PRELIMINARY ANNOUNCEMENT

5 June 2019

WORKSPACE GROUP PLC
FINAL RESULTS

WORKSPACE GROUP PLC

STRONG GROWTH IN TRADING PROFIT
DIVIDEND UP 20%

Workspace Group PLC ("Workspace") is pleased to announce its Full Year Results for the year ended 31 March 2019. The comments in this announcement refer to the period from 1 April 2018 to 31 March 2019 unless otherwise stated.

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

Financial highlights

- Net rental income up 16% to £111.0m
- Trading profit after interest up 19% to £72.4m
- Profit before tax £137.3m (2018: £170.4m) with strong increase in trading profit offset by lower uplift in property valuation and lower disposal profits than prior year
- Underlying increase of 2.7% in property valuation to £2,604m
- EPRA net asset value per share up 4.7% to £10.86
- 20% increase in total dividend to 32.87p reflecting the strong financial performance and positive outlook
- Total accounting return of 7.5%
- Loan to value stable at 22% with £127m of undrawn facilities

Operating performance in the year

- Good customer demand with enquiries averaging 1,048 per month (2018: 1,016)
- Total rent roll up 12.9% to £127.5m
- Like-for-like rent roll up 2.2% to £76.0m
- Like-for-like occupancy at 90.9%, down 0.9% in the year impacted by new building launches
- Rent per sq. ft. up 3.8% to £39.80

Strategic progress and business update

- Three acquisitions totalling £213m completed in the year
- Three small office buildings sold for £52m, 23% above book value at 31 March 2018
- Two redevelopments exchanged for sale for £26m in cash and the return of a new 39,000 sq. ft. business centre
- Eight projects, totalling 341,000 sq. ft. successfully completed, launched and letting up well

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

"It's been another busy year for Workspace with an impressive 19% growth in trading profit, on the back of which we are increasing the dividend by 20%. Our continuing success is a credit to the efforts of all our staff and is reflected in a near trebling of our dividend over the last five years.

Focus on the flexible space market is growing, with interest from an increasing range of companies. Our strong performance is testament to the fact that our differentiated model continues to appeal. We provide inspiring, well connected buildings and an offering that gives customers flexibility both in terms of lease length and how they use their space.

We have made good progress over the year in upgrading and expanding our property footprint across London. We completed eight refurbishments which have been met with very strong demand and acquired two well located properties in Camden and Shepherd's Bush.

While businesses are inevitably cautious in light of the continuing political uncertainty, we are still seeing good customer demand for space. We believe our distinctive approach to the flexible office market is the right one and will continue to deliver value for shareholders."

Summary results

	March 2019	March 2018	Change
Financial performance			
Net rental income	**£111.0m**	£95.6m	+16%
Profit before tax	**£137.3m**	£170.4m	-19%
Trading profit after interest(1)	**£72.4m**	£60.7m	+19%
EPRA net asset value per share(1)	**£10.86**	£10.37	+4.7%
Final dividend per share	**22.26p**	18.55p	+20%
Total dividend per share	**32.87p**	27.39p	+20%
Property valuation			
CBRE property valuation(2)	**£2,604m**	**£2,280m**	+2.7%**
Financing			
Loan to value	**22%**	**23%**	-1%*
Undrawn bank facilities and cash	**£127m**	**£148m**	-£21m*

* absolute change

** underlying change

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

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

(2) Refer to note 10 of the accounts for the reconciliation of the CBRE property valuation to Investment Properties as per the balance sheet.

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

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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 3.9 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 5 June 2019 at 9.30am. The venue for the presentation is the London Stock Exchange, 10 Paternoster Row, London, EC4M 7LS. 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/workspace011

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

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

Daniel Kitchen, Non-Executive Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

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

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

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

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

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

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

Graham Clemett, Interim Chief Executive Officer

BUSINESS REVIEW

ENQUIRIES AND LETTINGS

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

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

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

RENT ROLL

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

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

The total estimated rental value (ERV) of the portfolio, comprising the ERV of the like-for-like portfolio, properties acquired and those currently undergoing refurbishment or redevelopment (but only including properties at the design stage at their current rent roll and occupancy) is £172.9m. Assuming a 90% occupancy level at all properties (except those at the design stage), this equates to a rent roll of £156.5m, £29.0m higher than the current rent roll.

Like-for-like Portfolio

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

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

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

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

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

Completed Projects

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

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

* At 31 March 2019

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

Projects Underway – Refurbishments

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

The short-term reduction in rent roll at these refurbishments will be replaced in due course by a significant uplift in rent as they complete and the new and upgraded space is let. Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2019, the rent roll at these nine buildings once they are completed would be £15.2m, an uplift of £10.6m.

Projects Underway – Redevelopments

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

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

Projects at Design Stage

These are properties where we are planning a refurbishment or redevelopment that has not yet commenced. In a number of cases this is because we are awaiting planning consent. The rent roll at these properties at 31 March 2019 was £9.4m, down £0.6m in the year.

Acquisitions

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

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

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

Disposals

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

PROFIT PERFORMANCE

Trading profit after interest for the year is up 19.3% (£11.7m) on the prior year to £72.4m.

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

* These relate to both cash and equity settled costs

Net rental income increased by 16.1% (£15.4m) in the year to £111.0m as detailed below:

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

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

Net finance costs increased by 14.4% (£2.7m) in the year. The average net debt balance over the year was £129m higher than in the prior year, whilst the average interest rate has reduced from 4.3% to 3.7%. This interest rate includes the commitment fee on the undrawn revolver facility. The marginal cost of the undrawn revolver facility is 1.5% over LIBOR.

