PRELIMINARY ANNOUNCEMENT

6 June 2018

WORKSPACE GROUP PLC
FINAL RESULTS

WORKSPACE GROUP PLC

WORKSPACE MODEL DRIVING INCOME AND CAPITAL GROWTH
30% INCREASE IN DIVIDEND

Workspace Group PLC ("Workspace") is pleased to announce its Full Year Results for the year ended 31 March 2018. The comments in this announcement refer to the period from 1 April 2017 to 31 March 2018 ("the period") unless otherwise stated.

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

Financial highlights

- Profit before tax £170.4m (2017: £88.8m) with significant increases in both trading profit and property valuation
- Strong growth in net rental income up 21% to £95.6m, resulting in 20% growth in adjusted trading profit after interest to £60.7m
- EPRA net asset value per share up 8.8% to £10.37
- Underlying increase of 5.0% in the property valuation to £2,280m
- A 30% increase in the total dividend to 27.39p reflecting the strong financial performance and positive outlook
- Loan to value 23% at 31 March 2018 with £148m of undrawn facilities
- Loan to value increased to 25% on a proforma basis following the acquisition of Centro 1 & 2, Camden in April 2018 with undrawn facilities reduced to £71m

Operating performance in the year

- Total rent roll up 26.1% to £112.9m (31 March 2017: £89.5m)
- Like-for-like rent roll up 8.6% to £65.9m (31 March 2017: £60.7m)
- Like-for-like occupancy at 91.6%, up 0.8% in the year, and rent per sq. ft. up 7.6% to £35.50
- Robust level of customer demand with enquiries averaging 1,016 per month

Strategic progress and business update

- Three major acquisitions totalling £382m completed in the year, with a further £77m acquisition in April 2018
- Two industrial estates and one small commercial building sold for £84m, 38% above the book value at 31 March 2017
- Four residential redevelopments sold for £41m in cash and two new commercial buildings returned in due course
- Three refurbishment projects completed, including The Record Hall, a new flagship business centre in Holborn

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

"These strong results are further evidence of management successfully executing the right strategy. Flexible working continues to gain significant attention and our well-connected, inspiring spaces are driving strong customer demand. Our continued rental growth over the year reflects the resilient demand for the right type of space in London.

Adjusted trading profit increased by 20% to over £60 million on the back of a similar level of growth in rental income. We made a number of strategic acquisitions during the year as well as making excellent progress on our extensive refurbishments and redevelopments pipeline. This very positive trading performance and confident outlook underpins the Board's decision to increase the total dividend by 30%.

Our property ownership model and wealth of experience in leasing flexible space directly to customers means that we understand their needs and are well positioned to capture the opportunities in this evolving market. We remain excited that our strategy is the right one and confident in our ability to continue to deliver value for shareholders."

Summary results

	March 2018	March 2017	Change
Financial performance			
Net rental income	**£95.6m**	£79.2m	+21%
Profit before tax	**£170.4m**	£88.8m	+92%
Adjusted trading profit after interest(1)	**£60.7m**	£50.7m	+20%
EPRA net asset value per share(1)	**£10.37**	£9.53	+8.8%
Final dividend per share	**18.55p**	14.27p	+30%
Total dividend per share	**27.39p**	21.07p	+30%

	March 2018	March 2017	Change
Property valuation			
CBRE property valuation(2)	**£2,280m**	£1,844m	+5.0%**
Like-for-like capital value per sq. ft.	**£549**	£506	+8.5%
Like-for-like initial yield	**5.4%**	5.5%	-0.1%*
Like-for-like equivalent yield	**6.5%**	6.6%	-0.1%*
Financing			
Loan to value	**23%**	13%	+10%*
Undrawn bank facilities and cash	**£148m**	£123m	+£25m*

* absolute change

** underlying change

(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.
- 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 2018.

For media and investor enquiries, please contact:

Workspace Group PLC 020 7138 3300
Jamie Hopkins, Chief Executive Officer
Graham Clemett, Chief Financial Officer
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 3.7 million sq. ft. of business space across 66 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 6 June 2018 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/workspace009

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

CHAIRMAN'S STATEMENT

This year, we have seen London retain its robust nature as a global centre for business. The city continues to be a thriving, vibrant hub of commerce and culture, despite the political and economic uncertainty that abounds. With a growing number of businesses attracted to London and those already here continuing to rethink their occupational strategies, it remains the ideal home for Workspace.

Against this backdrop, the business has delivered another excellent set of results, driving both income and capital growth. Net rental income has risen 21% to £95.6m and we have seen our EPRA Net Asset Value per share increase by 8.8% to £10.37.

This strong financial performance and outlook has given the Board the confidence to recommend a 30% increase in the total dividend, demonstrating our commitment to a progressive dividend policy and our continued focus on driving income growth.

Over the last year, the Board has approved the acquisition of some larger properties in very attractive locations. Properties such as The Salisbury in the City and Centro Buildings in Camden are fantastic additions to the Workspace portfolio and we are excited about the future asset management and income growth opportunities these will provide. We also have a huge amount of activity ongoing across our existing portfolio, with a number of new and extensively refurbished buildings launching from our project pipeline over the next year.

Everyone at Workspace – from Centre Managers to Non-Executive Directors – is focused on delivering The Workspace Advantage. The Board and I would like to thank all our colleagues for wholeheartedly embracing our strategy and for working so hard to achieve our objectives. The work we have done internally this year to articulate our Company culture and values has highlighted the fantastic ethos that Workspace people bring to work each day. The drive that our people exhibit extends beyond the day-to-day operations of our business and I am extremely proud of the work we do to support our local communities.

With London continuing to offer strong growth opportunities, and the structural shift in the real estate market towards our business model, the Board and I have every confidence in the future of this business.

We strongly believe that we have the right strategy, the right business model and the right team in place to continue to deliver value for shareholders over the long-term.

Daniel Kitchen, Non-Executive Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

This year has seen, if possible, an even greater spotlight on our part of the real estate market. We have seen a number of new entrants and a never-ending stream of media interest in the growth of co-working. However, despite the inevitable confusion around the different "flexible" office space products on offer, I am delighted that Workspace continues to cut through the noise.

Demand for our space, driven by our in-house marketing efforts, has remained strong. That strength of demand and activity, with an average of 1,016 enquiries and 93 lettings per month, has delivered excellent income growth, and that is what Workspace is really all about – relentlessly driving income growth across our portfolio over the long-term.

As a property company, Workspace values ownership of its assets. We nurture our properties, seeking and capturing opportunities to reposition, refurbish and redevelop them over time in order to meet changing customer requirements and deliver income growth.

Total rent roll was up 26.1% in the year to £112.9m and I am particularly pleased that we delivered rental growth at our like-for-like properties of 8.6%. The rental income growth has continued to translate into a very positive trading profit performance, which increased by 20% to £60.7m in the year.

Our industry, rightly so, has become increasingly focused on providing a service to customers beyond their four walls. Since its foundation, Workspace has marketed directly to customers, building strong relationships and, as a result, developing a unique understanding of their needs. This focus on the customer, coupled with ownership of our real estate, allows us to adapt our buildings and continually evolve our offer. This year, for example, we made a commitment to roll out WiredScore certifications across our portfolio. Our achievement of 15 Wired Certified Gold or Platinum ratings so far demonstrates the significant work we are undertaking to ensure our customers have access to the best, most secure and reliable technology infrastructure in their space.

