HALF YEAR RESULTS

14 November 2018

WORKSPACE GROUP PLC
INTERIM RESULTS

WORKSPACE GROUP PLC

STRONG PERFORMANCE DRIVEN BY CUSTOMER DEMAND

20% INCREASE IN INTERIM DIVIDEND

Workspace Group PLC ("Workspace") is pleased to announce results for the six months ended 30 September 2018. The comments in this announcement refer to the period from 1 April 2018 to 30 September 2018 ("the period") unless otherwise stated.

Financial highlights

- Strong growth in net rental income, up 17% year on year to £54.1m, resulting in 20% growth in adjusted trading profit after interest to £35.4m
- Reported profit before tax of £101.6m (September 2017: £123.7m), with growth in trading profit offset by a lower increase in property valuation and reduced disposal profits
- Underlying increase of 2.6% (£62m) in the property valuation (September 2017: £72m)
- EPRA net asset value per share up 3.7% to £10.75
- 9.96% equity placing completed in June 2018, raising gross proceeds of £179m
- Loan to value of 18% at 30 September 2018 increasing to 22% on a proforma basis following the acquisition of The Shepherds Building, Shepherd's Bush, in October 2018
- A 20% increase in the interim dividend to 10.61p reflecting the strong financial performance and positive outlook
- Workspace assigned a BBB (stable) rating by S&P

Operating performance in the period

- Total rent roll up 1.9% to £115.0m (31 March 2018: £112.9m)
- Like-for-like rent roll up 2.7% to £76.8m (31 March 2018: £74.8m)
- Like-for-like rent per sq. ft. up 2.8% to £38.88 and occupancy stable at 91.8% at 30 September 2018
- Good level of customer demand with enquiries averaging 1,020 per month (2017/18: 1,016 per month) and lettings averaging 92 per month (2017/18: 93 per month)

Strategic progress and business update in the period

- Two acquisitions completed for £89m, with a further £125m acquisition in October 2018
- Three small office buildings sold for £52m, 23% above the book value at 31 March 2018
- One mixed-use redevelopment exchanged for sale for £15m in cash and the return of a new 39,000 sq. ft. business centre
- Three refurbishments completed and two new buildings received back from our redevelopment projects
- Expect to complete a further five projects in the second half of the year

Commenting on the results, Jamie Hopkins, Chief Executive Officer said:

"We have been extremely active across our portfolio during the first half of the year and I am encouraged by the good like-for-like performance, alongside delivery of our project pipeline and the acquisition and integration of some exciting new properties.

"The new and upgraded business centres that we have launched over the last six months are already letting up well and, with a healthy pipeline of further refurbishment and redevelopment projects underway, we are confident that our product is meeting the ongoing customer demand for high quality space.

"Despite the uncertain political and economic environment, we believe that we have the right strategy – owning and actively managing our assets alongside building direct relationships with customers – and a strong balance sheet to take advantage of opportunities and deliver value for shareholders. The 20% increase in the interim dividend we've announced today is a reflection of the strong growth in trading profit and our outlook for the future."

Summary results

	September 2018	September 2017	Change
Financial performance			
Net rental income	**£54.1m**	£46.1m	+17%
Profit before tax	**£101.6m**	£123.7m	-18%
Adjusted trading profit after interest(1)	**£35.4m**	£29.4m	+20%
Interim dividend per share	**10.61p**	8.84p	+20%

	September 2018	March 2018	Change
Property valuation			
CBRE property valuation(2)	**£2,435m**	£2,280m	+2.6%**
Like-for-like capital value per sq. ft.	**£592**	£573	+3.3%
Like-for-like initial yield	**5.3%**	5.4%	-0.1%*
Like-for-like equivalent yield	**6.3%**	6.5%	-0.2%*
EPRA net asset value per share(1)	**£10.75**	£10.37	+3.7%
Financing			
Loan to value	**18%**	23%	-5%*
Undrawn bank facilities and cash	**£158m**	£148m	+£10m*

* absolute change

** underlying change which excludes capital expenditure, acquisitions and disposals

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

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

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

Definitions of other performance measures included in the results are consistent with those in the glossary contained in the Annual Report and Accounts for the year ended 31 March 2018.

For media and investor enquiries, please contact:

Workspace Group PLC 020 7138 3300
Clare Marland, Head of Corporate Communications

Edelman 020 3047 2546
John Kiely
Rob Yates

Notes to Editors

About Workspace Group PLC:

Workspace is focused on helping businesses perform at their very best. The Workspace Advantage is our unique customer offer and is open to all – we provide inspiring, flexible work spaces with super-fast technology in dynamic London locations. Established in 1987, and listed on the London Stock Exchange since 1993, Workspace owns and manages 3.8 million sq. ft. of business space across 64 London properties which it lets directly to customers. We are home to thousands of businesses including some of the fastest growing and established brands across a wide range of sectors.

The way businesses work is changing. That's why we continually invest in providing the technology infrastructure that enables our customers to think and move fast, and alongside their working environment, is tailored to each individual business.

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

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

Details of results presentation

There will be a results presentation to analysts and investors hosted by the Workspace Executive Team on Wednesday 14 November 2018 at 8.15am. The venue for the presentation is Bank of America Merrill Lynch, 2 King Edward Street, London, EC1A 1HQ. There is also a webcast and conference call facility in conjunction with the presentation.

Webcast: The live webcast will be available here
https://secure.emincote.com/client/workspace/workspace010

Conference call details:
Dial in: +44 20 3059 5868

BUSINESS REVIEW

ENQUIRIES AND LETTINGS

We have seen good demand for our space with enquiries averaging 1,020 per month (FY 2017/18: 1,016), and lettings averaging 92 per month (FY 2017/18: 93). These levels of enquiries and lettings have continued into the second half of the financial year with 1,055 enquiries and 108 lettings in October 2018.

	Quarter Ended				
Average number per month	**30 Sept 2018**	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sept 2017
Enquiries	**1,019**	1,021	1,111	858	1,039
Lettings	**97**	88	92	86	97

RENT ROLL

Total rent roll, representing the annualised net rental income at a given date, was up 1.9% (£2.1m) in the six months to September 2018 to £115.0m:

Rent Roll	£m
At 31 March 2018	112.9
Like-for-like Portfolio	2.0
Completed Projects	2.5
Refurbishment and Redevelopment Projects	(1.2)
Recent Acquisitions	1.6
Disposals	(2.2)
Other	(0.6)
At 30 September 2018	**115.0**

The total estimated rental value (ERV) of the portfolio, comprising the ERV of the like-for-like portfolio, completed projects, properties acquired and those currently undergoing refurbishment or redevelopment (but only including properties at the design stage at their current rent roll and occupancy) is £168.1m. Assuming a 90% occupancy level at these properties, this equates to a rent roll of £152.3m, £37.3m higher than the current rent roll.

<u>Like-for-like Portfolio</u>

The like-for-like portfolio represents 67% of the total rent roll as at 30 September 2018. It comprises properties with stabilised occupancy and excludes buildings impacted by significant refurbishment or redevelopment activity. Like-for-like trends reported for previous financial years are not restated for the property transfers made in the current financial year.

The like-for-like rent roll has increased by 2.7% (£2.0m) in the six months to £76.8m. Like-for-like rent per sq. ft. is up 2.8% in the six months to £38.88 whilst like-for-like occupancy is stable at 91.8%.

	Six months Ended			
Like-for-like properties	**30 Sept 2018**	31 Mar 2018	30 Sept 2017	31 Mar 2017
Rent roll growth	**2.7%**	4.3%	4.1%	6.2%
Occupancy movement	**(0.2)%**	(0.7)%	1.5%	(0.3%)
Rent per sq. ft. growth	**2.8%**	4.8%	2.7%	6.7%

If all the like-for-like properties were at 90% occupancy at the CBRE estimated rental values at 30 September 2018, the rent roll would be £85.0m, £8.2m higher than the actual cash rent roll at 30 September 2018.