Profit before tax for the year reduced by 19.4% to £137.3m as a result of a lower uplift in the property valuation and lower disposal profits as detailed below:

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

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

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

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

DIVIDEND

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

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

PROPERTY VALUATION

At 31 March 2019, the wholly owned portfolio was independently valued by CBRE at £2,604m, an underlying increase of 2.7% (£68m) in the year. The main movements in the valuation over the year are set out below:

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

There was a lower revaluation uplift in the second half of the year of 0.2% (£6m), compared to the uplift of 2.6% (£62m) in the first half. This uplift excludes acquisition costs of £9m (primarily stamp duty). A summary of the full year valuation and uplift by property type is set out below:

£m	Valuation	Uplift
Like-for-like Properties	1,266	27
Completed Projects	521	39
Refurbishments	337	1
Redevelopments	166	(2)
Acquisitions	314	3
Total	**2,604**	**68**

Like-for-like Properties

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

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

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

Completed Projects

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

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

Current Refurbishments and Redevelopments

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

ACQUISITIONS

Three properties were acquired in the financial year:

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

- In August 2018, we completed the acquisition of the commercial component of a mixed-use redevelopment scheme on Long Lane, adjacent to our Leather Market property, for £11.5m which we had contracted to purchase in July 2016. We have now completed the refurbishment and launched the 25,000 sq. ft of space (Taper Studios) in March 2019. It is now part of The Leather Market business centre for reporting purposes.

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

REFURBISHMENT ACTIVITY

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

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

- In June 2018, we completed the refurbishment of China Works, Vauxhall, a historic building, now upgraded with state-of-the-art facilities and customer amenities.

- In September 2018 we opened two brand new business centres, The Frames in Shoreditch and Edinburgh House in Vauxhall.

- In October 2018, we completed the second phase of the refurbishment programme at Vox Studios in Vauxhall. This provides an additional 27,000 sq. ft. of space, increasing the total lettable area at this business centre to 108,000 sq. ft. We also completed the refurbishment and upgrade of 36,000 sq. ft. at Gray's Inn Road in Holborn.

- In November 2018, we obtained planning consent for a major refurbishment of Leroy House, Islington. The project will provide 61,000 sq. ft. of new and upgraded space.

- In December 2018 we completed the refurbishment and upgrade of 17,000 sq. ft. at Metal Box Factory, Bankside.

A summary of the status of the refurbishment pipeline at 31 March 2019 is set out below:

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

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

REDEVELOPMENT ACTIVITY

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

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

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

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

- In January 2019 we exchanged contracts for the disposal of Bow Office Exchange in Bow, E3, for £11m. The sale will complete on vacant possession, which is expected to be achieved in Autumn 2019.

- In March 2019 we were granted planning consent for a significant mixed-use redevelopment at Highway Business Centre, Limehouse which includes an adjoining property owned by Canada Life Investments. Our share of the planning consent (44% of the total) comprises 117 residential units and 31,000 sq. ft. of new commercial space, replacing our existing 19,800 sq. ft. light industrial building.

A summary of the status of the redevelopment pipeline at 31 March 2019 is set out below:

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

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

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

CASH FLOW

The Group generates strong operating cash flow in line with trading profit, with good levels of cash collection. Bad debts are low in the year at £0.2m (March 2018: £0.2m). A summary of the movements in cash flow are set out below:

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

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

FINANCING

The Group had £17.3m of cash and £597.5m of drawn debt at 31 March 2019 with £707.5m of committed facilities as detailed below:

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

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

- In June 2018, we successfully completed the placing of new ordinary shares representing approximately 9.96 per cent of our issued ordinary share capital prior to the placing. A total of approximately 16.3m new ordinary shares of 100 pence each were placed at a price of £11.00 per placing share, a 6% premium to the March 2018 EPRA NAV, raising gross proceeds of £179m.

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

- In December 2018, we agreed the placing of £100m of ten-year private placement notes at a fixed rate coupon of 3.6%, with funding completing on 17 January 2019.

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

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

NET ASSETS

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

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

TOTAL RETURN

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

PROPERTY STATISTICS

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

Notes:

1) The like-for-like category has been restated in the current financial year for the following:
   - The transfer in of Grand Union Studios, Ladbroke Grove from completed projects
   - The transfer in of Salisbury House, Moorgate, from the acquisitions category
   - The disposal of Belgravia Studios, N19, The Ivories, N1 and Spectrum House, NW5
   - The transfer in of Bow Enterprise Park (Phase 1) from the completed projects category
   - The transfer out of Wenlock Studios, Old Street, to the refurbishment projects category
   - The transfer out of Parma House, Wood Green, to the redevelopment projects category
   - The transfer out of Bow Exchange, Bow, to the redevelopment projects category
2) Like-for-like statistics for prior years are not restated for the changes made to the like-for-like property portfolio in the current financial year.
3) Overall rent per sq. ft. and occupancy statistics include the lettable area at like-for-like properties and all refurbishment and redevelopment projects, including those projects recently completed and also properties where we are in the process of obtaining vacant possession.