Whether debating the latest technology innovations, looking at potential property acquisitions or reviewing our portfolio for the next refurbishment or redevelopment opportunity, Workspace is always focused on the future. With that in mind, we regularly consider the depth and experience of the Executive Committee and, as a result, in October 2017, John Robson was promoted to the role of Asset Management Director.

I am delighted that we have delivered such a strong performance over the last five years and believe we have the right strategy in place to continue to grow the business and deliver further value for shareholders.

We have an extensive pipeline of refurbishment and redevelopment projects and during the coming year we will complete nine projects, bringing 456,000 sq. ft. of new and upgraded space to the market. In the last year, we have also acquired three large properties, adding significant rental income to our portfolio. Some of these properties come with longer term leases in place but provide attractive repositioning opportunities in the future alongside our existing project pipeline.

With continued strong demand for our product, a growing potential customer base and a robust balance sheet, Workspace is well positioned for the future.

Jamie Hopkins, 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 1,016 per month (2017: 1,060), and lettings averaging 93 per month (2017: 99).

	Quarter Ended				
Average number per month	**31 Mar 2018**	31 Dec 2017	30 Sept 2017	30 Jun 2017	31 Mar 2017
Enquiries	**1,111**	858	1,039	1,055	1,183
Lettings	**92**	86	97	95	101

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

RENT ROLL

Total rent roll, representing the annual net rental income at a given date, was up 26.1% (£23.4m) to £112.9m at 31 March 2018:

Rent Roll	£m
At 31 March 2017	89.5
Like-for-like Portfolio	5.2
Completed Projects	3.6
Refurbishment and Redevelopment Projects	(1.7)
Acquisitions	21.0
Disposals	(3.9)
Other	(0.8)
At 31 March 2018	**112.9**

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 £167.6m. Assuming a 90% occupancy level at all properties, except those at the design stage, this equates to a rent roll of £151.3m, £38.4m higher than the current rent roll.

Like-for-like Portfolio

The like-for-like portfolio represents 58% of the total rent roll as at 31 March 2018. It comprises properties with stabilised occupancy, excluding recent acquisitions and buildings impacted by significant refurbishment or redevelopment activity. The like-for-like portfolio has been restated in the year for two properties transferred in from completed projects, three disposals and one property transferred to the acquisition category. 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 8.6% (£5.2m) in the year to £65.9m. Rent roll growth of 4.3% in the second half of the year compares to 4.1% in the first half. The growth over the year has come from a 7.6% increase in rent per sq. ft. to £35.50 and a 0.8% increase in occupancy to 91.6%.

Like-for-like properties	Six months Ended 31 Mar 2018	30 Sept 2017	31 Mar 2017	30 Sept 2016
Rent roll growth	**4.3%**	4.1%	6.2%	7.1%
Occupancy movement	**(0.7)%**	1.5%	(0.3%)	0.2%
Rent per sq. ft. growth	**4.8%**	2.7%	6.7%	5.7%

If all the like-for-like properties were at 90% occupancy at the CBRE estimated rental values at 31 March 2018, the rent roll would be £72.5m, £6.6m higher than the actual cash rent roll at 31 March 2018.

Completed Projects

Rent roll increased by £3.6m at the six completed projects to £14.7m. This category includes a new business centre, The Record Hall, in Holborn which opened in May 2017 where occupancy reached 78.9% by the end of March 2018.

If the six buildings were all at 90% occupancy at the CBRE estimated rental values at 31 March 2018, the rent roll would be £17.0m, £2.3m higher than the 31 March 2018 rent roll.

Projects Underway – Refurbishments

We are currently underway on twelve refurbishment projects that will deliver 638,000 sq. ft. of new and upgraded space. As at 31 March 2018, rent roll was £6.6m, down £1.6m in the year. We expect to complete seven of these refurbishments in the coming financial year delivering 376,000 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 2018, the rent roll at these twelve buildings once they are completed would be £26.4m, an uplift of £19.8m.

Projects Underway – Redevelopments

There are currently six mixed-use redevelopment projects underway or contracted for sale. The buildings are vacated upon sale and Workspace receives a consideration comprising cash, and at four of these properties, new business centres (built at no cost to Workspace) providing 135,000 sq. ft. of net lettable space. Two of these business centres will be returned to us in the coming financial year providing 80,000 sq. ft. of new space.

Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2018, the rent roll at the four new business centres we will receive back would be £3.4m.

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 2018 was £4.1m, down £0.1m in the year.

Acquisitions

This category comprises recent acquisitions and properties where we need to obtain vacant possession before we can progress with our repositioning plans:

- The Salisbury, Finsbury Circus is a multi-let building where there is a rolling refurbishment programme to upgrade the common areas and customer units as they fall vacant, as we reposition The Salisbury as a Workspace business centre.

- Fitzroy Street, Fitzrovia and Alexandra House, Wood Green are currently let to single occupiers until 2020 and 2021 respectively. We plan in due course to refurbish and reposition these buildings as multi-let business centres.

- The Centro buildings in Camden (including the two buildings we acquired in April 2018) have the potential to be reconfigured as a Workspace business centre. With a number of the existing customers on longer leases this will take time, although there is 33,000 sq. ft. of recently refurbished space that is immediately available to let.

		At 31 March 2018		
	Acquired	Lettable Area	Rent Roll	Occupancy
The Salisbury	June 2017	235,000 sq. ft.	£11.2m*	90.3%
Fitzroy Street	April 2017	93,000 sq. ft.	£4.9m	100%
Alexandra House	October 2015	55,000 sq. ft.	£0.7m	100%
Centro Buildings**	February 2018	131,000 sq. ft.	£4.9m	85.2%
Total			**£21.7m**	

*There is ground rent of 22% of rents received payable to the City of London Corporation.
** Excludes Centro 1 & 2 acquired in April 2018

If the four properties in this category were at 90% occupancy at the CBRE estimated rental values at 31 March 2018, the rent roll would be £27.9m, an uplift of £6.2m in total, with £4.2m of the uplift at The Salisbury.

The cash rent roll at acquisition of Centro 1 & 2 was £1.8m, which will increase to £3.8m by the end of December 2018 at the end of rent free periods for three existing customers in October and December 2018.

Disposals

In line with our strategy, we completed the sale of two non-core industrial estates and one small commercial building in the year (at an overall 38% premium to their 31 March 2017 book value) with the loss of £3.9m of rent roll.

PROFIT PERFORMANCE

Adjusted trading profit after interest for the year is up 20% (£10.0m) on the prior year to £60.7m.

£m	**31 March 2018**	31 March 2017
Net rental income	**95.6**	79.2
Joint venture income	**–**	0.3
Administrative expenses - underlying	**(13.8)**	(12.8)
Administrative expenses – share related	**(2.3)**	(2.3)
Net finance costs	**(18.8)**	(13.7)
Adjusted trading profit after interest	**60.7**	50.7

Net rental income increased by 21% (£16.4m) in the period to £95.6m as detailed below:

£m	**31 March 2018**	31 March 2017
Like-for-like properties	**61.3**	55.6
Completed projects	**11.8**	9.2
Projects underway	**6.0**	7.3
Projects at design stage	**3.2**	3.3
Acquisitions	**12.3**	0.6
Disposals	**1.0**	3.2
Total net rental income	**95.6**	79.2

Total administration costs are up 7% in the year to £16.1m, with underlying costs (excluding share based costs) up 8% (£1.0m) to £13.8m. Staff costs are up 7% (£0.6m) to £8.9m with an increase of five in average head office headcount to 103 and staff salary increases averaging 3%, with other costs up £0.4m to £4.9m.