Completed Projects

During the first half of the year we completed five projects delivering 256,000 sq. ft. of new and upgraded space as detailed below:

Building	**Project**	**Opened**	**Latest Occupancy***
China Works, Vauxhall	Upgrade	June 2018	83%
Fuel Tank, Deptford	New building	June 2018	52%
Cocoa Studios, Bermondsey	New building	June 2018	60%
The Frames, Shoreditch	New building	September 2018	27%
Edinburgh House, Vauxhall	New building	September 2018	13%

***** *As at 9 November 2018*

Lettings have been strong at each of these buildings to date with overall pricing in line with expectations.

There are now a total of ten projects in the completed projects category with rent roll increasing by £2.5m in the period to £16.5m, and overall occupancy at 30 September 2018 at 66%.

If the ten buildings were all at 90% occupancy at the CBRE estimated rental values at 30 September 2018, the rent roll would be £25.4m, £8.9m higher than the 30 September 2018 cash rent roll.

Projects Underway – Refurbishments

We are currently underway on ten refurbishment projects that will deliver 464,000 sq. ft. of new and upgraded space. As at 30 September 2018, rent roll was £4.8m, down £0.5m in the six months. We expect to complete five of these refurbishments in the second half of the year delivering 203,000 sq. ft. of new and upgraded space.

The short-term reduction in rent roll at these refurbishments will be replaced in due course by a significant uplift in rent as they complete and the new and upgraded space is let. Assuming 90% occupancy at the CBRE estimated rental values at 30 September 2018, the rent roll at these ten buildings once they are completed and successfully let would be £18.5m, an uplift of £13.7m.

Projects Underway – Redevelopments

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

Assuming 90% occupancy at the CBRE estimated rental values at 30 September 2018, the rent roll at the three new business centres we will receive back would be £2.1m, an uplift of £1.9m.

Projects at Design Stage

There are a number of properties at the design stage where we are planning a refurbishment or redevelopment that has not yet commenced. This is due to a combination of receiving the necessary planning consents and obtaining vacant possession. The rent roll at these properties at 30 September 2018 was £10.3m, down £0.6m in the half year.

Recent Acquisitions

The acquisition of Centro 1 & 2 in April 2018 was the second stage of the purchase of the Centro Buildings in Camden. These buildings will be progressively reconfigured as a Workspace business centre location.

Long Lane, a building adjacent to our Leather Market business centre, was acquired in shell condition in August 2018. We expect to complete the fit-out in early 2019.

		At 30 September 2018		
	Acquired	Lettable Area	Rent Roll	Occupancy
Centro Buildings	February / April 2018	214,000 sq. ft.	£6.5m	87.6%
Long Lane	August 2018	29,000 sq. ft.	-	-

If the two properties in this category were at 90% occupancy at the CBRE estimated rental values at 30 September 2018, the rent roll would be £11.0m, an uplift of £4.5m.

Disposals

We completed the sale of a portfolio of three small office buildings in September 2018 for £51.9m resulting in a reduction of £2.2m in rent roll.

PROFIT PERFORMANCE

Adjusted trading profit after interest for the half year is £35.4m, up 20% compared to the prior half year.

£m	**30 Sept 2018**	30 Sept 2017
Net rental income	**54.1**	46.1
Administrative expenses - underlying	**(7.3)**	(6.9)
Administrative expenses – share related	**(1.1)**	(1.1)
Net finance costs	**(10.3)**	(8.7)
Adjusted trading profit after interest	**35.4**	29.4

Net rental income increased by 17% (£8.0m) year on year to £54.1m as detailed below:

£m	**30 Sept 2018**	30 Sept 2017
Like-for-like properties	**31.6**	29.0
Completed projects	**7.0**	5.3
Projects underway	**2.6**	3.3
Projects at design stage	**2.0**	2.0
Acquisitions (see note)	**10.1**	4.6
Disposals	**0.8**	1.9
Total net rental income	**54.1**	46.1

Note: For rent roll reporting two acquisitions (Fitzroy Street and Alexandra House, 30 September 2018 net rental income: £2.8m) have been transferred into the projects at design stage and one acquisition (Salisbury House, 30 September 2018 net rental income: £4.3m) has been transferred into the like-for-like category but have been included within the acquisition category for prior year comparison in the table above.

Total administration costs are up 5% year on year to £8.4m, with underlying costs (excluding share based costs) up 6% (£0.4m) to £7.3m. The underlying cost increase of £0.4m is due to an increase of four in average headcount year on year, alongside inflationary cost increases.

Net finance costs increased by 18% (£1.6m) year on year. The average net debt balance over the period was £105m higher than in the first six months of the prior year, whilst the average interest rate has reduced from 4.3% to 3.8%. This interest rate includes the commitment fee on the undrawn revolver facility. The marginal cost of the undrawn revolver facility is 1.5% over LIBOR.

Profit before tax for the period has reduced by £22.1m year on year to £101.6m as detailed below:

£m	**30 Sept 2018**	30 Sept 2017
Adjusted trading profit after interest	**35.4**	29.4
Change in fair value of investment properties	**60.6**	71.2
Profit on sale of investment properties	**8.5**	22.9
Exceptional finance costs	**(3.1)**	-
Other items	**0.2**	0.2
Profit before tax	**101.6**	123.7
Adjusted underlying earnings per share	**20.2p**	17.9p

- The change in fair value of investment properties of £60.6m reflects the underlying increase in the CBRE valuation in the period of £62m, reduced by acquisition costs of £1m, and the change in fair value of overage which is reclassified in the financial statements as deferred consideration.

- The profit on sale of investment properties of £8.5m relates to the portfolio sale in September 2018.

- The exceptional finance cost of £3.1m relates to the cost of the early redemption in September 2018 of our 6% fixed rate retail bonds.

- Adjusted underlying earnings per share, which we consider is the most appropriate metric on which to base our dividend policy, is up 13.0% to 20.2p. This is lower than the growth of 20% in adjusted trading profit after interest due to the 6% increase in average number of shares year on year following the share placing in June 2018.

DIVIDEND

Our dividend policy is based on the growth in annual adjusted trading profit after interest, taking into account our investment and acquisition plans and the distribution requirements that we have as a REIT. To satisfy the REIT distribution requirement, our intention is to grow the dividend on a covered trading profit basis with a minimum dividend cover of 1.2 times adjusted underlying earnings per share (previously 1.3 times cover).

An interim dividend of 10.61p (2017: 8.84p) will be paid on 6 February 2019 to shareholders on the register at 11 January 2019. The 20% increase in the interim dividend reflects the strong financial performance and Board’s confidence in the outlook for the Company. The dividend will be paid as a Property Income Distribution.

PROPERTY VALUATION

At 30 September 2018, the wholly owned portfolio was independently valued by CBRE at £2,435m, an underlying increase of 2.6% (£62m) in the six months. The main movements in the valuation over the six months are set out below:

	£m
Valuation at 31 March 2018	2,280
Revaluation uplift	62
Capital expenditure	52
Acquisitions	89
Acquisition costs	(1)
Disposals	(43)
Capital receipts	(4)
Valuation at 30 September 2018	**2,435**

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

£m	Valuation	Uplift
Like-for-like Properties	1,274	35
Completed Projects	420	18
Refurbishments	378	4
Redevelopments	158	(2)
Acquisitions	205	7
Total	**2,435**	**62**

Like-for-like Properties

There was a 2.8% (£35m) increase in the valuation of like-for-like properties to £1,274m, comprising an increase in ERV per sq. ft. of 0.3% equating to an uplift in value of some £4m and a 0.2% reduction in equivalent yield equating to an increase in value of some £31m.