Consolidated income statement
For the year ended 31 March 2019

	Notes	**2019 £m**	2018 £m
Revenue	1	**149.4**	128.9
Direct costs	1	**(38.4)**	(33.3)
Net rental income	1	**111.0**	95.6
Administrative expenses	2	**(17.1)**	(16.1)
Trading profit		**93.9**	79.5
Profit on disposal of investment properties	3(a)	**8.3**	26.6
Other income	3(b)	**–**	0.6
Other expenses	3(c)	**(1.1)**	–
Change in fair value of investment properties	10	**60.8**	82.5
Operating profit	2	**161.9**	189.2
Finance costs	4	**(21.5)**	(18.8)
Exceptional finance costs	4	**(3.1)**	–
Profit before tax		**137.3**	170.4
Taxation	6	**-**	1.0
Profit for the financial year after tax		**137.3**	171.4
Basic earnings per share	8	**78.9p**	104.8p
Diluted earnings per share	8	**78.3p**	104.0p

Consolidated statement of other comprehensive income
For the year ended 31 March 2019

	2019 £m	2018 £m
Profit for the financial year	**137.3**	171.4
Other comprehensive income:		
Items that may be classified subsequently to profit or loss:		
Change in fair value of other investments	**4.0**	-
Cash flow hedge – transfer to income statement	**(5.5)**	8.5
Cash flow hedge – change in fair value	**7.6**	(9.5)
Total comprehensive income for the year	**143.4**	170.4

Consolidated balance sheet

As at 31 March 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Investment properties	10	**2,591.4**	2,288.7
Intangible assets		**1.6**	1.4
Property, plant and equipment	11	**3.4**	2.9
Investment in joint ventures		**–**	0.1
Other investments	12	**9.8**	3.2
Derivative financial instruments	16(e) & (f)	**10.1**	2.5
		2,616.3	2,298.8
Current assets			
Trade and other receivables	13	**13.7**	22.4
Asset held for sale	10	**25.5**	–
Cash and cash equivalents	14	**26.7**	18.0
		65.9	40.4
Total assets		**2,682.2**	2,339.2
Current liabilities			
Trade and other payables	15	**(77.0)**	(75.5)
Deferred tax	6	**–**	–
		(77.0)	(75.5)
Non-current liabilities			
Borrowings	16(a)	**(623.2)**	(550.8)
		(623.2)	(550.8)
Total liabilities		**(700.2)**	(626.3)
Net assets		**1,982.0**	1,712.9
Shareholders’ equity			
Share capital	18	**180.4**	163.8
Share premium	18	**295.1**	135.3
Investment in own shares		**(9.3)**	(9.3)
Other reserves	19	**27.4**	19.4
Retained earnings		**1,488.4**	1,403.7
Total shareholders’ equity		**1,982.0**	1,712.9
EPRA net asset value per share	9	**£10.86**	£10.37

Consolidated statement of changes in equity
For the year ended 31 March 2019

	Notes	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total Share-holders' equity £m
		Attributable to owners of the parent					
Balance at 31 March 2017		163.2	135.4	(8.9)	18.7	1,270.1	1,578.5
Profit for the financial year		–	–	–	–	171.4	171.4
Other comprehensive income for the year	19	–	–	–	(1.0)	–	(1.0)
Total comprehensive income		–	–	–	(1.0)	171.4	170.4
Transactions with owners:							
Share issues	18	0.6	(0.1)	–	–	–	0.5
Own shares purchase (net)		–	–	(0.4)	–	–	(0.4)
Dividends paid	7	–	–	–	–	(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
Profit for the financial year		**–**	**–**	**–**	**–**	**137.3**	**137.3**
Other comprehensive income for the year	**19**	**–**	**–**	**–**	**6.1**	**–**	**6.1**
Total comprehensive income		**–**	**–**	**–**	**6.1**	**137.3**	**143.4**
Transactions with owners:							
Share issues	**18**	**16.6**	**159.8**	**–**	**–**	**–**	**176.4**
Dividends paid	**7**	**–**	**–**	**–**	**–**	**(52.6)**	**(52.6)**
Share based payments		**–**	**–**	**–**	**1.9**	**–**	**1.9**
Balance at 31 March 2019		**180.4**	**295.1**	**(9.3)**	**27.4**	**1,488.4**	**1,982.0**

Consolidated statement of cash flows

For the year ended 31 March 2019

	Notes	**2019 £m**	2018 £m
Cash flows from operating activities			
Cash generated from operations	17	**99.8**	93.2
Interest paid		**(23.7)**	(18.8)
Tax paid		**–**	(0.2)
Net cash inflow from operating activities		**76.1**	74.2
Cash flows from investing activities			
Purchase of investment properties		**(220.8)**	(370.4)
Capital expenditure on investment properties		**(86.7)**	(73.8)
Proceeds from disposal of investment properties (net of sale costs)		**50.8**	128.1
Purchase of intangible assets		**(0.6)**	(1.1)
Purchase of property, plant and equipment		**(1.5)**	(1.0)
Other income (overage receipts)		**5.8**	8.7
Purchase of investments		**(1.5)**	(0.1)
Income distributions from joint ventures		**0.1**	0.2
Net cash outflow from investing activities		**(254.6)**	(309.4)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	18	**176.4**	0.5
Finance costs for new/amended borrowing facilities		**(0.7)**	(1.9)
Exceptional finance costs		**(2.9)**	–
Settlement and re-couponing of derivative financial instruments		**(0.2)**	(0.1)
Repayment of bank borrowings and Retail Bond	16(b)	**(343.5)**	(294.0)
Draw down of bank borrowings and Private Placement Notes	16(b)	**410.0**	580.0
Own shares purchase (net)		**–**	(0.4)
Dividends paid	7	**(52.1)**	(37.4)
Net cash inflow from financing activities		**187.0**	246.7
Net increase in cash and cash equivalents		**8.7**	11.5
Cash and cash equivalents at start of year	17	**18.0**	6.5
Cash and cash equivalents at end of year	17	**26.7**	18.0

Notes to the financial statements
For the year ended 31 March 2019

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2019 or 2018 but is derived from those accounts. Statutory accounts for 2018 have been delivered to the registrar of companies, and those for 2019 will be delivered in due course. The auditor has reported on those accounts; their reports were i) unqualified ii) did not include reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and iii) 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 2018, with the exception of the following:

New accounting standards, amendments and guidance
a) During the year to 31 March 2019 the Group adopted the following accounting standards and guidance:

IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers
IAS 40 (amended)	Investment Property Transfers
IFRIC 22	Foreign currency transactions
IFRS 2 (amended)	Share-based payments

The Group had to update its accounting policies and disclosures in relation to IFRS 9 and 15, but there were no impacts from other accounting standard amendments.