Net finance costs increased by 37% (£5.1m) in the year. The average net debt balance over the year was £166m higher than in the prior year, whilst the average interest rate has reduced from 5.2% to 4.3%. 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 increased by 92% to £170.4m as detailed below:

£m	**31 March 2018**	31 March 2017
Adjusted trading profit after interest	**60.7**	50.7
Change in fair value of investment properties	**82.5**	39.5
Profit on sale of investment properties	**26.6**	(0.6)
Exceptional finance costs	**–**	(1.4)
Joint venture performance fee	**–**	0.4
Other items	**0.6**	0.2
Profit before tax	**170.4**	88.8
Diluted earnings per share	**104.0p**	53.5p
Adjusted underlying earnings per share	**36.8p**	30.6p

The change in fair value of investment properties of £82.5m reflects the underlying increase in the CBRE valuation in the period of £102m reduced by acquisition related costs of £14m 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 £26.6m includes £23m from the sale of the Zennor Road and Uplands industrial estates.

Adjusted underlying earnings per share is up 20.3% to 36.8p, in line with the increase in adjusted trading profit after interest.

DIVIDEND

Our dividend policy is based on the growth in adjusted trading profit after interest taking into account our investment and acquisition plans and the distribution requirements that we have as a REIT. The current intention is to grow the dividend on a covered trading profit basis. The significant growth in trading profit in recent years has given rise to a higher distribution requirement and we have therefore reduced the minimum dividend cover from 1.3 to 1.2 times adjusted underlying earnings per share.

A final dividend of 18.55p (2017: 14.27p) will be paid on 3 August 2018 to shareholders on the register at 6 July 2018. The 30% 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 2018, the wholly owned portfolio was independently valued by CBRE at £2,280m, an underlying increase of 5.0% (£102m) in the year.

The main movements in the valuation over the year are set out below:

	£m
Valuation at 31 March 2017	1,844
Revaluation uplift	102
Capital expenditure	77
Acquisitions	382
Acquisition costs	(14)
Disposals	(87)
Capital receipts	(24)
Valuation at 31 March 2018	**2,280**

There was a lower revaluation uplift in the second half of the year of 1.1% (£23m), compared to an uplift of 3.9% (£79m) in the first half. This uplift excludes acquisition costs of £14m (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	1,112	73
Completed Projects	290	25
Refurbishments	308	9
Redevelopments	187	(4)
Acquisitions	383	(1)
Total	**2,280**	**102**

Like-for-like Properties

There was a 7.0% (£73m) increase in the valuation of like-for-like properties to £1,112m, comprising:

- an increase in ERV per sq. ft. of 5.9% equating to an uplift in value of some £61m; and
- a 0.1% reduction in equivalent yield equating to an increase in value of some £12m.

	31 March 2018	31 March 2017	Change
ERV per sq. ft.	**£39.80**	£37.59	+5.9%
Rent per sq. ft.	**£35.50**	£33.00	+7.6%
Equivalent Yield	**6.5%**	6.6%	(0.1%)
Net Initial Yield	**5.4%**	5.5%	(0.1%)
Capital Value per sq. ft.	**£549**	£506	+8.5%

Completed Projects

The uplift of 9.4% (£25m) in value of the six completed projects to £290m reflects the strong demand and pricing levels that have been achieved at these properties since launch. The most significant uplifts in the year being £9m at The Record Hall and £10m at The Leather Market. The overall valuation metrics for completed projects are set out below:

	31 March 2018
ERV per sq. ft.	**£47.80**
Rent per sq. ft.	**£45.07**
Equivalent Yield	**5.8%**
Net Initial Yield	**4.6%**
Capital Value per sq. ft.	**£734**

Current Refurbishments

We have seen an uplift of 3.0% (£9m) in the value of current refurbishments to £308m as these schemes near completion. There was a £3m uplift at each of Southbank House (to be renamed China Works) and Edinburgh House in Vauxhall which are both due to open in the Summer of 2018 and a £5m uplift at The Light Box in Chiswick where we expect the refurbishment to complete in the Autumn of 2018.

Current Redevelopments

There is a reduction of 2.1% (£4m) in the value of current redevelopment projects to £187m. This comprises:

- A reduction of £8m in the value of Rainbow Industrial Estate, Raynes Park where we obtained a mixed-use planning consent in September 2015 but have been informed by Network Rail that the property may be safeguarded in relation to Crossrail 2.

- Assumptions on the required level of affordable housing have increased which has reduced the value of schemes that do not yet have planning consent by £8m.

- An increase of £12m in the value at schemes that already have planning consent, including a £4m uplift in the value of the consented residential scheme at Marshgate near the Olympic Park, and an uplift of £4m for overage at the Arches.

ACQUISITIONS

Three properties were acquired in the financial year:

- In April 2017, we acquired 13-17 Fitzroy Street, Fitzrovia for £99m. This property comprises 92,700 sq. ft. of net lettable space, currently let in its entirety to Arup until September 2022 at annual rent of £4.9m (£53 per sq. ft.), rising to £6.0m (£65 per sq. ft.) in March 2021. Arup plan to relocate from this building and the lease provides for their early exit with effect from September 2020 with a rolling nine-month break option.

- In June 2017, we acquired The Salisbury at 28-31 Finsbury Circus for £160m. This multi-let property provides 235,000 sq. ft. of net lettable space. It was acquired at a capital value of £661 per sq. ft. and a net initial yield of 5.0%.

- In February 2018, we acquired five of the Centro buildings in Camden for £109m. These buildings provide 131,000 sq. ft. of net lettable space and were acquired at a capital value of £831 per sq. ft. and a net initial yield of 4.2%.

In April 2018, we acquired the remaining two Centro buildings (Centro 1 & 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%.

PROPERTY DISPOSALS

We completed the sale of three properties in the year for £84m (this excludes redevelopment sales), with a profit of £23m on the book cost at 31 March 2017.

- In May 2017, we sold Uplands industrial estate in Walthamstow for £50m. The industrial estate totalled 290,000 sq. ft. of net lettable space with an average rent per sq. ft. of £5.70. The property was sold at a premium of 25% (£10m) to the 31 March 2017 valuation at a net initial yield of 3.1%.

- In September 2017, we sold Zennor Road industrial estate in Balham for £30m. This three acre site was sold at a premium of 84% (£13.7m) to the 31 March 2017 valuation at a net initial yield of 2.9%.

- In March 2018, we sold Quicksilver, Wood Green, a small commercial building for £3.5m in line with its valuation.

REFURBISHMENT ACTIVITY

It has been a very active year with good progress made across a range of refurbishment projects and an accelerated level of capital expenditure. We completed the refurbishments at The Leather Market, London Bridge and Barley Mow Centre, Chiswick in August 2017 and launched The Record Hall, a new business centre in Holborn, in May 2017.

A summary of the status of the refurbishment pipeline at 31 March 2018 is set out below:

Projects	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	12	£65m	£87m	639,000
Design stage (without planning)	4	–	£59m	225,000

Of the twelve refurbishment projects underway, we are currently on-site at eleven with completion expected at seven during the coming 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.