	30 Sept 2018	31 March 2018	Change
ERV per sq. ft.	**£43.91**	£43.78	+0.3%
Rent per sq. ft.	**£38.88**	£37.82	+2.8%
Equivalent Yield	**6.3%**	6.5%	(0.2%)
Net Initial Yield	**5.3%**	5.4%	(0.1%)
Capital Value per sq. ft.	**£592**	£573	+3.3%

Note: Like-for-like comparatives at 31 March 2018 have been restated for changes in this portfolio in the six months to 30 September 2018, as defined in the Property Statistics table.

Completed Projects

The uplift of 4.5% (£18m) in value of the ten completed projects to £420m reflects the successful lettings progress made at the properties opened in the period. The most significant uplifts in the six months being £14m at The Frames, Shoreditch and £3m at China Works, Vauxhall. The overall valuation metrics for completed projects are set out below:

	30 Sept 2018
ERV per sq. ft.	**£48.07**
Rent per sq. ft.	**£42.76**
Equivalent Yield	**5.8%**
Net Initial Yield	**3.5%**
Capital Value per sq. ft.	**£716**

Current Refurbishments

We have seen an uplift of £4m in the value of current refurbishments to £378m with a £3m uplift at Vox Studios, Vauxhall, where the refurbished West Block is due to open shortly.

Current Redevelopments

There is a reduction of £2m in the value of current redevelopment projects to £158m. This includes a £3m reduction in the value of the mixed-use redevelopment at Poplar Business Park due to a longer than expected timescale to achieve vacant possession for the second and third phases.

Acquisitions

There was an uplift of £7m in the value of recent acquisitions to £205m with a £5m uplift in value of the offices acquired on Long Lane, near London Bridge.

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

- In August 2018, we completed the acquisition of the commercial component of a mixed-use redevelopment scheme on Long Lane, adjacent to our Leather Market business centre, for £11.5m which we had contracted to purchase in July 2016. This will provide 29,000 sq. ft. of net lettable space.

- In October 2018, we acquired The Shepherds Building, Shepherd's Bush, for £125m. It provides 150,000 sq. ft. of net lettable space and was acquired at a capital value of £835 per sq. ft. and a net initial yield of 4.8%.

Disposals

We completed the sale of a portfolio of three small office properties in September 2018, for £52m at a 23% premium to the book value at 31 March 2018.

REFURBISHMENT ACTIVITY

We continue to make good progress on our pipeline of refurbishment projects. In June 2018, we completed the refurbishment of China Works, Vauxhall, a historic building, now upgraded with state-of-the-art facilities and customer amenities. In September 2018 we opened two new business centres, The Frames in Shoreditch and Edinburgh House in Vauxhall.

A summary of the status of the refurbishment pipeline at 30 September 2018 is set out below:

Projects	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	10	£55m	£48m	464,000
Design stage	5	–	£50m	159,000
Design stage (without planning)	3	–	£81m	303,000

- Of the ten refurbishment projects underway, we are currently on site at nine with completion expected at five during the second half of the financial year.

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

- In June 2018, we received planning permission for a new five-storey building, providing 23,000 sq. ft. of net lettable space at Greville Street, Farringdon, close to the new Crossrail station.

- In June 2018, we received planning consent for 27,000 sq. ft. of additional commercial space at The Biscuit Factory, Bermondsey.

- In November 2018, we received planning consent for a major refurbishment and extension at Leroy House, Islington delivering 61,000 sq. ft. of net lettable space at an estimated cost of £15m.

REDEVELOPMENT ACTIVITY

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

- In June 2018, we received back two new buildings from our redevelopment activity. Cocoa Studios at The Biscuit Factory, Bermondsey, and The Fuel Tank, Deptford.

- In July 2018, we exchanged contracts for the redevelopment of Marshgate, adjacent to the Olympic Park in Stratford. The redevelopment, comprising 200 residential units, has been exchanged for sale for £15m in cash and the return of a new 39,000 sq. ft. business centre.

A summary of the status of the redevelopment pipeline at 30 September 2018 is set out below:

	No. of properties	Residential units	Cash received	Cash/ overage to come	New commercial space (sq. ft.)
Underway	5	687	£43m	£24m	96,000
Design stage	3	666	–	–	103,000
Design stage (without planning)	2	463	–	–	169,000

- The sale of the residential schemes at the five redevelopment schemes underway is expected to deliver £67m in cash (of which £43m has already been received) and three new commercial buildings.

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

CASH FLOW

The Group generates strong operating cash flows in line with trading profit, with good levels of cash collection. Bad debts remain low in the period at £0.2m (September 2017: £0.1m). A summary of the movements in cash flow are set out below:

£m	**30 Sept 2018**	30 Sept 2017
Net cash from operations after interest	**24**	33
Dividends paid	**(32)**	(22)
Capital expenditure	**(49)**	(35)
Purchase of investment properties	**(100)**	(256)
Property disposals	**52**	80
Capital receipts	**4**	23
Exceptional finance costs	**(3)**	-
Proceeds from share issue	**176**	-
Other	**(5)**	(3)
Net movement	**67**	(180)
Opening Net Debt (net of cash)	**(517)**	(242)
Closing Net Debt (net of cash)	**(450)**	(422)

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

FINANCING

The Group had £58m of cash and £507.5m of drawn debt at 30 September 2018 with £607.5m of committed facilities as detailed below:

	Drawn Amount	Facility	Maturity
Private Placement Notes	£357.5m	£357.5m	2020-2027
Bank facilities	£150.0m	£250.0m	2022
Total	**£507.5m**	**£607.5m**	

- All facilities are provided on an unsecured basis with an average maturity of 5.4 years (31 March 2018: 5.5 years).

- In September 2018, we exercised the option to redeem £57.5m of 6% fixed rate retail bonds, ahead of maturity in October 2019. The aggregate redemption price of the bonds was £60m, excluding accrued interest, a premium of £2.9m over the aggregate issue price of the bonds.

- The average interest cost of our fixed rate private placement notes is 4.2%. Our revolver bank facilities are currently provided at a floating rate of 1.65% over LIBOR.

- At 30 September 2018, 57% of our facilities are at fixed rates, representing 69% of our borrowings on a drawn basis.

- In June 2018, we successfully completed the placing of new ordinary shares representing approximately 9.96 per cent of our issued ordinary share capital prior to the placing. A total of approximately 16.3m new ordinary shares of 100 pence each were placed at a price of

£11.00 per placing share, a 6% premium to the March 2018 EPRA NAV, raising gross proceeds of £179m.

- At 30 September 2018, loan to value was 18% (31 March 2018: 23%) and interest cover (based on net rental income) was 5.3 times (31 March 2018: 5.1 times), providing good headroom on all facility covenants.

- Workspace has been assigned a BBB (stable) rating by S&P.

The loan to value increased to 22% on a proforma basis following the acquisition of The Shepherds Building, Shepherd's Bush in October 2018. Alongside the acquisition, an additional £100m 364-day revolver bank facility was put in place (on the same terms as the existing bank revolver facility), which when combined with existing facilities provides £125m of facility headroom on a proforma basis. We intend to replace this short-term facility with longer-term funding in due course.

NET ASSETS

Net assets increased in the six months by £246m to £1,959m. EPRA net asset value per share at 30 September 2018 was up 3.7% to £10.75 (31 March 2018: £10.37). The calculation of EPRA net asset value per share is set out in note 8 of the financial statements.

