
a) Assets at fair value through profit or loss		
Deferred consideration (overage)	**0.6**	5.1
	0.6	5.1
b) Loans and receivables		
Cash and cash equivalents	**49.0**	191.0
Trade and other receivables excluding prepayments[1]	**8.4**	14.5
	57.4	205.5
c) Assets at value through other comprehensive income		
Cash flow hedge – derivatives used for hedging	**–**	8.7
Other investments	**1.9**	7.9
	1.9	16.6
Total	**59.9**	227.2

Liabilities	2022 £m	2021 £m
Other financial liabilities at amortised cost		
Borrowings	**595.5**	752.8
Lease liabilities	**31.0**	26.3
Trade and other payables excluding non-financial liabilities[2]	**73.8**	81.9
	700.3	861.0

1. Trade and other receivables exclude prepayments of £14.5m (2021: £9.7m) and non-cash deferred consideration of £0.6m (2021: £5.1m).
2. Trade and other payables exclude other tax and social security of £3.8m (2021: £3.6m), corporation tax of £nil (2021: £nil) and deferred income of £8.2m (2021: £9.5m).

(H) CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	Bank loans and borrowings £m	Lease liabilities £m	Derivatives used for hedging-assets £m
Balance at 1 April 2020	626.2	28.2	18.5
Changes from financing cash flows:			
Proceeds from bank borrowings and Private Placement Notes	54.0	–	–
Repayment of bank borrowings and Private Placement Notes	(217.0)	–	–
Proceeds from Green Bond	299.5	–	–
Total changes from cash flows	136.5	–	–
Changes in fair value of derivative financial instruments	–	–	(9.8)
Foreign exchange differences	(8.5)	–	–
Amortisation of issue costs of borrowing	(1.4)	–	–
Changes in leases	–	(1.9)	–
Interest payable	21.7	1.6	–
Interest paid	(21.7)	(1.6)	–
Total other changes	(9.9)	(1.9)	(9.8)
Balance at 31 March 2021	752.8	26.3	8.7

	Bank loans and borrowings £m	Lease liabilities £m	Derivatives used for hedging-assets £m
Balance at 1 April 2021	752.8	26.3	8.7
Changes from financing cash flows:			
Proceeds from bank borrowings	25.0	–	–
Repayment of bank borrowings and Private Placement Notes	(173.5)	–	–
Finance costs for new/amended borrowing facilities	(1.3)		
Repayment of derivatives	–	–	(0.7)
Total changes from cash flows	(149.8)	–	(0.7)
Changes in fair value of derivative financial instruments	–	–	–
Foreign exchange differences	(8.6)	–	(8.0)
Amortisation of issue costs of borrowing	1.1	–	–
Changes in leases	–	4.7	–
Interest payable	18.8	1.7	–
Interest paid	(18.8)	(1.7)	–
Total other changes	(7.5)	4.7	(8.0)
Balance at 31 March 2022	**595.5**	**31.0**	**–**

17. LEASE OBLIGATIONS

Lease liabilities are in respect of leased investment property.

Minimum lease payments under leases fall due as follows:

	2022 £m	2021 £m
Within one year	**1.9**	1.6
Between two and five years	**7.4**	6.6
Between five and fifteen years	**18.6**	16.4
Beyond fifteen years	**162.4**	132.0
	190.3	156.6
Future finance charges on leases	**(159.3)**	(130.3)

Present value of lease liabilities	**31.0**	26.3

Following the adoption of IFRS 16, lease obligations are shown separately on the face of the balance sheet. The balance represents a non-current liability as the payment shown within one year of £1.7m (2021: £1.6m) is offset by future finance charges on leases of £1.7m (2021: £1.6m). All lease obligations are long leaseholds, therefore, the majority of the obligations fall beyond fifteen years.

18. NOTES TO CASH FLOW STATEMENT

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

	2022 £m	2021 £m
Profit/ (loss) before tax	**124.0**	(235.7)
Depreciation	**1.8**	2.0
Amortisation of intangibles	**0.9**	0.9
(Profit)/ loss on disposal of investment properties	**(7.8)**	0.1
Other (income)/ expenses	**(0.6)**	0.2
Net (profit)/ loss from change in fair value of investment property	**(68.7)**	257.7
Equity-settled share based payments	**1.6**	2.5
Finance costs	**20.5**	23.8
Exceptional finance costs	**–**	16.4
Changes in working capital:		
Decrease/ (increase) in trade and other receivables	**1.4**	(4.4)
Increase/ (decrease) in trade and other payables	**7.4**	(1.1)
Cash generated from operations	**80.5**	62.4

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

	2022 £m	2021 £m
Cash at bank and in hand	**42.3**	183.6
Restricted cash – tenants' deposit deeds	**6.7**	7.4
	49.0	191.0

19. SHARE CAPITAL AND SHARE PREMIUM

	2022 £m	2021 £m
Issued: Fully paid ordinary shares of £1 each	**181.1**	181.1

Movements in share capital were as follows:	**2022 Number**	2021 Number
Number of shares at 1 April	**181,113,594**	180,747,868
Issue of shares	**11,665**	365,726
Number of shares at 31 March	**181,125,259**	181,113,594

The Group issued 11,665 shares (2021: 365,726 shares) during the year to satisfy the exercise of share options with net proceeds of £nil (2021: £0.1m).

	Share capital		Share premium	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Balance at 1 April	**181.1**	180.7	**295.4**	295.1
Issue of shares	**–**	0.4	**0.1**	0.3
Balance at 31 March	**181.1**	181.1	**295.5**	295.4

20. OTHER RESERVES

	Other investment reserve £m	Equity-settled share based payments £m	Merger reserve £m	Hedging reserve £m	Total £m
Balance at 1 April 2020	2.1	20.2	8.7	1.2	32.2
Share based payments	–	2.5	–	–	2.5
Issue of shares	–	(0.4)	–	–	(0.4)
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	–	(1.2)	(1.2)
Balance at 31 March 2021	2.1	22.3	8.7	–	33.1
Share based payments	–	1.6	–	–	1.6
Issue of shares	–	–	–	–	–
Recycled to retained earnings	(2.1)	–	–	–	(2.1)
Balance at 31 March 2022	**–**	**23.9**	**8.7**	**–**	**32.6**

The Group sold its investment in Excell Holdings Limited realising a gain recognised in previous periods which has been recycled to retained earnings.

21. CAPITAL COMMITMENTS

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

	2022 £m	2021 £m
Investment property construction	**4.6**	4.2

For both current and prior period, there were no material obligations for the repair or maintenance of investment properties. All material contacts for enhancement are included in the capital commitments.

22. POST BALANCE SHEET EVENTS

On 6 May 2022 the Group completed on the acquisition of McKay Securities PLC for £258.1m, adding 31 properties to the portfolio across London and the South East with a value of £491.7m as valued by Knight Frank at 31 March 2022. The Group have considered the IFRS 3 framework and have concluded this is an asset acquisition for accounting purposes.

23. RESPONSIBILITY STATEMENT

The 2022 Annual Report, which will be issued on 20 June 2022, contains a responsibility statement which states that on 7 June 2021, the date of approval of the Annual Report, the Directors confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with UK adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group.
- The Business Review contained within the Annual Report, includes as fair review of the developments and performance of the business, and the position of the Group, with a description of the principle risks and uncertainties that the Group faces included in a separate section.
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.