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 2017, we sold the third and final phase of the residential scheme at Bow Enterprise, Devons Road. This final phase, comprising 130 residential units, was sold for £6.3m in cash and the return of a new 40,000 sq. ft. business centre.

- In June 2017, we received a £7.9m overage payment from the sale of the residential units in the first phase of the Bow Enterprise redevelopment.

- In September 2017, we completed the sale of the second phase of the redevelopment of The Lightbulb, Wandsworth, of 77 residential units for £7.8m in cash, together with the delivery in due course of 15,000 sq. ft. of new commercial space.

- In October 2017, we completed the sale of Arches Business Centre for £13m. We obtained a planning consent on this site for 110 residential units. In February 2018, we agreed to remove our overage provision in return for cash payment of £4.3m payable during 2018/19.

- In November 2017, we completed the sale of Stratford Office Village for £14m. We obtained a mixed-use planning consent on this site in 2016 for 101 residential units and 13,000 sq. ft. of commercial space.

- In March 2018, we were granted planning permission for a significant mixed-use redevelopment on 2.3 acres of our Chocolate Factory and Parma House properties in Wood Green. This will provide 230 new homes and 26,000 sq. ft. of new commercial space, of which 20,000 sq. ft. is within the residential development and 6,000 sq. ft. is a roof top extension of our Chocolate Factory building which we are retaining and currently refurbishing.

A summary of the status of the redevelopment pipeline at 31 March 2018 is set out below:

	No. of properties	Residential units	Cash received	Cash/ overage to come	New commercial space (sq. ft.)
Underway	6	1,435	£102m	£11m	135,000
Design stage (with planning)	4	866	–	–	144,000
Design stage (without planning)	2	463	–	–	–

The sale of the residential schemes at the six redevelopment schemes underway is expected to deliver £113m in cash (of which £102m has already been received) and four new commercial buildings. Two of these commercial buildings are in the final stages of construction and will open this year.

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 two schemes 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 2017: £0.3m). A summary of the movements in cash flow are set out below:

£m	**31 March 2018**	31 March 2017
Net cash from operations after interest	**74**	53
Dividends paid	**(37)**	(27)
Capital expenditure	**(74)**	(58)
Purchase of investment properties	**(370)**	(11)
Property disposals	**128**	8
Capital receipts	**9**	23
Distributions and proceeds from joint ventures	**–**	46
Other	**(5)**	–
Net movement	**(275)**	34
Opening Debt (net of cash)	**(242)**	(276)
Closing Debt (net of cash)	**(517)**	(242)

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

FINANCING

In June 2017, we exercised the options to extend the maturity of our revolver bank facility by a year to 2022 and increase the quantum of the facility from £150m to £250m.

In August 2017, we completed the placing of £200m of private placement notes, comprising £80m of eight year notes and £120m of ten year notes at a blended fixed rate coupon of 3.14%.

The Group had £14m of cash and £531m of drawn debt at 31 March 2018 with £665m of committed facilities as detailed below:

	Drawn Amount	Facility	Maturity
Private Placement Notes	£357.5m	£357.5m	2020-2027
Retail bond	£57.5m	£57.5m	2019
Bank facilities	£116.0m	£250m	2022
Total	**£531m**	**£665m**	

All facilities are provided on an unsecured basis with an average maturity of 5.5 years (31 March 2017: 5.2 years). The average interest cost of our fixed rate private placement notes has reduced to 4.2% from 5.5% following the £200m issue in August 2017. The retail bond has a fixed interest rate of 6%. Our revolver bank facilities are provided at a floating rate of 1.65% over LIBOR. At 31 March 2018, 61% of our facilities are at fixed rates, representing 76% of our borrowings on a drawn basis.

At 31 March 2018, loan to value was 23% (31 March 2017: 13%) and interest cover (based on net rental income) was 5.1 times (31 March 2017: 5.8), providing good headroom on all facility covenants. The loan to value increases to 25% on a proforma basis following the acquisition of Centro 1 & 2 in April 2018 with the available headroom on our facilities reducing from £148m to £71m.

NET ASSETS

Net assets increased in the year by £134m to £1,713m. EPRA net asset value per share at 31 March 2018 was up 8.8% to £10.37 in the year (31 March 2017: £9.53), with an increase of 2.3% (£0.23) in the second half of the year following an increase of 6.4% (£0.61) in the first half. The calculation of EPRA net asset value per share is set out in note 9 of the accounts.

	£
At 31 March 2017	9.53
Property valuation surplus	0.59
Property acquisition costs	(0.09)
Adjusted trading profit after interest	0.37
Dividends paid in year	(0.23)
Profit on sale of investment properties	0.16
Other	0.04
At 31 March 2018	**10.37**

PROPERTY STATISTICS

	Half Year ended			
	31 March 2018	30 Sept 2017	31 March 2017	30 Sept 2016
Workspace Group Portfolio				
Property valuation	**£2,280m**	£2,139m	£1,844m	£1,780m
Number of properties	**66**	68	68	69
Lettable floorspace (million sq. ft.)	**3.7**	3.6	3.6	3.7
Number of lettable units	**4,539**	4,544	4,306	4,521
Rent roll of occupied units	**£112.9m**	£104.8m	£89.5m	£84.8m
Average rent per sq. ft.	**£36.05**	£33.80	£28.41	£26.86
Overall occupancy	**85.5%**	85.2%	87.0%	84.2%
Like-for-like number of properties	**33**	34	35	35
Like-for-like lettable floor space (million sq. ft.)	**2.0**	2.1	2.3	2.3
Like-for-like rent roll growth	**4.3%**	4.1%	6.2%	7.1%
Like-for-like rent per sq. ft. growth	**4.8%**	2.7%	6.7%	5.7%
Like-for-like occupancy movement	**(0.7)%**	1.5%	(0.3%)	0.2%

Notes:

1) The like-for-like category has been restated in the current financial year for the following:
   - The transfer in of The Print Rooms, Southwark and Vox Studios, Vauxhall from completed projects
   - The disposal of Uplands Industrial Estate, Walthamstow, Zennor Road Industrial Estate, Balham and Quicksilver, Wood Green
   - The transfer out of Alexandra House, Wood Green to the acquisition 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.