EPRA Net Asset Value per share	£
At 31 March 2018	10.37
Property valuation surplus	0.33
Adjusted trading profit after interest	0.20
Dividends paid in period	(0.18)
Share placement	0.05
Profit on sale of investment properties	0.05
Exceptional finance costs	(0.02)
Other	(0.05)
At 30 September 2018	**10.75**

PROPERTY STATISTICS

	Half Year ended			
	30 Sept 2018	31 March 2018	30 Sept 2017	31 March 2017
Workspace Group Portfolio				
Property valuation	**£2,435m**	£2,280m	£2,139m	£1,844m
Number of properties	**64**	66	68	68
Lettable floorspace (million sq. ft.)	**3.8**	3.7	3.6	3.6
Number of lettable units	**4,777**	4,539	4,544	4,306
Rent roll of occupied units	**£115.0m**	£112.9m	£104.8m	£89.5m
Overall rent per sq. ft. (see note 3)	**£36.66**	£36.05	£33.80	£28.41
Overall occupancy (see note 3)	**82.4%**	85.5%	85.2%	87.0%
Like-for-like metrics (see notes 1 & 2)				
Like-for-like number of properties	**31**	33	34	35
Like-for-like lettable floor space (million sq. ft.)	**2.2**	2.0	2.1	2.3
Like-for-like rent roll growth	**2.7%**	4.3%	4.1%	6.2%
Like-for-like rent per sq. ft. growth	**2.8%**	4.8%	2.7%	6.7%
Like-for-like occupancy movement	**(0.2)%**	(0.7)%	1.5%	(0.3%)

Notes:

1) The like-for-like category has been restated in the current financial year for the following:
   - The transfer in of Grand Union Studios, Ladbroke Grove from completed projects
   - The transfer in of Salisbury House, Moorgate, from the acquisitions category
   - The disposal of Belgravia Studios, N19, The Ivories, N1 and Spectrum House, NW5
   - The transfer in of Bow Enterprise Park (Phase 1) from the redevelopment projects category
   - The transfer out of Wenlock Studios, Old Street, to the refurbishment projects category
   - The transfer out of Parma House, Wood Green, to the redevelopment projects category
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 SIX MONTHS ENDED 30 SEPTEMBER 2018

	Notes	**Unaudited 6 months ended 30 September 2018 £m**	Unaudited 6 months ended 30 September 2017 £m	Audited Year ended 31 March 2018 £m
Revenue	2	**71.9**	61.5	128.9
Direct costs	2	**(17.8)**	(15.4)	(33.3)
Net rental income	2	**54.1**	46.1	95.6
Administrative expenses		**(8.4)**	(8.0)	(16.1)
Trading profit		**45.7**	38.1	79.5
Profit on disposal of investment properties	3(a)	**8.5**	22.9	26.6
Other income	3(b)	**0.2**	0.2	0.6
Change in fair value of investment properties	9	**60.6**	71.2	82.5
Operating profit		**115.0**	132.4	189.2
Finance costs	4	**(10.3)**	(8.7)	(18.8)
Exceptional finance costs	4	**(3.1)**	-	–
Profit before tax		**101.6**	123.7	170.4
Taxation	5	**-**	-	1.0
Profit for the period after tax		**101.6**	123.7	171.4
Basic earnings per share	7	**58.4p**	75.7p	104.8p
Diluted earnings per share	7	**58.0p**	75.1p	104.0p

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Unaudited 6 months ended 30 September 2018 £m	Unaudited 6 months ended 30 September 2017 £m	Audited Year ended 31 March 2018 £m
Profit for the period	**101.6**	123.7	171.4
Other comprehensive income:			
Items that may be classified subsequently to profit or loss:			
Cash flow hedge- transfer to income statement	**5.7**	(4.0)	8.5
Cash flow hedge – change in fair value	**(5.5)**	4.6	(9.5)
Total comprehensive income for the period	**101.8**	124.3	170.4

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2018

	Notes	**Unaudited 30 September 2018 £m**	Audited 31 March 2018 £m	Unaudited 30 September 2017 £m
Non-current assets				
Investment properties	9	**2,430.2**	2,288.7	2,125.9
Intangible assets		**1.4**	1.4	0.8
Property, plant and equipment		**3.5**	2.9	3.0
Investment in joint ventures		**-**	0.1	0.3
Other investments		**3.2**	3.2	3.1
Trade and other receivables	10	**-**	–	3.4
Derivative financial instruments	13(e) & (f)	**8.2**	2.5	8.2
		2,446.5	2,298.8	2,144.7
Current assets				
Assets held for sale	9	**15.0**	–	25.6
Trade and other receivables	10	**37.9**	22.4	17.9
Cash and cash equivalents	11	**66.3**	18.0	21.7
		119.2	40.4	65.2
Total assets		**2,565.7**	2,339.2	2,209.9
Current liabilities				
Trade and other payables	12	**(73.8)**	(75.5)	(65.9)
Deferred tax		**-**	–	(0.9)
		(73.8)	(75.5)	(66.8)
Non-current liabilities				
Borrowings	13(a)	**(533.4)**	(550.8)	(463.2)
		(533.4)	(550.8)	(463.2)
Total liabilities		**(607.2)**	(626.3)	(530.0)
Net assets		**1,958.5**	1,712.9	1,679.9
Shareholders' equity				
Share capital		**180.4**	163.8	163.8
Share premium		**295.0**	135.3	135.3
Investment in own shares		**(9.3)**	(9.3)	(9.8)
Other reserves		**20.5**	19.4	20.0
Retained earnings		**1,471.9**	1,403.7	1,370.6
Total shareholders' equity		**1,958.5**	1,712.9	1,679.9
EPRA net asset value per share	8	**£10.75**	£10.37	£10.14

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

		Attributable to owners of the Parent					
Unaudited 6 months to 30 September 2018	Notes	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total Share-holders' equity £m
Balance at 1 April 2018		163.8	135.3	(9.3)	19.4	1,403.7	1,712.9
Profit for the period		-	-	-	-	101.6	101.6
Other comprehensive income		-	-	-	0.2	-	0.2
Total comprehensive income		-	-	-	0.2	101.6	101.8
Transactions with owners:							
Share issues	16	16.6	159.7	-	-	-	176.3
Dividends paid	6	-	-	-	-	(33.4)	(33.4)
Share based payments		-	-	-	0.9	-	0.9
Balance at 30 September 2018		**180.4**	**295.0**	**(9.3)**	**20.5**	**1,471.9**	**1,958.5**

Unaudited 6 months to 30 September 2017							
Balance at 1 April 2017		163.2	135.4	(8.9)	18.7	1,270.1	1,578.5
Profit for the period		-	-	-	-	123.7	123.7
Other comprehensive income		-	-	-	0.6	-	0.6
Total comprehensive income		-	-	-	0.6	123.7	124.3
Transactions with owners:							
Share issues	16	0.6	(0.1)	(0.9)	-	-	(0.4)
Dividends paid	6	-	-	-	-	(23.2)	(23.2)
Share based payments		-	-	-	0.7	-	0.7
Balance at 30 September 2017		**163.8**	**135.3**	**(9.8)**	**20.0**	**1,370.6**	**1,679.9**

Audited 12 months to 31 March 2018							
Balance at 1 April 2017		163.2	135.4	(8.9)	18.7	1,270.1	1,578.5
Profit for the year		-	-	-	-	171.4	171.4
Other comprehensive income		-	-	-	(1.0)	-	(1.0)
Total comprehensive income		-	-	-	(1.0)	171.4	170.4
Transactions with owners:							
Share issues	16	0.6	(0.1)	-	-	-	0.5
Own share purchase (net)		-	-	0.4	-	-	0.4
Dividends paid	6	-	-	-	-	(37.8)	(37.8)
Share based payments		-	-	-	1.7	-	1.7
Balance at 31 March 2018		**163.8**	**135.3**	**(9.3)**	**19.4**	**1,403.7**	**1,712.9**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 30 SEPTEMBER 2018