IFRS 15 – Revenue from contracts with customers
This standard is based on the principle that revenue is recognised when control passes to a customer. In our case, the standard is most applicable to the recognition point for service charge income and disposals of investment properties. As the standard excludes rental income, which falls within the scope of IAS 17/IFRS 16 – Leases. There was no material impact on the Group's financial statements.

IFRS 9 – Financial Instruments
IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities.

The adoption of IFRS 9 has resulted in a change in the classification of Other Investments from Fair Financial assets at fair value through profit or loss to Financial assets at fair value through other comprehensive income. A change in fair value of £4.0m has been recognised in other comprehensive income. Under IAS 39 the carrying amount would have been £5.8m with no change in fair value recognised in profit and loss.

The cross currency swap contracts in place as at 31 March 2018 qualified for hedge accounting under IAS 39. The Group has elected to continue applying hedge accounting as set out in IAS 39 to its cross currency swap contracts and as such the accounting policy has not changed for these financial assets.

Trade receivables are subject to IFRS 9's new expected credit loss model. The Group has changed its methodology for impairment of these assets to consider expected credit loss. The Group has very low levels of trade receivable impairment and so the impact of this change was insignificant.

These standards or guidance had no material impact on the Group's financial statements or resulted in changes to presentation and disclosure only.

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 16	Leases

IFRS 16 – Leases
For operating leases in excess of one year, this standard requires lessees to recognise a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset is assessed for impairment annually and is amortised on a straight-line basis. The lease liability is amortised using the effective interest method. Lessor accounting is substantially unchanged from current accounting. Therefore, since the Group is primarily a lessor, this standard does not significantly impact the Group's financial statements and any amendment would not be material.

1. Analysis of net rental income and segmental information

	2019			2018		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**123.7**	**(3.8)**	**119.9**	106.1	(3.4)	102.7
Service charges	**19.3**	**(24.6)**	**(5.3)**	17.7	(21.8)	(4.1)
Empty rates and other non-recoverables	**–**	**(5.3)**	**(5.3)**	–	(5.0)	(5.0)
Services, fees, commissions and sundry income	**6.4**	**(4.7)**	**1.7**	5.1	(3.1)	2.0
	149.4	**(38.4)**	**111.0**	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 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
The following items have been charged in arriving at operating profit:

	2019 £m	2018 £m
Depreciation[1]	**1.0**	1.1
Staff costs (including share based costs)1 (note 5)	**18.8**	18.6
Repairs and maintenance expenditure on investment properties	**3.7**	2.6
Trade receivables impairment (note 13)	**0.7**	0.6
Amortisation of intangibles	**0.4**	0.3
Operating lease rentals payable	**0.1**	0.1
Audit fees payable to the Company's auditor	**0.2**	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	**2019 £000**	2018 £000
Audit fees:		
Audit of Parent Company and consolidated financial statements	**154**	150
Audit of subsidiary financial statements	**27**	20
	181	170
Fees for other services:		
Audit-related assurance services	**31**	30
Total Fees payable to Auditor	**212**	200

	2019 £m	2018 £m
Total administrative expenses are analysed below:		
Staff costs	**9.6**	8.9
Cash settled share based costs	**0.3**	0.6
Equity settled share based costs	**1.9**	1.7
Other	**5.3**	4.9
	17.1	16.1

3(a). Profit on disposal of investment properties

	2019 £m	2018 £m
Proceeds from sale of investment properties (net of sale costs)	**50.8**	128.1
Book value at time of sale	**(42.5)**	(101.5)
Profit on disposal	**8.3**	26.6

3(b). Other income

	2019 £m	2018 £m
Change in fair value of deferred consideration	**–**	0.4
Income from investments	**–**	0.2
	–	0.6

3(c). Other expenses

	2019 £m	2018 £m
Change in fair value of deferred consideration	**1.1**	–
	1.1	–

The value of deferred consideration (cash and overage) from the sale of investment properties has been revalued by CBRE Limited at 31 March 2019 and 31 March 2018. This resulted in a reduction in the fair value of deferred consideration of £1.1m at 31 March 2019 (31 March 2018: increase of £0.4m). The amounts receivable are included in the Consolidated balance sheet under current trade and other receivables (note 13).