Consolidated income statement
For the year ended 31 March 2018

	Notes	2018 £m	2017 £m
Revenue	1	**128.9**	108.8
Direct costs	1	**(33.3)**	(29.6)
Net rental income	1	**95.6**	79.2
Administrative expenses	2	**(16.1)**	(15.1)
Trading profit		**79.5**	64.1
Profit/(loss) on disposal of investment properties	3(a)	**26.6**	(0.6)
Loss on disposal of joint ventures	3(b)	**–**	(0.2)
Other income	3(c)	**0.6**	2.1
Other expenses	3(d)	**–**	(1.2)
Change in fair value of investment properties	10	**82.5**	39.5
Operating profit	2	**189.2**	103.7
Finance income	4	**–**	0.1
Finance costs	4	**(18.8)**	(13.7)
Exceptional finance costs	4	**–**	(1.4)
Gains from share in joint ventures	12(a)	**–**	0.1
Profit before tax		**170.4**	88.8
Taxation	6	**1.0**	(0.1)
Profit for the financial year after tax		**171.4**	88.7
Basic earnings per share	8	**104.8p**	54.5p
Diluted earnings per share	8	**104.0p**	53.5p

Consolidated statement of other comprehensive income
For the year ended 31 March 2018

	2018 £m	2017 £m
Profit for the financial year	**171.4**	88.7
Other comprehensive income:		
Items that may be classified subsequently to profit or loss:		
Cash flow hedge – transfer to income statement	**8.5**	10.3
Cash flow hedge – change in fair value	**(9.5)**	(8.1)
Total comprehensive income for the year	**170.4**	86.5

Consolidated balance sheet
As at 31 March 2018

	Notes	2018 £m	2017 £m
Non-current assets			
Investment properties	10	**2,288.7**	1,839.0
Intangible assets		**1.4**	0.7
Property, plant and equipment	11	**2.9**	2.9
Investment in joint ventures	12(a)	**0.1**	0.3
Other investments	12(b)	**3.2**	3.1
Trade and other receivables	13	**–**	7.3
Derivative financial instruments	16(e) & (f)	**2.5**	12.1
		2,298.8	1,865.4
Current assets			
Trade and other receivables	13	**22.4**	25.2
Cash and cash equivalents	14	**18.0**	6.5
		40.4	31.7
Total assets		**2,339.2**	1,897.1
Current liabilities			
Trade and other payables	15	**(75.5)**	(52.2)
Deferred tax	6	**–**	(0.9)
		(75.5)	(53.1)
Non-current liabilities			
Borrowings	16(a)	**(550.8)**	(265.5)
		(550.8)	(265.5)
Total liabilities		**(626.3)**	(318.6)
Net assets		**1,712.9**	1,578.5
Shareholders' equity			
Share capital	18	**163.8**	163.2
Share premium	18	**135.3**	135.4
Investment in own shares		**(9.3)**	(8.9)
Other reserves	19	**19.4**	18.7
Retained earnings		**1,403.7**	1,270.1
Total shareholders' equity		**1,712.9**	1,578.5
EPRA net asset value per share	9	**£10.37**	£9.53

Consolidated statement of changes in equity
For the year ended 31 March 2018

	Notes	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
		Attributable to owners of the parent					
Balance at 31 March 2016		162.4	135.9	(8.9)	19.0	1,209.2	1,517.6
Profit for the financial year		–	–	–	–	88.7	88.7
Other comprehensive income for the year		–	–	–	(2.2)	–	(2.2)
Total comprehensive income		–	–	–	(2.2)	88.7	86.5
Transactions with owners:							
Share issues	18	0.8	(0.5)	–	–	(0.1)	0.2
Dividends paid	7	–	–	–	–	(27.7)	(27.7)
Share based payments		–	–	–	1.9	–	1.9
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		**–**	**–**	**–**	**(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**

Consolidated statement of cash flows

For the year ended 31 March 2018

	Notes	2018 £m	2017 £m
Cash flows from operating activities			
Cash generated from operations	17	**93.2**	69.7
Interest received		**–**	0.1
Interest paid		**(18.8)**	(15.0)
Tax		**(0.2)**	(1.4)
Net cash inflow from operating activities		**74.2**	53.4
Cash flows from investing activities			
Purchase of investment properties		**(370.4)**	(10.8)
Capital expenditure on investment properties		**(73.8)**	(56.8)
Proceeds from disposal of investment properties (net of sale costs)		**128.1**	7.8
Purchase of intangible assets		**(1.1)**	(0.4)
Purchase of property, plant and equipment		**(1.0)**	(1.8)
Capital distributions from joint ventures		**–**	2.7
Proceeds from disposal of joint ventures		**–**	18.7
Other income (overage receipts)		**8.7**	23.8
Performance fee from joint venture		**–**	24.5
Purchase of investments		**(0.1)**	–
Movement in funding balances with joint ventures		**–**	0.4
Income distributions from joint ventures	12(a)	**0.2**	0.6
Net cash (outflow)/inflow from investing activities		**(309.4)**	8.7
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	18	**0.5**	0.2
Finance costs for new/amended borrowing facilities		**(1.9)**	(0.3)
Exceptional finance costs		**–**	(0.9)
Settlement and re-couponing of derivative financial instruments		**(0.1)**	–
Repayment of bank borrowings	16(b)	**(294.0)**	(55.0)
Draw down of bank borrowings and Private Placement Notes	16(b)	**580.0**	–
Own shares purchase (net)		**(0.4)**	–
Dividends paid	7	**(37.4)**	(27.4)
Net cash inflow/(outflow) from financing activities		**246.7**	(83.4)
Net increase/(decrease) in cash and cash equivalents		**11.5**	(21.3)
Cash and cash equivalents at start of year	17	**6.5**	27.8
Cash and cash equivalents at end of year	17	**18.0**	6.5

Notes to the financial statements
For the year ended 31 March 2018

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2018 or 2017 but is derived from those accounts. Statutory accounts for 2017 have been delivered to the registrar of companies, and those for 2018 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified3, (ii) did not include a 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 2017, with exception of the following:
– Amendments to IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures
– Amendments to IAS 7 Statement of cash flows on disclosures initiatives

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

1. Analysis of net rental income and segmental information

	2018			2017		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**106.1**	**(3.4)**	**102.7**	86.8	(2.0)	84.8
Service charges	**17.7**	**(21.8)**	**(4.1)**	15.4	(18.5)	(3.1)
Empty rates and other non-recoverables	**–**	**(5.0)**	**(5.0)**	–	(4.8)	(4.8)
Services, fees, commissions and sundry income	**5.1**	**(3.1)**	**2.0**	6.6	(4.3)	2.3
	128.9	**(33.3)**	**95.6**	108.8	(29.6)	79.2

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:

	2018 £m	2017 £m
Depreciation[1]	**1.1**	0.9
Staff costs (including share based costs)[1] (note 5)	**18.6**	17.1
Repairs and maintenance expenditure on investment properties	**2.6**	2.7
Trade receivables impairment (note 13)	**0.3**	0.2
Amortisation of intangibles	**0.3**	0.2
Operating lease rentals payable	**0.1**	0.1
Audit fees payable to the Company's auditors	**0.2**	0.2

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

Auditors' remuneration: Services provided by the Company's auditors and its associates	**2018 £000**	2017 £000
Audit fees:		
Audit of Parent Company and consolidated financial statements	**150**	155
Audit of subsidiary financial statements	**20**	33
	170	188
Fees for other services:		
Audit-related assurance services	**30**	35
Tax advisory, tax compliance and legal services	**–**	20
	30	55

	2018 £m	2017 £m
Total administrative expenses are analysed below:		
Staff costs	**8.9**	8.3
Cash settled share based costs	**0.6**	0.4
Equity settled share based costs	**1.7**	1.9
Other	**4.9**	4.5
	16.1	15.1

3(a). Profit on disposal of investment properties

	2018 £m	2017 £m
Proceeds from sale of investment properties (net of sale costs)	**128.1**	7.8
Book value at time of sale (including assets held for sale)	**(101.5)**	(8.5)
Profit/(loss) on disposal	**26.6**	(0.7)
Realisation of profits on sale of properties out of joint ventures (note 12)	**–**	0.1
	26.6	(0.6)

Proceeds from sale of investment properties includes £14.0m (March 2017: £nil) of capital receipts in relation to two part disposals.