	Notes	**Unaudited 6 month ended 30 September 2018 £m**	Unaudited 6 months ended 30 September 2017 £m	Audited Year ended 31 March 2018 £m
Cash flows from operating activities				
Cash generated from operations	14	**37.1**	41.2	93.2
Interest paid		**(12.8)**	(8.2)	(18.8)
Tax paid		**-**	–	(0.2)
Net cash inflow from operating activities		**24.3**	33.0	74.2
Cash flows from investing activities				
Purchase of investment properties		**(99.5)**	(256.0)	(370.4)
Capital expenditure on investment properties		**(48.5)**	(34.6)	(73.8)
Proceeds from disposal of investment properties		**51.5**	93.3	128.1
Purchase of intangible assets		**(0.2)**	(0.1)	(1.1)
Purchase of property, plant and equipment		**(1.2)**	(0.7)	(1.0)
Other income (overage receipts)		**3.7**	9.4	8.7
Purchase of investments		**-**	–	(0.1)
Income distributions from joint ventures		**-**	–	0.2
Net cash outflow from investing activities		**(94.2)**	(188.7)	(309.4)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**176.3**	0.4	0.5
Settlement and re-couponing of derivative financial instruments		**(0.1)**	-	(0.1)
Own share purchase		**-**	(0.9)	(0.4)
Finance costs for new/amended borrowing facilities		**(0.1)**	(1.7)	(1.9)
Exceptional finance costs		**(2.9)**	-	-
Repayment of bank borrowings		**(233.5)**	(5.0)	(294.0)
Proceeds from bank borrowings		**210.0**	200.0	580.0
Dividends paid	6	**(31.5)**	(21.9)	(37.4)
Net cash inflow from financing activities		**118.2**	170.9	246.7
Net increase in cash and cash equivalents		**48.3**	15.2	11.5
Cash and cash equivalents at start of period	11	**18.0**	6.5	6.5
Cash and cash equivalents at end of period	11	**66.3**	21.7	18.0

1. The half year report has been prepared in accordance with the Disclosure and Transparency Rules and with IAS34 'Interim Financial Reporting' as adopted by the European Union. The half year report should be read in conjunction with the annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with IFRSs as adopted by the European Union.

   The condensed financial statements in the half year report are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Annual Report and Accounts for the year to 31 March 2018, which were prepared under IFRS as adopted by the European Union have been delivered to the Registrar of Companies. The auditor's opinion on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement made under Section 498 of the Companies Act 2006.

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

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

   This report was approved by the Board on 13 November 2018.

   The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2018, with the exception of the following:

   IFRS 9 Financial Instruments (effective 1 January 2018)

   This standard applies to classification and measurement of financial assets and liabilities, impairment provisioning and hedge accounting. The Group's assessment of IFRS 9 found that the main area of potential impact is impairment provisioning on trade receivables due to the requirements to use the expected credit loss model. The Group concludes that this has no material impact on its financial statements and no restatement of comparative financial information was necessary.

   IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

   This standard relates to the recognition of revenue and establishing principles to report information about the nature, amount, timing and uncertainty of revenue. This standard has a potential impact on service charge income and investment property disposals but excludes rent receivable from leases which is out of scope of the standard. The Group concludes the adoption of the standard has no material impact on the financial statements and no restatement of comparative financial information was necessary.

   Standards in issue but not effective

   IFRS 16 Leases (effective 1 January 2019)

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

2. Analysis of net rental income

	6 months ended 30 September 2018			6 months ended 30 September 2017		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**59.5**	**(1.7)**	**57.8**	50.3	(1.4)	48.9
Service charges	**9.5**	**(11.4)**	**(1.9)**	8.6	(9.8)	(1.2)
Empty rates and other non recoverable costs	**-**	**(2.4)**	**(2.4)**	-	(2.6)	(2.6)
Services, fees, commissions and sundry income	**2.9**	**(2.3)**	**0.6**	2.6	(1.6)	1.0
	71.9	**(17.8)**	**54.1**	61.5	(15.4)	46.1

	Year ended 31 March 2018		
	Revenue £m	**Direct costs £m**	**Net rental income £m**
Rental income	106.1	(3.4)	102.7
Service charges	17.7	(21.8)	(4.1)
Empty rates and other non recoverable costs	–	(5.0)	(5.0)
Services, fees, commissions and sundry income	5.1	(3.1)	2.0
	128.9	(33.3)	95.6

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

3(a). Profit on disposal of investment properties

	6 months ended 30 September 2018 £m	6 months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Proceeds from sale of investment properties (net of sale costs)	**51.0**	93.8	128.1
Book value at time of sale	**(42.5)**	(70.9)	(101.5)
Profit on disposal	**8.5**	22.9	26.6

During the six months a portfolio of three properties, Belgravia Studios, Spectrum House and the Ivories was sold for a combined sales price of £51.9m, before sale costs of £0.9m.

3(b). Other income and expenses

Other income

	6 months ended 30 September 2018 £m	6 months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Change in fair value of deferred consideration	**0.2**	0.2	0.4
Income from investments	**-**	-	0.2
	0.2	0.2	0.6

The value of deferred consideration (cash and overage) from the sale of investment properties has been re-valued by CBRE Limited at 30 September 2018. The amounts receivable are included in the Consolidated balance sheet under non-current and current trade and other receivables (note 10).

4. Finance costs

	6 months ended 30 September 2018 £m	6 months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Interest payable on bank loans and overdrafts	**(1.8)**	(1.7)	(2.8)
Interest payable on other borrowings	**(9.1)**	(6.8)	(16.0)
Amortisation of issue costs of borrowings	**(0.5)**	(0.4)	(0.7)
Interest payable on finance leases	**(0.4)**	(0.4)	(0.9)
Interest capitalised on property refurbishments (note 9)	**1.5**	0.6	1.6
Foreign exchange gains/(losses) on financing activities	**(5.7)**	4.0	(8.5)
Cash flow hedge – transfer from equity	**5.7**	(4.0)	8.5
Finance costs	**(10.3)**	(8.7)	(18.8)
Exceptional finance costs	**(3.1)**	-	-
Total finance costs	**(13.4)**	(8.7)	(18.8)

Exceptional finance costs of £3.1m were incurred upon repayment of the £57.5m 6% Retail Bond in September 2018. The costs included a £2.9m premium on redemption and £0.2m of unamortised finance costs and legal fees relating to this debt.

5. Taxation

	6 months ended 30 September 2018 £m	6 months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Current tax:			
UK corporation tax	**-**	-	-
Adjustments to tax in respect of previous periods	**-**	-	(0.1)
	-	-	(0.1)
Deferred tax:			
On origination and reversal of temporary differences	**-**	-	(0.9)
	-	-	(0.9)
Total taxation charge	**-**	-	(1.0)

The Group is a Real Estate Investment Trust (REIT). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Group's other income is subject to corporation tax. No tax charge has arisen on this other income for the half year (31 March 2018: £1.0m credit, 30 September 2017: £nil).

6. Dividends

Ordinary dividends paid	Payment date	Per share	**6 months ended 30 September 2018 £m**	6 months ended 30 September 2017 £m	Year ended 31 March 2018 £m
For the year ended 31 March 2017:					
Final dividend	August 2017	14.27p	**-**	23.3	23.3
For the year ended 31 March 2018					
Interim Dividend	February 2018	8.84p	**-**	**-**	14.5
Final Dividend	August 2018	18.55p	**33.4**	**-**	**-**
Dividends for the period			**33.4**	23.3	37.8
Timing difference on payment of withholding tax			**(1.9)**	(1.4)	(0.4)
Dividends cash paid			**31.5**	21.9	37.4

In addition the Directors are proposing an interim dividend in respect of the financial year ending 31 March 2019 of 10.61 pence per ordinary share which will absorb an estimated £19.1m of revenue reserves and cash. The dividend will be paid on 6 February 2019 to shareholders who are on the register of members on 11 January 2019. The dividend will be paid as a REIT Property Income Distribution (PID) net of withholding tax where appropriate.