4. Finance costs

	2019 £m	2018 £m
Interest payable on bank loans and overdrafts	**(4.7)**	(2.8)
Interest payable on other borrowings	**(17.3)**	(16.0)
Amortisation of issue costs of borrowings	**(1.3)**	(0.7)
Interest payable on finance leases	**(0.9)**	(0.9)
Interest capitalised on property refurbishments (note 10)	**2.7**	1.6
Foreign exchange gains / (losses) on financing activities	**5.5**	(8.5)
Cash flow hedge – transfer (to) /from equity	**(5.5)**	8.5
Finance costs	**(21.5)**	(18.8)
Exceptional finance costs	**(3.1)**	–
Total finance costs	**(24.6)**	(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. Employees and Directors

Staff costs for the Group during the year were:	2019 £m	2018 £m
Wages and salaries	**15.8**	15.6
Social security costs	**1.9**	1.9
Other pension costs	**0.8**	0.8
Cash settled share based costs	**0.3**	0.6
Equity settled share based costs	**1.9**	1.7
	20.7	20.6
Less costs capitalised	**(1.9)**	(2.0)
	18.8	18.6

The monthly average number of people employed during the year was:	2019 Number	2018 Number
Head office staff (including Directors)	**110**	103
Estates and property management staff	**110**	114
	220	217

Total Directors' emoluments for the financial year were £3.2m (2018: £4.1m), comprising of £2.2m (2018: £2.1m) of Directors' remuneration, £0.9m (2018: £1.8m) gain on exercise of share options and £0.1m (2018: £0.2m) of cash contributions in lieu of pension in respect of two Directors (2018: two).

6. Taxation

	2019 £m	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 credit	**–**	(1.0)

6. Taxation continued
The tax on the Group's profit for the year differs from the standard applicable corporation tax rate in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £m	2018 £m
Profit before taxation	**137.3**	170.4
Tax at standard rate of corporation tax in the UK of 19% (2018: 19%)	**26.0**	32.4
Effects of:		
REIT exempt income	**(15.1)**	(17.1)
Changes in fair value not subject to tax as a REIT	**(11.5)**	(15.7)
Share based payment adjustments	**0.1**	(0.4)
Overage income subject to tax when received	**–**	0.6
Adjustments to tax in respect of previous periods	**–**	(0.1)
Losses carried forward previously unrecognised	**0.6**	0.1
Utilisation of losses unrecognised brought forward	**–**	(0.8)
Other non-taxable expenses	**(0.1)**	–
Total taxation credit	**–**	(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 estimates that as the majority of its future profits will be exempt from tax, future tax charges are likely to be low.

Changes to the UK corporation tax rates were fully enacted on 15 September 2016 respectively as part of the Finance Bill 2016. These changes include reductions to the main rate of corporation tax from 19% to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using the rates expected to apply to the period when the asset is realised or the liability is settled.

The Group currently has an unrecognised asset in relation to tax losses carried forward of £0.8m (2018: £0.3m) calculated at a corporation tax rate of 19% (2018: 19%).

	2019 £m	2018 £m
Deferred tax assets:		
– Deferred tax to be recovered within 12 months	**0.6**	0.8
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered within 12 months	**(0.6)**	(0.8)
Deferred tax liabilities (net)	**–**	–

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 2017	1.8	1.8
Credited to income statement	(1.0)	(1.0)
At 31 March 2018	0.8	0.8
Credited to income statement	(0.2)	(0.2)
At 31 March 2019	**0.6**	**0.6**

6. Taxation continued

Deferred tax assets	Expenses (share based payment) £m	Tax losses £m	Total £m
At 1 April 2017	(0.9)	–	(0.9)
Charged to income statement	0.1	–	0.1
At 31 March 2018	(0.8)	–	(0.8)
Charged to income statement	0.2	(0.2)	–
At 31 March 2019	**(0.6)**	**(0.2)**	**(0.8)**

7. Dividends

	Payment date	Per share	**2019 £m**	2018 £m
For the year ended 31 March 2017:				
Final dividend	August 2017	14.27p	**–**	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**	–
For the year ended 31 March 2019:				
Interim dividend	February 2019	10.61p	**19.2**	**–**
Dividends for the year			**52.6**	37.8
Timing difference on payment of withholding tax			**(0.5)**	(0.4)
Dividends cash paid			**52.1**	37.4

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 March 2019 of 22.26 pence per ordinary share which will absorb an estimated £40.2m of revenue reserves and cash. If approved by the Shareholders at the AGM, it will be paid on 2 August 2019 to Shareholders who are on the register of members on 5 July 2019. 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:	**2019 £m**	2018 £m
Basic and diluted earnings	**137.3**	171.4
Change in fair value of investment properties	**(60.8)**	(82.5)
Exceptional finance costs	**3.1**	–
Profit on disposal of investment properties	**(8.3)**	(26.6)
EPRA earnings	**71.3**	62.3
Adjustment for non-trading items:		
Other income/ (expenses)	**1.1**	(0.6)
Taxation	**–**	(1.0)
Trading profit after interest	**72.4**	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:	**2019 Number**	2018 Number
Weighted average number of shares (excluding own shares held in trust)	**177,138,144**	163,495,793
Dilution due to share option schemes	**1,258,651**	1,293,620
Weighted average number of shares for diluted earnings per share	**178,396,795**	164,789,413

In pence:	**2019**	2018
Basic earnings per share	**77.5p**	104.8p
Diluted earnings per share	**77.0p**	104.0p
EPRA earnings per share	**40.3p**	37.8p
Adjusted underlying earnings per share[1]	**40.6p**	36.8p

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

9. Net assets per share and total accounting return

Net assets used for calculating net assets per share:	**2019 £m**	2018 £m
Net assets at end of year (basic)	**1,982.0**	1,712.9
Derivative financial instruments at fair value	**(10.1)**	(2.5)
EPRA net assets	**1,971.9**	1,710.4

Number of shares used for calculating net assets per share:	**2019 Number**	2018 Number
Shares in issue at year-end	**180,385,498**	163,806,591
Less own shares held in trust at year-end	**(135,946)**	(163,874)
Dilution due to share option schemes	**1,276,169**	1,262,717
Number of shares for calculating diluted adjusted net assets per share	**181,516,721**	164,905,434

	2019	2018
EPRA net assets per share	**£10.86**	£10.37
Basic net assets per share	**£11.00**	£10.47

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

Total Accounting Return	**2019 £**	2018 £
Opening EPRA net assets per share (A)	**10.37**	9.53
Closing EPRA net assets per share	**10.86**	10.37
Increase in EPRA net assets per share	**0.49**	0.84
Ordinary dividends paid in the year	**0.29**	0.23
Total return (B)	**0.78**	1.07
Total accounting return (B/A)	**7.5%**	11.2%

The total accounting return for the year comprises the growth in absolute EPRA net assets per share plus dividends paid in the year as a percentage of the opening EPRA net asset value per share. The total return for the year ended 31 March 2019 was 7.5% (31 March 2018: 11.2%).