3(b). Loss on disposal of joint ventures

	2018 £m	2017 £m
Proceeds from disposal of joint ventures (net of costs)	**0.3**	18.7
Carrying value at time of disposal (note 12)	**(0.3)**	(18.9)
Loss on disposal	**–**	(0.2)

The Group sold its share in Generate Studio Limited in March 2018. The BlackRock Workspace Property Trust joint venture was sold in June 2016 with the loss on sale being recognised in the prior year.

3(c). Other income

	2018 £m	2017 £m
Joint venture performance fee	**–**	0.4
Change in fair value of deferred consideration	**0.4**	(0.5)
Rights of light compensation	**–**	2.2
Income from investments	**0.2**	–
	0.6	2.1

The value of deferred consideration (cash and overage) from the sale of investment properties has been revalued by CBRE Limited at 31 March 2018 and 31 March 2017. The amounts receivable are included in the Consolidated balance sheet under non-current and current trade and other receivables (note 13).

3(d). Other expenses

	2018 £m	2017 £m
Impairment of other investments	**–**	(1.2)

In the prior year, the Group provided 100% against its investment in Mailstorage Ltd, resulting in a charge of £1.2m.

4. Finance income and costs

	2018 £m	2017 £m
Interest income	–	0.1
Finance income	**–**	0.1
Interest payable on bank loans and overdrafts	**(2.8)**	(1.2)
Interest payable on other borrowings	**(16.0)**	(12.8)
Amortisation of issue costs of borrowings	**(0.7)**	(0.7)
Interest payable on finance leases	**(0.9)**	(0.5)
Interest capitalised on property refurbishments (note 10)	**1.6**	1.5
Foreign exchange losses on financing activities	**(8.5)**	(10.3)
Cash flow hedge – transfer from equity	**8.5**	10.3
Finance costs	**(18.8)**	(13.7)
Exceptional finance costs	**–**	(1.4)
Total finance costs	**(18.8)**	(15.1)

The exceptional finance costs of £1.4m were incurred in the prior year for the repayment of the £45m UK fund debt in September 2016 and comprised of a £0.9m repayment fee and £0.5m unamortised finance costs and legal fees relating to this debt.

5. Employees and Directors

	2018 £m	2017 £m
Wages and salaries	**15.6**	13.9
Social security costs	**1.9**	1.7
Other pension costs (note 26)	**0.8**	0.7
Cash settled share based costs (note 22)	**0.6**	0.4
Equity settled share based costs (note 22)	**1.7**	1.9
	20.6	18.6
Less costs capitalised	**(2.0)**	(1.5)
	18.6	17.1

The monthly average number of people employed during the year was:	2018 Number	2017 Number
Head office staff (including Directors)	**103**	98
Estates and property management staff	**114**	108
	217	206

Total Directors' emoluments for the financial year were £4.1m (2017: £4.3m), comprising of £2.1m (2017: £2.1m) of Directors' remuneration, £1.8m (2017: £2.1m) gain on exercise of share options and £0.2m (2017: £0.1m) of contributions to pension plans in respect of two Directors.

6. Taxation

	2018 £m	2017 £m
Current tax:		
UK corporation tax	**–**	0.6
Adjustments to tax in respect of previous periods	**(0.1)**	(0.3)
	(0.1)	0.3
Deferred tax:		
On origination and reversal of temporary differences	**(0.9)**	(0.2)
	(0.9)	(0.2)
Total taxation (credit) /charge	**(1.0)**	0.1

The tax on the Group's profit for the year differs from the standard applicable corporation tax rate in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £m	2017 £m
Profit before taxation	**170.4**	88.8
Adjust gains from share in joint ventures	**–**	(0.1)
	170.4	88.7
Tax at standard rate of corporation tax in the UK of 19% (2017: 20%)	**32.4**	17.7
Effects of:		
REIT exempt income	**(17.1)**	(10.3)
Changes in fair value not subject to tax as a REIT	**(15.7)**	(7.9)
Share based payment adjustments	**(0.4)**	(0.5)
Overage income subject to tax when received	**0.6**	1.2
Adjustments to tax in respect of previous periods	**(0.1)**	(0.3)
Losses carried forward previously unrecognised	**0.1**	–
Utilisation of losses unrecognised brought forward	**(0.8)**	–
Other non-taxable expenses	–	0.2
Total taxation (credit)/charge	**(1.0)**	0.1

The Group is a Real Estate Investment Trust ('REIT'). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Group's other income is subject to corporation tax. Other income of £0.6m has been recorded this year (note 3(c)). £0.1m (2017: £0.8m) of this income is subject to 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 'substantively enacted' and 'fully enacted' on 6 and 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 £0.3m (2017: £1.0m) calculated at a corporation tax rate of 19% (2017: 19%).

	2018 £m	2017 £m
Deferred tax assets:		
– Deferred tax to be recovered within 12 months	**0.8**	0.9
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered within 12 months	**(0.8)**	(1.8)
Deferred tax liabilities (net)	**–**	(0.9)

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 2016	**4.2**	4.2
Charged to income statement	**(2.4)**	(2.4)
At 31 March 2017	**1.8**	1.8
Credited to income statement	**(1.0)**	(1.0)
At 31 March 2018	**0.8**	0.8

Deferred tax assets	**Expenses (share based payment) £m**	**Tax losses £m**	Total £m
At 1 April 2016	**(1.1)**	**(2.0)**	(3.1)
Charged to income statement	**0.2**	**2.0**	2.2
At 31 March 2017	**(0.9)**	**–**	(0.9)
Charged to income statement	**0.1**	**–**	0.1
At 31 March 2018	**(0.8)**	**–**	(0.8)

7. Dividends

	Payment date	Per share	**2018 £m**	2017 £m
For the year ended 31 March 2016:				
Final dividend	August 2016	10.19p	**–**	16.5
For the year ended 31 March 2017:				
Interim dividend	February 2017	6.80p	**–**	11.2
Final dividend	August 2017	14.27p	**23.3**	
For the year ended 31 March 2018:				
Interim dividend	February 2018	8.84p	**14.5**	–
Dividends for the year			**37.8**	27.7
Timing difference on payment of withholding tax			**(0.4)**	(0.3)
Dividends cash paid			**37.4**	27.4

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 March 2018 of 18.55 pence per ordinary share which will absorb an estimated £30.4m of revenue reserves and cash. If approved by the shareholders at the AGM, it will be paid on 3 August 2018 to shareholders who are on the register of members on 6 July 2018. 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:	2018 £m	2017 £m
Basic and diluted earnings	**171.4**	88.7
Change in fair value of investment properties	**(82.5)**	(39.5)
Profit/(loss) on disposal of investment properties	**(26.6)**	0.6
Loss on disposal of joint venture	**–**	0.2
EPRA adjusted earnings	**62.3**	50.0
Adjustment for non-trading items:		
Group's share of joint venture other expenses	**–**	0.1
Other expenses	**–**	1.2
Exceptional finance costs	**–**	1.4
Other income	**(0.6)**	(2.1)
Taxation (credit)/charge	**(1.0)**	0.1
Adjusted trading profit after interest	**60.7**	50.7

Earnings have been adjusted and calculated on a diluted basis to derive an earnings per share measure as defined by the European Public Real Estate Association ('EPRA') and an underlying earnings measure. Adjusted underlying earnings represents trading profits after interest, including trading profits of joint ventures.