7. Earnings per share

Earnings used for calculating earnings per share:	**6 months ended 30 September 2018 £m**	6 months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Basic and diluted earnings	**101.6**	123.7	171.4
Change in fair value of investment properties	**(60.6)**	(71.2)	(82.5)
Exceptional finance cost	**3.1**	-	-
Profit on disposal of investment properties	**(8.5)**	(22.9)	(26.6)
EPRA earnings	**35.6**	29.6	62.3
Adjustment for non-trading items:			
Other income (note 3(b))	**(0.2)**	(0.2)	(0.6)
Taxation	**-**	-	(1.0)
Adjusted trading profit after interest	**35.4**	29.4	60.7

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:	**6 months ended 30 September 2018**	6 months ended 30 September 2017	Year ended 31 March 2018
Weighted average number of shares (excluding own shares held in trust)	**174,038,975**	163,351,276	163,495,793
Dilution due to share option schemes	**1,182,233**	1,233,148	1,293,620
Weighted average number of shares for diluted earnings per share	**175,221,208**	164,584,424	164,789,413

	6 months ended 30 September 2018	6 months ended 30 September 2017	Year ended 31 March 2018
Basic earnings per share	**58.4p**	75.7p	104.8p
Diluted earnings per share	**58.0p**	75.1p	104.0p
EPRA earnings per share	**20.5p**	18.0p	37.8p
Adjusted underlying earnings per share[1]	**20.2p**	17.9p	36.8p

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

8. Net assets per share

Net assets used for calculating net assets per share:	**30 September 2018 £m**	31 March 2018 £m	30 September 2017 £m
Net assets at end of period (basic)	**1,958.5**	1,712.9	1,679.9
Derivative financial instruments at fair value	**(8.2)**	(2.5)	(8.2)
EPRA net assets	**1,950.3**	1,710.4	1,671.7

Number of shares used for calculating net assets per share:	**30 September 2018**	31 March 2018	30 September 2017
Shares in issue at period-end	**180,374,393**	163,806,591	163,800,867
Less own shares held in trust at period-end	**(146,005)**	(163,874)	(163,874)
Number of shares for calculating basic net assets per share	**180,228,388**	163,642,717	163,636,993
Dilution due to share option schemes	**1,278,470**	1,262,717	1,145,053
Number of shares for calculating diluted adjusted net assets per share	**181,506,858**	164,905,434	164,782,046

	30 September 2018	31 March 2018	30 September 2017
EPRA net assets per share	**£10.75**	£10.37	£10.14
Basic net assets per share	**£10.87**	£10.47	£10.27

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

9. Investment Properties

	30 September 2018 £m	31 March 2018 £m	30 September 2017 £m
Balance at 1 April	**2,288.7**	1,839.0	1,839.0
Purchase of investment properties	**89.2**	382.4	268.0
Capital expenditure	**50.5**	75.6	34.5
Acquisition of head lease	**-**	9.1	9.1
Capitalised interest on refurbishments (note 4)	**1.5**	1.6	0.6
Disposals during the period	**(42.5)**	(101.5)	(70.9)
Change in fair value of investment properties	**60.6**	82.5	71.2
Balance at end of period	**2,448.0**	2,288.7	2,151.5
Less: reclassified as deferred consideration	**(2.8)**	-	-
Less: reclassified as held for sale	**(15.0)**	-	(25.6)
Total investment properties	**2,430.2**	2,288.7	2,125.9

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

During the period the Group acquired two properties, Centro buildings 1&2, and Long Lane, which is adjacent to The Leather Market for a combined £89.2m, including acquisition costs.

Capitalised interest is included at a rate of capitalisation of 4.4% (March 2018: 4.4%, September 2017 4.4%). The total amount of capitalised interest included in investment properties is £11.1m (March 2018: £9.6m, September 2017 £8.8m).

The Group occupies around 14,000 square feet of space within one of its Investment Properties as its Head Office. The deemed valuation of this space equates to approximately 0.5% of the overall Investment Property valuation and as such has not been split out as specific Owner Occupied Property.

Valuation

The Group's investment properties are held at fair value and were revalued at 30 September 2018 by the external valuer, CBRE Limited, a firm of independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards 2014. All the properties are revalued at period end regardless of the date of acquisition. This includes a physical inspection of all properties, at least once a year. In line with IFRS 13, all investment properties are valued on the basis of their highest and best use. For like-for-like properties their current use equates to the highest and best use. For properties undergoing refurbishment or redevelopment, most of these are currently being used for business accommodation in their current state. However, the valuation is based on the current valuation at the balance sheet date including the impact of the potential refurbishment and redevelopment as this represents the highest and best use.

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

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

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

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

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

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

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

	30 September 2018 £m	31 March 2018 £m	30 September 2017 £m
Total per CBRE valuation report	**2,435.3**	2,279.6	2,138.9
Deferred consideration on sale of property	**(6.3)**	(7.0)	(3.4)
Head leases treated as finance leases under IAS 17	**16.2**	16.1	16.1
Less reclassified as held for sale	**(15.0)**	-	(25.6)
Total investment properties per balance sheet	**2,430.2**	2,288.7	2,125.9

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.

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

The following table summarises the valuation techniques and inputs used in the determination of the property valuation at 30 September 2018.

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	1,273.9	1	£13 - £80	£43	4.4% - 7.5%	6.3%
Completed projects	420.2	1	£22 - £64	£48	5.0% - 7.0%	5.8%
Refurbishments	378.7	2	£20 - £77	£45	4.3% - 6.8%	5.3%
Redevelopments	136.0	2	£13 - £33	£20	5.1% - 6.8%	5.5%
Other	205.2	1	£44 - £51	£51	5.3% - 5.4%	5.4%
Head leases	16.2	n/a				
Total	2,430.2					

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

Developer's profit is a key unobservable input for redevelopments and refurbishments at planning stage. The range is 13%–20% with a weighted average of 18%.

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £199–£266 per sq. ft. and a weighted average of £233 per sq. ft.

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

10. Trade and other receivables

Non-current deferred consideration	**30 September 2018 £m**	31 March 2018 £m	30 September 2017 £m
Deferred consideration on sale of investment properties	**–**	–	3.4
	–	–	3.4

Current trade and other receivables	**30 September 2018 £m**	31 March 2018 £m	30 September 2017 £m
Trade receivables	**8.4**	3.2	4.3
Prepayments, other receivables and accrued income	**23.2**	12.2	13.6
Deferred consideration on sale of investment properties	**6.3**	7.0	-
	37.9	22.4	17.9

Included within prepayments, other receivables and accrued income is a deposit of £12.5m paid for the acquisition of Shepherds Building in October 2018.

The deferred consideration arising on the sale of investment properties relates to cash and overage. The overage has been fair valued by CBRE Limited on the basis of residual value, using appropriate discount rates, and will be revalued on a regular basis. This is a Level 3 valuation of a financial asset, as defined by IFRS 13. The change in fair value recorded in the Consolidated income statement was a profit of £0.2m (31 March 2018: profit of £0.4m, 30 September 2017: loss of £0.5m) (note 3(b)).

Receivables at fair value:
Included within deferred consideration (both non-current and current) on sale of investment properties is £0.9m (March 2018: £0.9m, September 2017: £0.9m) of overage or cash which is held at fair value through profit and loss.