10. Investment properties

	2019 £m	2018 £m
Balance at 1 April	**2,288.7**	1,839.0
Purchase of investment properties	**221.8**	382.4
Capital expenditure	**88.6**	75.6
(Disposal)/ acquisition of finance lease	**(0.3)**	9.1
Capitalised interest on refurbishments (note 4)	**2.7**	1.6
Disposals during the year	**(42.5)**	(101.5)
Change in fair value of investment properties	**60.8**	82.5
Less: Reclassifed as deferred consideration	**(2.9)**	–
Less: Classified as assets held for sale	**(25.5)**	–
Balance at 31 March	**2,591.4**	2,288.7

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

During the year the Group acquired three properties, Centro buildings 1&2, Long Lane, which is adjacent to The Leather Market, and the Shepherd's Building for a combined £221.8m, including acquisition costs.

Capitalised interest is included at a rate of capitalisation of 4.3% (2018: 4.4%). The total amount of capitalised interest included in investment properties is £12.3m (2018: £9.6m).

The change in fair value of investment properties is recognised in the consolidated income statement.

Investment properties include buildings with a carrying amount of £300m (2018: £291m) held under finance leases with a carrying amount of £15.8m (2018: £16.1m). Investment property finance lease commitment details are shown in note 16(h).

Two properties were reclassified as held for sale at year end and have been classified as current assets. These properties have exchanged for sale and will likely complete within the next twelve months. The value they have been transferred at is their year end valuation per CBRE.

Valuation

The Group's investment properties are held at fair value and were revalued at 31 March 2019 by the external valuer, CBRE Limited, a firm of independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards 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 each 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:

	2019 £m	2018 £m
Total per CBRE valuation report	**2,604.0**	2,279.6
Deferred consideration on sale of property	**(2.9)**	(7.0)
Head leases treated as finance leases under IAS 17	**15.8**	16.1
Less : Reclassified as assets held for sale	**(25.5)**	–
Total investment properties per balance sheet	**2,591.4**	2,288.7

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.

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	1,266.4	A	£14-£80	£44	4.0%-7.5%	6.2%
Completed projects	520.8	A	£20-£75	£48	4.8%-7.0%	5.7%
Refurbishments	336.5	B	£18-£75	£41	4.3%-6.3%	5.1%
Redevelopments	137.8	B	£16-£33	£20	4.5%-7.6%	5.6%
Acquisitions	314.1	A	£51-£51	£51	5.3%-5.4%	5.3%
Head leases	15.8	n/a	–	–	–	–
Total	2,591.4					

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

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

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £199–£294 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 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.

	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+127/-127	-49/+53
Completed projects (refurbishments)	+52/-52	-22/+24
Refurbishments	+43/-43	-20/+26
Redevelopments	+10/-10	-5/+5
Acquisitions	+31/-31	-14/+15

11. Property, plant and equipment

Cost or valuation	Equipment and fixtures £m
1 April 2017	6.1
Additions during the year	1.1
Balance at 31 March 2018	7.2
Additions during the year	1.5
Balance at 31 March 2019	**8.7**

Accumulated depreciation	
1 April 2017	3.2
Charge for the year	1.1
Balance at 31 March 2018	4.3
Charge for the year	1.0
Balance at 31 March 2019	**5.3**

Net book amount at 31 March 2019	**3.4**
Net book amount at 31 March 2018	2.9

12. Other Investments

The Group holds the following investment:

	2019 £m	2018 £m
15% of share capital of Excell Holdings Limited (2018:10%)	**9.8**	3.2
	9.8	3.2

Excell Holdings Limited is a telecoms and data provider that works alongside the Group to provide high quality data and telecoms connectivity to our customers. In February 2019, the Group acquired an additional shareholding of 5%.

In accordance with IFRS9 the valuation of the share in Excell Holdings has been adjusted to fair value, resulting in a gain of £4.0m in the financial year, recognised in the consolidated statement of other comprehensive income.

13. Trade and other receivables

Current trade and other receivables	**2019 £m**	2018 £m
Trade receivables	**5.0**	3.8
Less provision for impairment of receivables	**(0.7)**	(0.6)
Trade receivables – net	**4.3**	3.2
Prepayments, other receivables and accrued income	**6.5**	12.2
Deferred consideration on sale of investment properties	**2.9**	7.0
	13.7	22.4

Receivables at fair value:
Included within deferred consideration on sale of investment properties is £2.9m (2018: £0.9m) of overage which is held at fair value through profit and loss. In the current year, as the amounts receivable are due within the following 12 months it has 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 a loss of £1.1m (31 March 2018: £0.4m profit) (note 3(c)).