Number of shares used for calculating earnings per share:	2018 Number	2017 Number
Weighted average number of shares (excluding own shares held in trust)	**163,495,793**	162,833,428
Dilution due to share option schemes	**1,293,620**	2,892,100
Weighted average number of shares for diluted earnings per share	**164,789,413**	165,725,528

In pence:	2018	2017
Basic earnings per share	**104.8**	54.5p
Diluted earnings per share	**104.0**	53.5p
EPRA earnings per share	**37.8**	30.2p
Adjusted underlying earnings per share[1]	**36.8**	30.6p

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

9. Net assets per share

Net assets used for calculating net assets per share:	2018 £m	2017 £m
Net assets at end of year (basic)	**1,712.9**	1,578.5
Derivative financial instruments at fair value	**(2.5)**	(12.1)
EPRA net assets	**1,710.4**	1,566.4

Number of shares used for calculating net assets per share:	2018 Number	2017 Number
Shares in issue at year-end	**163,806,591**	163,199,045
Less own shares held in trust at year-end	**(163,874)**	(118,274)
Dilution due to share option schemes	**1,262,717**	1,227,537
Number of shares for calculating diluted adjusted net assets per share	**164,905,434**	164,308,308

	2018	2017
EPRA net assets per share	**£10.37**	£9.53

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

10. Investment properties

	2018 £m	2017 £m
Balance at 1 April	**1,839.0**	1,749.4
Purchase of investment properties	**382.4**	–
Capital expenditure	**75.6**	57.1
Acquisition of finance lease	**9.1**	–
Capitalised interest on refurbishments (note 4)	**1.6**	1.5
Disposals during the year	**(101.5)**	(8.5)
Change in fair value of investment properties	**82.5**	39.5
Balance at 31 March	**2,288.7**	1,839.0

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

During the year the Group acquired three properties, Salisbury House, 13-17 Fitzroy Street and Centro Buildings for a combined £382m, including acquisition costs of £14m.

Capitalised interest is included at a rate of capitalisation of 4.4% (2017: 5.2%). The total amount of capitalised interest included in investment properties is £9.6m (2017: £8.2m).

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

Investment properties include buildings with a carrying amount of £291m (2017: £105m) held under finance leases with a carrying amount of £16.1m (2017: £7.1m). Investment property finance lease commitment details are shown in note 16(h).

Valuation
The Group's investment properties are held at fair value and were revalued at 31 March 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 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:

	2018 £m	2017 £m
Total per CBRE valuation report	**2,279.6**	1,844.0
Deferred consideration on sale of property	**(7.0)**	(12.1)
Head leases treated as finance leases under IAS 17	**16.1**	7.1
Total investment properties per balance sheet	**2,288.7**	1,839.0

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	1,112	1	£12–£80	£40	4.8%–7.4%	6.5%
Completed projects	290	1	£26–£60	£48	5.1%–6.9%	5.8%
Refurbishments	308	2	£19–£75	£44	5.0%–6.8%	5.8%
Redevelopments	180	2	£13–£40	£23	5.1%–7.1%	6.1%
Acquisitions	383	1	£20–£72	£60	4.3%–6.6%	5.6%
Head leases	16	n/a				
Total	**2,289**					

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

Key unobservable inputs for redevelopments at planning stage and refurbishments is a Developer's profit. 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 £186 - £273 per sq. ft. and a weighted average of £203 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.

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

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+111/-111	-42/+45
Completed projects (refurbishments)	+29/-29	-12/+13
Refurbishments	+44/-44	-13/+23
Redevelopments	+13/-13	-5/+6
Other	+38/-38	-16/+18

11. Property, plant and equipment

Cost or valuation	Equipment and fixtures £m
1 April 2016	5.1
Additions during the year	1.8
Disposals during the year	(0.8)
Balance at 31 March 2017	6.1
Additions during the year	1.1
Balance at 31 March 2018	**7.2**

Accumulated depreciation	
1 April 2016	3.1
Charge for the year	0.9
Disposals during the year	(0.8)
Balance at 31 March 2017	3.2
Charge for the year	1.1
Balance at 31 March 2018	**4.3**

Net book amount at 31 March 2018	**2.9**
Net book amount at 31 March 2017	2.9

12. Investments
(a). Investment in joint ventures
The Group's investment in joint ventures represents:

	2018 £m	2017 £m
Balance at 1 April	**0.3**	22.3
Capital distributions received*	**–**	(2.7)
Payment of loans to joint ventures	**0.1**	–
Share of gains	**–**	0.1
Income distributions received*	**(0.3)**	(0.6)
Disposal of joint ventures (note 3(b))	**–**	(18.9)
Realisation of profits on sale of properties out of joint ventures (note 3(a))	**–**	0.1
Balance at 31 March	**0.1**	0.3

* Capital distributions are from proceeds on disposal of investment properties. Income distributions are from trading profits.

The Group had one joint venture during the year, Generate Studio Limited, which is engaged in the design and project management of office fit outs and workplace consultancy both for Group properties and third parties. The Group sold its share in Generate Studio Limited in March 2018. A dividend was paid to Workspace of £0.3m, of which £0.1m is being repaid by Generate Studio Limited to Workspace over the next financial year.

	Partner	Established	Ownership	Measurement method
Generate Studio Limited	Whitebox Creative Limited	February 2014	50%	Equity

(b). Other investments
The Group holds the following investment:

	2018 £m	2017 £m
10% of share capital of The Excell Group plc	**3.2**	3.1
	3.2	3.1

13. Trade and other receivables

Non-current trade and other receivables	2018 £m	2017 £m
Prepayments, other receivables and accrued income	–	3.0
Deferred consideration on sale of investment properties (see below)	–	4.3
	–	7.3

	2018 £m	2017 £m
Deferred consideration on sale of investment properties:		
Balance at 1 April	4.3	7.0
Cash received	(2.4)	(1.7)
Additions	4.7	–
Less: classified as current	(7.0)	–
Change in fair value	0.4	(1.0)
Balance at 31 March	–	4.3

The deferred consideration arising on the sale of investment properties relates to cash and overage. The conditional value of the portion of the receivable that relates to overage is held at fair value through profit and loss. It 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 profit of £0.4m (31 March 2017: £0.5m loss) (note 3(c)).

Current trade and other receivables	2018 £m	2017 £m
Trade receivables	3.8	3.5
Less provision for impairment of receivables	(0.6)	(0.3)
Trade receivables – net	3.2	3.2
Prepayments, other receivables and accrued income	12.2	14.2
Deferred consideration on sale of investment properties	7.0	7.8
	22.4	25.2

Receivables at fair value:
Included within deferred consideration (both current and non-current) on sale of investment properties is £0.9m (2017: £9.4m) 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.