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

11. Cash and cash equivalents

	30 September 2018 £m	31 March 2018 £m	30 September 2017 £m
Cash at bank and in hand	**57.8**	13.9	17.7
Restricted cash – tenants' deposit deeds	**8.5**	4.1	4.0
	66.3	18.0	21.7

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

12. Trade and other payables

	30 September 2018 £m	31 March 2018 £m	30 September 2017 £m
Trade payables	**6.1**	6.0	5.8
Other tax and social security payable	**2.7**	4.4	4.8
Tenants' deposit deeds (note 14)	**8.5**	4.1	4.0
Tenants' deposits	**19.7**	24.0	18.6
Accrued expenses	**27.4**	28.5	25.5
Deferred income – rent and service charges	**9.4**	8.5	7.2
	73.8	75.5	65.9

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

13. Borrowings

(a) Balances

	30 September 2018 £m	31 March 2018 £m	30 September 2017 £m
Non-current			
Bank loans (unsecured)	**148.2**	113.9	22.5
6% Retail Bond (unsecured)	**-**	57.2	57.2
5.6% Senior US Dollar Notes 2023 (unsecured)	**76.9**	71.5	75.4
5.53% Senior Notes 2023 (unsecured)	**83.8**	83.8	83.8
Senior Floating Rate Notes 2020 (unsecured)	**9.0**	9.0	9.0
3.07% Senior Notes (unsecured)	**79.7**	79.7	79.6
3.19% Senior Notes (unsecured)	**119.6**	119.6	119.6
Finance lease obligations	**16.2**	16.1	16.1
	533.4	550.8	463.2

The Group repaid its 6% £57.5m Retail Bond in September 2018.

(b) Net Debt

	30 September 2018 £m	31 March 2018 £m	30 September 2017 £m
Borrowings per (a) above	**533.4**	550.8	463.2
Adjust for:			
Finance leases	**(16.2)**	(16.1)	(16.1)
Cost of raising finance	**2.8**	3.4	3.9
Foreign exchange differences	**(12.5)**	(7.1)	(11.0)
	507.5	531.0	440.0
Cash at bank and in hand (note 11)	**(57.8)**	(13.9)	(17.7)
Net Debt	**449.7**	517.1	422.3

At 30 September 2018, the Group had £100m (31 March 2018: £134m) of undrawn bank facilities and £57.8m of unrestricted cash (31 March 2018: £13.9m). In October 2018 the Group agreed an additional £100m 364 day revolver bank facility.

The Group has a loan to value covenant applicable to these borrowings of 60%, and compliance is being comfortably met. Loan to value at 30 September 2018 was 18% (March 2018: 23%, September 2017: 20%).

The Group also has an interest cover covenant of 2.0x, calculated as net rental income divided by finance costs. At 30 September 2018 interest cover was 5.3x (31 March 2018: 5.1x, September 2017: 5.3x).

(c) Maturity

	Unaudited 30 September 2018 £m	Audited 31 March 2018 £m	Unaudited 30 September 2017 £m
Repayable between one and two years	**9.0**	-	-
Repayable between two and three years	**-**	57.5	57.5
Repayable between three years and four years	**150.0**	9.0	9.0
Repayable between four years and five years	**148.5**	116.0	25.0
Repayable in five years or more	**200.0**	348.5	348.5
	507.5	531.0	440.0
Cost of raising finance	**(2.8)**	(3.4)	(3.9)
Foreign exchange differences	**12.5**	7.1	11.0
	517.2	534.7	447.1
Finance leases			
Repayable in five years or more	**16.2**	16.1	16.1
	533.4	550.8	463.2

(d) Interest rate and repayment profile

	Principal at period end £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand (£2m facility)	–	Base +2.25%	Variable	On demand
Non-current				
Private Placement Notes:				
5.6% Senior US Dollar Notes	64.5	5.6%	Half Yearly	June 2023
5.53% Senior Notes	84.0	5.53%	Half Yearly	June 2023
Senior Floating Rate Notes	9.0	LIBOR +3.5%	Half Yearly	June 2020
3.07% Senior Notes	80.0	3.07%	Half Yearly	August 2025
3.19% Senior Notes	120.0	3.19%	Half Yearly	August 2027
Revolver loan	150.0	LIBOR +1.65%	Monthly	June 2022
	507.5			

(e) Derivative financial instruments

The following derivative financial instruments are held:

	Amount	Rate payable (%)	Term/expiry
Cash flow hedge – cross currency swap	$100m/£64.5m	5.66%	June 2023

The Group has cross currency swaps to ensure the US Dollar liability streams generated from the US Dollar Notes are fully hedged into Sterling for the life of the transaction. Through entering into cross currency swaps the Group has created a synthetic Sterling fixed rate liability totalling £64.5m. These swaps have been designated as a cash flow hedge with changes in fair value dealt with in other comprehensive income.

(f) Financial instruments and fair values

	Unaudited 30 September 2018 Book Value £m	Fair Value £m	Audited 31 March 2018 Book Value £m	Fair Value £m	Unaudited 30 September 2017 Book Value £m	Fair Value £m
Financial liabilities held at amortised cost						
Bank loans	**148.2**	150.0	113.9	116.0	22.5	25.0
6% Retail Bond	**-**	-	57.2	60.2	57.2	61.3
Private Placement Notes	**369.0**	387.0	363.6	379.4	367.4	388.5
Finance lease obligations	**16.2**	16.2	16.1	16.1	16.1	16.1
	533.4	553.2	550.8	571.7	463.2	490.9
Financial (assets)/liabilities at fair value through other comprehensive income						
Derivative financial instruments:						
Cash flow hedge – derivatives used for hedging	**(8.2)**	(8.2)	(2.5)	(2.5)	(8.2)	(8.2)
	(8.2)	(8.2)	(2.5)	(2.5)	(8.2)	(8.2)
Financial assets at fair value through profit or loss						
Deferred consideration (overage)	**0.9**	0.9	0.9	0.9	0.9	0.9
Other Investments	**3.2**	3.2	3.2	3.2	3.1	3.1
	4.1	4.1	4.1	4.1	4.0	4.0

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

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

The total change in fair value of derivative financial instruments recorded in other comprehensive income was a £0.2m gain (March 2018: loss of £1.0m, September 2017: gain of £0.6m).

14. Notes to cash flow statement

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

	6 months ended 30 September 2018 £m	6 months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Profit before tax	**101.6**	123.7	170.4
Depreciation	**0.6**	0.6	1.1
Amortisation of intangibles	**0.2**	0.1	0.3
Profit on disposal of investment properties	**(8.5)**	(22.9)	(26.6)
Other income	**(0.2)**	(0.2)	(0.6)
Net gain from change in fair value of investment property	**(60.6)**	(71.2)	(82.5)
Equity settled share based payments	**0.9**	0.7	1.7
Finance expense	**10.3**	8.7	18.8
Exceptional finance cost	**3.1**	-	–
Changes in working capital:			
Increase in trade and other receivables	**(6.6)**	(8.0)	(7.9)
(Decrease) / increase in trade and other payables	**(3.7)**	9.7	18.5
Cash generated from operations	**37.1**	41.2	93.2

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

	30 September 2018 £m	31 March 2018 £m	30 September 2017 £m
Cash at bank and in hand	**57.8**	13.9	17.7
Restricted cash – tenants' deposit deeds	**8.5**	4.1	4.0
	66.3	18.0	21.7

15. Capital commitments

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

	Unaudited 30 September 2018 £m	Audited 31 March 2018 £m	Unaudited 30 September 2017 £m
Construction or refurbishment of investment properties	**41.2**	49.7	55.4
Purchase of investment properties	**120.0**	-	-

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

16. Share Capital

	Unaudited 30 September 2018 £m	Audited 31 March 2018 £m	Unaudited 30 September 2017 £m
Issued: Fully paid ordinary shares of £1 each	**180.4**	163.8	163.8

Movements in share capital were as follows:	**Unaudited 30 September 2018 £m**	Audited 31 March 2018 £m	Unaudited 30 September 2017 £m
Number of shares at 1 April	**163,806,591**	163,199,045	163,199,045
Issue of shares	**16,567,802**	607,546	601,822
Number of shares at period end	**180,374,393**	163,806,591	163,800,867

In June 2018 the Group raised net proceeds of £176.3m via the issue of 16.3m equity shares.
The Group also issued 0.3m of shares to satisfy the exercise of share options.