	2019 £m	2018 £m
Deferred consideration on sale of investment properties:		
Balance at 1 April	**7.0**	4.3
Cash received	**(5.8)**	(2.4)
Additions/ reclassifications	**2.8**	4.7
Change in fair value	**(1.1)**	0.4
Balance at 31 March	**2.9**	7.0

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:

	2019 £m	2018 £m
Balance at 1 April	**0.6**	0.3
Increase in provision for impairment of trade receivables	**0.3**	0.5
Receivables written off during the year	**(0.2)**	(0.2)
Balance at 31 March	**0.7**	0.6

14. Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank and in hand	**17.3**	13.9
Restricted cash – tenants' deposit deeds	**9.4**	4.1
	26.7	18.0

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

	2019 £m	2018 £m
Trade payables	**5.7**	6.0
Other tax and social security payable	**0.4**	4.4
Corporation tax payable	**–**	–
Tenants' deposit deeds (note 14)	**9.4**	4.1
Tenants' deposits	**21.2**	24.0
Accrued expenses	**28.7**	28.5
Deferred income – rent and service charges	**11.6**	8.5
	77.0	75.5

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

	2019 £m	2018 £m
Non-current		
Bank loans (unsecured)	**138.5**	113.9
6% Retail Bond (unsecured)	**–**	57.2
5.6% Senior US Dollar Notes 2023 (unsecured)	**76.9**	71.5
5.53% Senior Notes 2023 (unsecured)	**83.8**	83.8
Senior Floating Rate Notes 2020 (unsecured)	**9.0**	9.0
3.07% Senior Notes (unsecured)	**79.7**	79.7
3.19% Senior Notes (unsecured)	**119.7**	119.6
3.6% Senior Notes (unsecured)	**99.8**	–
Finance lease obligations	**15.8**	16.1
	623.2	550.8

The Group repaid the 6% £57.5m Retail Bond in September 2018. In January 2019 the Group raised £100m of 3.6% Senior Private Placement Notes, using the proceeds to pay down part of the bank loan.

(b) Net Debt

	2019 £m	2018 £m
Borrowings per (a) above	**623.2**	550.8
Adjust for:		
Finance leases	**(15.8)**	(16.1)
Cost of raising finance	**2.6**	3.4
Foreign exchange differences	**(12.5)**	(7.1)
	597.5	531.0
Cash at bank and in hand (note 14)	**(17.3)**	(13.9)
Net Debt	**580.2**	517.1

At 31 March 2019 the Group had £110m (2018: £134m) of undrawn bank facilities, a £2m overdraft facility (2018: £2m) and £17.3m of unrestricted cash (2018: £13.9m).

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, finance leases and any cost of raising finance as they have no future cash flows.

16. Borrowings continued
(c) Maturity

	2019 £m	2018 £m
Repayable between one year and two years	**9.0**	57.5
Repayable between two years and three years	**–**	9.0
Repayable between three years and four years	**140.0**	–
Repayable between four years and five years	**148.5**	116.0
Repayable in five years or more	**300.0**	348.5
	597.5	531.0
Cost of raising finance	**(2.6)**	(3.4)
Foreign exchange differences	**12.5**	7.1
	607.4	534.7
Finance leases:		
Repayable in five years or more	**15.8**	16.1
	623.2	550.8

(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:				
5.6% Senior US Dollar Notes	64.5	5.6%	Half yearly	June 2023
5.53% Senior Notes	84.0	5.53%	Half yearly	June 2023
Senior Floating Rate Notes	9.0	LIBOR+3.5%	Half yearly	June 2020
3.07% Senior Notes	80.0	3.07%	Half yearly	August 2025
3.19% Senior Notes	120.0	3.19%	Half yearly	August 2027
3.6% Senior Notes	100.0	3.6%	Half yearly	January 2029
Bank loan	140.0	LIBOR+1.65%	Monthly	June 2022
	597.5			

16. Borrowings continued
(e) Derivative financial instruments

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

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

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

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

	2019	2018
Carrying amount of derivative	**10.1**	2.5
Change in fair value of designated hedging instrument	**7.6**	(9.6)
Change in fair value of designated hedged item	**(5.4)**	8.6
Notional amount £m	**64,500**	64,500
Notional amount ($'000)	**100,000**	100,000
Rate payable (%)	**5.66%**	5.66%
Maturity	**June 2023**	June 2023
Hedge ratio	**1:1**	1:1

16. Borrowings continued
(f) Financial instruments and fair values

	2019 Book value £m	**2019 Fair value £m**	2018 Book value £m	2018 Fair value £m
Financial liabilities held at amortised cost				
Bank loans	**138.5**	**140.0**	113.9	116.0
6% Retail Bond	**–**	**–**	57.2	60.2
Private Placement Notes	**468.9**	**478.1**	363.6	379.4
Finance lease obligations	**15.8**	**15.8**	16.1	16.1
	623.2	**633.9**	550.8	571.7
Financial (assets)/liabilities at fair value through other comprehensive income				
Derivative financial instruments:				
Cash flow hedge – derivatives used for hedging	**(10.1)**	**(10.1)**	(2.5)	(2.5)
Other investments	**(9.8)**	**(9.8)**	(3.2)	(3.2)
	(19.9)	**(19.9)**	(5.7)	(5.7)
Financial assets at fair value through profit or loss				
Deferred consideration (overage)	**2.9**	**2.9**	0.9	0.9
	2.9	**2.9**	0.9	0.9

In accordance with IFRS 13 disclosure is required for financial instruments that are carried or disclosed in the financial statements at fair value. The fair values of all the Group's financial derivatives, bank loans and Private Placement Notes, have been determined by reference to market prices and discounted expected cash flows at prevailing interest rates and are Level 2 valuations. The fair value of the Retail Bond has been established from the quoted market price at 31 March 2019 and is thus a Level 1 valuation. 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.