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:

	2018 £m	2017 £m
Balance at 1 April	0.3	0.4
Increase in provision for impairment of trade receivables	0.5	0.2
Receivables written off during the year	(0.2)	(0.3)
Balance at 31 March	0.6	0.3

14. Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	13.9	2.7
Restricted cash – tenants' deposit deeds	4.1	3.8
	18.0	6.5

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

15. Trade and other payables

	2018 £m	2017 £m
Trade payables	**6.0**	4.6
Other tax and social security payable	**4.4**	2.0
Corporation tax payable	**–**	0.3
Tenants' deposit deeds (note 14)	**4.1**	3.8
Tenants' deposits	**24.0**	18.0
Accrued expenses	**28.5**	20.2
Deferred income – rent and service charges	**8.5**	3.3
	75.5	52.2

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

	2018 £m	2017 £m
Non-current		
Bank loans (unsecured)	**113.9**	28.4
6% Retail Bond (unsecured)	**57.2**	57.1
5.6% Senior US Dollar Notes 2023 (unsecured)	**71.5**	80.1
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**	–
3.19% Senior Notes (unsecured)	**119.6**	–
Finance lease obligations	**16.1**	7.1
	550.8	265.5

In June 2017, the Group exercised the options to extend the maturity of our revolver bank facility by a year to 2022 and increase the quantum of the facility from £150m to £250m.

In August 2017, we completed the placing of £200m of Private Placement Notes.

(b) Net Debt

	2018 £m	2017 £m
Borrowings per (a) above	**550.8**	265.5
Adjust for:		
Finance leases	**(16.1)**	(7.1)
Cost of raising finance	**3.4**	2.3
Foreign exchange differences	**(7.1)**	(15.7)
	531.0	245.0
Cash at bank and in hand (note 14)	**(13.9)**	(2.7)
Net Debt	**517.1**	242.3

At 31 March 2018 the Group had £134m (2017: £120m) of undrawn bank facilities, a £2m overdraft facility (2017: £4m) and £13.9m of unrestricted cash (2017: £2.7m).

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 cashflows.

(c) Maturity

	2018 £m	2017 £m
Repayable between one year and two years	**57.5**	–
Repayable between two years and three years	**9.0**	57.5
Repayable between three years and four years	**–**	9.0
Repayable between four years and five years	**116.0**	30.0
Repayable in five years or more	**348.5**	148.5
	531.0	245.0
Cost of raising finance	**(3.4)**	(2.3)
Foreign exchange differences	**7.1**	15.7
	534.7	258.4
Finance leases:		
Repayable in five years or more	**16.1**	7.1
	550.8	265.5

(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
Revolver loan	116.0	LIBOR+1.65%	Monthly	June 2022
6% Retail Bond	57.5	6.0%	Half yearly	October 2019
	531.0			

(e) Derivative financial instruments
The following derivative financial instruments are held:

	Amount	Rate payable (%)	Term/expiry
Cash flow hedge – cross currency swaps	\$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

	2018 Book value £m	**2018 Fair value £m**	2017 Book value £m	2017 Fair value £m
Financial liabilities held at amortised cost				
Bank loans	**113.9**	**116.0**	28.4	28.4
6% Retail Bond	**57.2**	**60.2**	57.1	61.7
Private Placement Notes	**363.6**	**379.4**	172.9	172.9
Finance lease obligations	**16.1**	**16.1**	7.1	7.1
	550.8	**571.7**	265.5	270.1
Financial (assets)/liabilities at fair value through other comprehensive income				
Derivative financial instruments:				
Cash flow hedge – derivatives used for hedging	**(2.5)**	**(2.5)**	(12.1)	(12.1)
	(2.5)	**(2.5)**	(12.1)	(12.1)
Financial assets at fair value through profit or loss				
Deferred consideration (overage)	**0.9**	**0.9**	9.4	9.4
Other investments	**3.2**	**3.2**	3.1	3.1
	4.1	**4.1**	12.5	12.5

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 2018 and is thus a Level 1 valuation as defined by IFRS 13. There have been no transfers between levels in the year.

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

(g) Financial instruments by category

Assets	**2018 £m**	2017 £m
a) Assets at value through profit or loss		
Deferred consideration (overage)	**0.9**	9.4
Other investments	**3.2**	3.1
	4.1	12.5
b) Loans and receivables		
Cash and cash equivalents	**18.0**	6.5
Trade and other receivables excluding prepayments[1]	**15.1**	9.6
	33.1	16.1
Total	**37.2**	28.6

Liabilities	**2018 £m**	2017 £m
Other financial liabilities at amortised cost		
Borrowings (excluding finance leases)	**534.7**	258.4
Finance lease liabilities	**16.1**	7.1
Trade and other payables excluding non-financial liabilities[2]	**63.0**	46.6
	613.8	312.1

1. Trade and other receivables exclude prepayments of £6.4m (2017: £6.4m) and non-cash deferred consideration of £0.9m (2017: £9.4m).
2. Trade and other payables exclude other tax and social security of £4.4m (2017: £2.0m), corporation tax of £nil (2017: £0.3m) and deferred income of £8.5m (2017: £3.3m).

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

Minimum lease payments under finance leases fall due as follows:

	2018 £m	2017 £m
Within one year	**1.0**	0.5
Between two and five years	**3.9**	1.8
Beyond five years	**95.3**	48.3
	100.2	50.6
Future finance charges on finance leases	**(84.1)**	(43.5)
Present value of finance lease liabilities	**16.1**	7.1

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

	2018 £m	2017 £m
Profit before tax	**170.4**	88.8
Depreciation	**1.1**	0.9
Amortisation of intangibles	**0.3**	0.2
(Profit) / loss on disposal of investment properties	**(26.6)**	0.6
Loss on disposal of joint ventures	**–**	0.2
Other income	**(0.6)**	(2.1)
Other expenses	**–**	1.2
Net gain from change in fair value of investment property	**(82.5)**	(39.5)
Equity settled share based payments	**1.7**	1.9
Finance income	**–**	(0.1)
Finance costs	**18.8**	13.7
Exceptional finance costs	**–**	1.4
Gains from share in joint ventures	**–**	(0.1)
Changes in working capital:		
Increase in trade and other receivables	**(7.9)**	(2.2)
Increase in trade and other payables	**18.5**	4.8
Cash generated from operations	**93.2**	69.7

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

	2018 £m	2017 £m
Cash at bank and in hand	**13.9**	2.7
Restricted cash – tenants' deposit deeds	**4.1**	3.8
	18.0	6.5

18. Share capital and share premium

	2018 £m	2017 £m
Issued: Fully paid ordinary shares of £1 each	**163.8**	163.2

Movements in share capital were as follows:	2018 Number	2017 Number
Number of shares at 1 April	**163,199,045**	162,404,600
Issue of shares	**606,546**	794,445
Number of shares at 31 March	**163,806,591**	163,199,045

The Group issued 606,526 shares (2017: 794,445 shares) during the year to satisfy the exercise of share options with net proceeds of £0.5m (2017: £0.2m).

	Share Capital		Share Premium	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Balance at 1 April	**163.2**	162.4	**135.4**	135.9
Issue of shares	**0.6**	0.8	**(0.1)**	(0.5)
Balance at 31 March	**163.8**	163.2	**135.3**	135.4

19. Other reserves

	Equity settled share based payments £m	Merger reserve £m	Hedging reserve £m	Total £m
Balance at 1 April 2016	12.1	8.7	(1.8)	19.0
Share based payments	1.9	–	–	1.9
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	(2.2)	(2.2)
Balance at 31 March 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**

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

	2018 £m	2017 £m
Construction or redevelopment of investment property	**49.7**	27.9

21. Post balance sheet events
On 20 April 2018 the Group acquired Centro Buildings 1 and 2 in Camden for £76.5m.

22. Responsibility Statement
The 2018 Annual Report, which will be issued mid-June 2018, contains a responsibility statement which states that on 5 June 2018, 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; and
- 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.