17. Post balance sheet events

In October 2018, the Group completed on the acquisition of Shepherd's Building for £125.3m. The Group also agreed a new £100m 364-day bank facility.

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

We confirm that to the best of our knowledge:

• the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

• the interim management report includes a fair review of the information required by:

> (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
>
> (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Workspace Group PLC are listed in the Workspace Group PLC Annual Report and Accounts for 31 March 2018. A list of current Directors is maintained on the Workspace Group website: www.workspace.co.uk.

Approved by the Board on 13 November 2018 and signed on its behalf by

J Hopkins
G Clemett
Directors

INDEPENDENT REVIEW REPORT TO WORKSPACE GROUP PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 which comprises the Consolidated Income Statement, Consolidated Statement of other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

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

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

Directors' responsibilities

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

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

Our responsibility

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

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

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

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

13 November 2018

Principal Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium-term performance and the factors which mitigate these risks, have not materially changed from those set out in the Group's Annual Report and Accounts 2018 and have been assessed in line with the requirements of the 2014 UK Corporate Governance Code. They are reproduced below. The Board is satisfied that we continue to operate within our risk profile.

Risk area	Description	Mitigating activities
Financing Reduced availability of financing options resulting in inability to meet business plans or satisfy liabilities.	• Inability to fund business plans • Restricted ability to invest in new opportunities • Increased interest costs. • Negative reputational impact amongst lenders and in the investment community	• We regularly review funding requirements for business plans and ensure we have a wide range of options to fund our forthcoming plans. We also prepare a five-year business plan which is reviewed and updated annually. • We have a broad range of funding relationships in place and regularly review our refinancing strategy • We maintain a specific interest rate profile via use of fixed rates and swaps on our loan facilities so that our interest payment profile is stable
Valuation Value of our properties declining as a result of external market or internal management factors	• Covenants (Loan to Value) • Impact on share price	• Market-related valuation risk is largely dependent on external factors which we cannot influence. However, we continue to do the following to ensure we are aware of any market changes, and are generating the maximum value from our portfolio: • Monitor the investment market mood • Monitor market yields and pricing of property transactions across the London market • Alternative use opportunities pursued across the portfolio and continue to drive progress made in achieving planning consent for mixed-use development schemes
Customer Demand for our accommodation declining as a result of social, economic or competitive factors.	• Fall in occupancy levels at our properties • Falling rent roll and property valuation	• Every week the Executive Committee meet with Senior Management to monitor occupancy levels, pricing, demand levels and reasons for customers vacating. This ensures we react quickly to changes in any of these indicators • Our extensive marketing programme ensures that we are in control of our own customer leads and pipeline of deals. We also utilise social media, backed up by a busy events programme which has further helped us to engage with customers. This differentiates us as we provide not only space but also an opportunity to network with other businesses based in our portfolio • We stress test our business plans to assess the sensitivity we could tolerate if demand from our customers reduced

Development Impact on underlying income and capital performance.	• Failure to deliver expected returns on developments • Cost over runs • Delayed delivery of key projects • Poor reputation amongst contractors and customers if projects are delayed.	• For every potential development scheme we work hard to gain a thorough understanding of the planning environment and ensure we seek counsel from appropriate advisers • We undertake a detailed development analysis and appraisal prior to commencing a development scheme. Appraisals are presented for Investment Committee approval and sign-off is required for every project • The Investment Committee reviews progress on refurbishments and redevelopments every fortnight, against project timings and cost budgets both during and after the completion of a project
London Changes in the political, infrastructure and environmental dynamics of London lead to reduced demand from our customers.	• Impact on demand for space if London adversely affected by a major incident • Changes in the political and economic environment	• Having been based within the London market for a number of years, we know our markets and areas well • We regularly monitor the London economy and commission research reports. We also hold regular meetings with the GLA and the councils in the London boroughs in which we operate to ensure that we are aware of any changes coming through ahead of time • On the back of the EU Referendum, it is important that we remain vigilant to any potential issues or impacts that we foresee. We have yet to see any specific impact on our business, but we continue to monitor our key performance indicators each month so that we could quickly react to any trends identified.
Investment Under performance due to inappropriate strategy on acquisitions and disposals.	• Poor timing of disposals • Poor timing of acquisitions • Failure to achieve expected returns • Negative reputational impact amongst investors and sell-side analysts.	• We undertake regular monitoring of asset performance and positioning of our portfolio with periodic detailed portfolio reviews • For each new acquisition we undertake thorough due diligence and detailed appraisals prior to purchase • We monitor acquisition performance against target returns. • Property disposals are subject to detailed review and Board approval
Regulatory Failure to meet regulatory requirements leading to fines or tax penalties, or the introduction of new requirements that inhibit activity.	• Fines or penalties for failure to adhere to regulations • Failure to identify and respond to the introduction of new requirements • Health and Safety breaches • Negative impact on reputation amongst investors and partners/suppliers.	• REIT conditions are monitored and tested on a regular basis and reported to the Board. We work closely with HMRC and our tax advisers to ensure we are aware of emerging issues and keeping up to date with changes • Close working relationship maintained with appropriate authorities and all relevant issues openly disclosed

		• The Risk Committee provides regular updates to the Board on emerging risks and issues • The Company Secretary issues a detailed briefing to the Board regularly • The Group's Health and Safety Manager meets regularly with the CEO to keep abreast of any actual or potential Issues
Business Interruption Major events mean that Workspace is unable to carry out its business for a sustained period.	• Loss of critical data • Loss of access for customers to work at our business centres • Potential loss of income • Potential negative impact on reputation amongst customers.	• We have robust Business Continuity Plans and procedures in place which are regularly tested and updated • IT controls and safeguards are in place across all our systems, including a specific standalone data centre back-up facility
Brand and reputation Failure to meet customer and external stakeholder expectations. Joint ventures or other ventures with third parties do not deliver the expected return.	• Damage to brand and perception by customers and stakeholders • Adverse publicity impacting on demand from new customers • Worse reputation amongst all stakeholders as a result.	• To ensure we understand our customers and their ever-evolving requirements we undertake twice-yearly customer surveys and have a system of real-time feedback in place. We developed a customer engagement plan to ensure we are interacting with our customers in a variety of ways, including the use of social media • We maintain regular communication with all stakeholders and key shareholders. We hold investor presentations, roadshows and an annual Capital Markets Day
Resourcing Failure to progress with strategy due to inability to recruit and retain correct staff.	• Reduced ability to action strategy successfully • Insufficient resource to manage increased demands as the Company grows	• We have a robust recruitment process in place to ensure that there is an appropriate level of interviewing and scrutiny of new joiners • We have various incentives to align staff objectives with those of the Group to help ensure staff are working in the best interests of the Group and its stakeholders. This is supported by a robust appraisal and review process for staff • Our HR team run a detailed training and development programme to ensure staff are supported and encouraged to progress their learning and study opportunities
Cyber security Loss of data or income due to cyber security attack on our business and on that of our customers.	• Loss of critical data • Financial loss due to fraud • Reputational damage amongst customers • Potential loss of income	• Monitoring information on security threats and targets • Monitoring guidance and best practice issued by Government and advisors • Review of IT systems and infrastructure in place to ensure these are as robust as possible