16. Borrowings continued
(g) Financial instruments by category

Assets	2019 £m	2018 £m
a) Assets at value through profit or loss		
Deferred consideration (overage)	**2.9**	0.9
	2.9	0.9
b) Loans and receivables		
Cash and cash equivalents	**26.7**	18.0
Trade and other receivables excluding prepayments[1]	**4.2**	15.1
	30.9	33.1
c) Assets at value through other comprehensive income		
Other investments	**9.8**	3.2
	9.8	3.2
Total	**43.6**	37.2

Liabilities	2019 £m	2018 £m
Other financial liabilities at amortised cost		
Borrowings (excluding finance leases)	**607.4**	534.7
Finance lease liabilities	**15.8**	16.1
Trade and other payables excluding non-financial liabilities2	**65.0**	63.0
	688.2	613.8

1. Trade and other receivables exclude prepayments of £5.7m (2018: £6.4m) and non-cash deferred consideration of £2.9m (2018: £0.9m).
2. Trade and other payables exclude other tax and social security of £0.4m (2018: £4.4m), (2018: £nil) and deferred income of £11.6m (2018: £8.5m).

(h) Finance leases
Finance lease liabilities are in respect of leased investment property.

Minimum lease payments under finance leases fall due as follows:

	2019 £m	2018 £m
Within one year	**1.0**	1.0
Between two and five years	**3.9**	3.9
Beyond five years	**93.0**	95.3
	97.9	100.2
Future finance charges on finance leases	**(82.1)**	(84.1)
Present value of finance lease liabilities	**15.8**	16.1

16. Borrowings continued
(i) Changes in liabilities from financing activities

	Bank loans and borrowings £m	Finance lease liabilities £m	Derivatives used for hedging-assets £m
Balance at 1 April	534.7	16.1	2.5
Changes from financing cash flows:			
Proceeds from bank borrowings and Private Placement Notes	410.0	–	–
Repayment of bank borrowings and Retail Bond	(343.5)	–	–
Finance costs for new/amended borrowing facilities	(0.9)	–	–
Settlement of derivative financial instruments	–	–	(0.2)
Total changes from cash flows	65.6	–	(0.2)
Changes in fair value of derivative financial instruments	–	–	7.6
Foreign exchange differences	5.5	–	0.2
Amortisation of issue costs of borrowing	1.3	–	-
New finance leases	–	(0.3)	-
Interest payable/(receivable)	22.2	0.9	-
Interest paid/(received)	(22.2)	(0.9)	-
Total other changes	6.8	(0.3)	7.8
Balance at 31 March 2019	**607.4**	**15.8**	**10.1**

17. Notes to cash flow statement
Reconciliation of profit for the year to cash generated from operations:

	2019 £m	2018 £m
Profit before tax	**137.3**	170.4
Depreciation	**1.0**	1.1
Amortisation of intangibles	**0.4**	0.3
Profit on disposal of investment properties	**(8.3)**	(26.6)
Other income	**–**	(0.6)
Other expenses	**1.1**	–
Net gain from change in fair value of investment property	**(60.8)**	(82.5)
Equity settled share based payments	**1.9**	1.7
Finance income	**–**	–
Finance costs	**21.5**	18.8
Exceptional finance costs	**3.1**	–
Changes in working capital:		
Decrease /(Increase) in trade and other receivables	**1.8**	(7.9)
Increase in trade and other payables	**0.8**	18.5
Cash generated from operations	**99.8**	93.2

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

	2019 £m	2018 £m
Cash at bank and in hand	**17.3**	13.9
Restricted cash – tenants' deposit deeds	**9.4**	4.1
	26.7	18.0

18. Share capital and share premium

	2019 £m	2018 £m
Issued: Fully paid ordinary shares of £1 each	**180.4**	163.8

Movements in share capital were as follows:	**2019 Number**	2018 Number
Number of shares at 1 April	**163,806,591**	163,199,045
Issue of shares	**16,578,907**	607,546
Number of shares at 31 March	**180,385,498**	163,806,591

In June 2018 the Group raised net proceeds of £176.4m via the issue of 16.3m ordinary shares, to assist funding our acquisition and refurbishment plans. The Group has also issued 258,845 shares (2018: 606,526 shares) during the year to satisfy the exercise of share options with net proceeds of £0.3m (2017: £0.5m).

	Share Capital		Share Premium	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Balance at 1 April	**163.8**	163.2	**135.3**	
Issue of shares	**16.6**	0.6	**159.8**	(0.1)
Balance at 31 March	**180.4**	163.8	**295.1**	135.3

19. Other reserves

	Other Investment Reserve £m	Equity settled share based payments £m	Merger reserve £m	Hedging reserve £m	Total £m
Balance at 1 April 2017	–	14.0	8.7	(4.0)	18.7
Share based payments	–	1.7	–	–	1.7
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	–	(1.0)	(1.0)
Balance at 31 March 2018	–	15.7	8.7	(5.0)	19.4
Share based payments	**–**	**1.9**	**–**	**–**	**1.9**
Change in fair value of other investments (note 12)	**4.0**	**–**	**–**	**–**	**4.0**
Change in fair value of derivative financial instruments (cash flow hedge)	**–**	**–**	**–**	**2.1**	**2.1**
Balance at 31 March 2019	**4.0**	**17.6**	**8.7**	**(2.9)**	**27.4**

20. Capital commitments

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

	2019 £m	2018 £m
Construction or redevelopment of investment property	**16.1**	49.7

21. Responsibility Statement

The 2019 Annual Report, which will be issued in mid-June 2019, contains a responsibility statement which states that on 4 June 2019, 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 IFRS as adopted by the EU, 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 a 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.