21 November 2023

WORKSPACE GROUP PLC
HALF YEAR RESULTS

CONTINUED INCOME AND DIVIDEND GROWTH FROM OUR SCALABLE OPERATING PLATFORM

Workspace Group PLC ("Workspace"), London's leading owner and operator of sustainable, flexible work space today announces its results for the half year to 30 September 2023. The comments in this announcement refer to the period from 1 April 2023 to 30 September 2023 unless otherwise stated.

Financial highlights: Strong rental income growth driving increase in dividend, valuation reduction from yield expansion

- Net rental income up 9% (£4.9m) to £61.0m (September 2022: £56.1m)
- Trading profit after interest[†] up 7% to £31.1m (September 2022: £29.1m)
- Interim dividend per share up 7% to 9.0p per share (30 September 2022: 8.4p)
- Property valuation of £2,505m, an underlying[1] reduction of 6.6% (£178m) from 31 March 2023
- Like-for-like portfolio valuation down 5.6% with equivalent yield out 45bps to 6.7%
- Loss before tax of £147.9m (30 September 2022: £35.8m profit) reflecting the reduction in the property valuation
- EPRA net tangible assets per share down 10.2% from 31 March 2023 to £8.32
- Robust balance sheet with £133m of cash and undrawn facilities and LTV stable at 34% (30 September 2022: 33%)
- Average cost of debt over the half year was 4.0% with 76% of debt at fixed rates
- Bank facilities extended to April/December 2026 in November 2023, with a pro-forma weighted average maturity of drawn debt of 4.1 years as at 30 September 2023

Customer activity: Stable occupancy and continued pricing growth

- Good customer demand with 583 lettings completed in the half year with a total rental value of £15.0m, highlighting the appeal of our flexible offer
- Strong rental growth with like-for-like rent roll up 3.0% in the quarter, up 6.3% in the half year to £108.6m
- Improved pricing with like-for-like rent per sq. ft. up 3.3% in the quarter, the ninth consecutive quarterly increase, and 6.6% in the half year, to £42.98
- Like-for-like occupancy stable at 88.7% (30 September 2022: 89.2%)

Portfolio activity: Active capital recycling

- Good progress on disposals of non-core assets, with £92.8m completed in the first half of the year, and a further £13.5m of disposals completed in October and November

Project activity & Sustainability

- Three major and five smaller projects underway delivering 360,000 sq. ft. of new and upgraded space. Further 1.0m sq. ft. of projects in the pipeline
- Active asset management delivered a 7% reduction in operational energy intensity, 37% reduction in gas use and a 5% increase in EPC A and B rated space to 48%

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

"Over 35 years we have developed a deep understanding of what SMEs want from their working space. This experience and knowledge of our customers is difficult to replicate. Our flexible offer is built with the needs of their businesses and their teams at its heart. Now more than ever this means control over their space, being part of a community of like-minded businesses and having the freedom to grow and move within our portfolio of characterful and well-located buildings. Today, demand from businesses across London increasingly points towards this holistic flexibility. This is coming through in our results as we report good customer demand and strong rental income growth, driven by increased pricing and stable occupancy.

Throughout the first half of the year, we have continued to actively manage our portfolio to meet changing customer needs. We have completed a wide range of smaller unit refurbishments and subdivisions, as well as making good progress on our larger projects. As expected, valuations are down as a result of movement in market yields. However, we have maintained a conservative level of gearing, with the continuing disposal of non-core properties further strengthening our balance sheet and we expect more over the next six months.

We go into the second half of the year with good momentum. Our scalable operating platform gives us a competitive advantage and we have a clear pathway to unlock near and long-term income growth, both through capturing reversion on our like-for-like properties and active asset management opportunities."

Summary Results

	September 2023	September 2022	Change
Financial performance			
Net rental income	**£61.0m**	£56.1m	+8.7%
Trading profit after interest†	**£31.1m**	£29.1m	+6.9%
(Loss)/profit before tax	**£(147.9)m**	£35.8m	
Interim dividend per share	**9.0p**	8.4p	+7.1%

	September 2023	March 2023	Change
Valuation			
EPRA net tangible assets per share†	**£8.32**	£9.27	-10.2%
Property valuation†	**£2,505m**	£2,741m	-6.6%[1]
Financing			
Loan to value	**34%**	33%	
Undrawn bank facilities and cash	**£133m**	£148m	

† Alternative performance measure (APM). The Group uses a number of financial measures to assess and explain its performance. Some of these which are not defined within IFRS are considered APMs.
[1] Underlying change excluding capital expenditure and disposals.

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Details of results presentation

Workspace will host a results presentation for analysts and investors on Tuesday, 21 November 2023 at 9:00am. The presentation will take place at our recently opened Eventspace, at our refurbished Salisbury House, 114 London Wall, EC2M 5QA.

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

Webcast

The live webcast will be available here:

https://secure.emincote.com/client/workspace/workspace024

Conference call

In order to join via phone at 9:00am, please register at the following link and you will be provided with dial-in details and a unique access code:

https://secure.emincote.com/client/workspace/workspace024/vip_connect

Notes to Editors

About Workspace Group PLC:

Workspace is London's leading owner and operator of flexible workspace, currently managing 4.7 million sq. ft. of sustainable space at 79 locations in London and the South East.

We are home to some 4,000 of London's fastest growing and established brands from a diverse range of sectors. Our purpose, to give businesses the freedom to grow, is based on the belief that in the right space, teams can achieve more. That in environments they tailor themselves, free from constraint and compromise, teams are best able to collaborate, build their culture and realise their potential.

We have a unique combination of a highly effective and scalable operating platform, a portfolio of distinctive properties, and an ownership model that allows us to offer true flexibility. We provide customers with blank canvas space to create a home for their business, alongside leases that give them the freedom to easily scale up and down within our well-connected, extensive portfolio.

We are inherently sustainable – we invest across the capital, breathing new life into old buildings and creating hubs of economic activity that help flatten London's working map. We work closely with our local communities to ensure we make a positive and lasting environmental and social impact, creating value over the long term. Workspace was established in 1987, has been listed on the London Stock Exchange since 1993, is a FTSE 250 listed Real Estate Investment Trust (REIT) and a member of the European Public Real Estate Association (EPRA).

Workspace® is a registered trademark of Workspace Group PLC, London, UK.

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

BUSINESS REVIEW

CUSTOMER ACTIVITY

We have seen good customer demand with 583 lettings completed in the half year with a total rental value of £15.0m.

	Monthly Average			Monthly Activity		
	H1 2023/24	H1 2022/23	FY 2022/23	30 Sep 2023	31 Aug 2023	31 Jul 2023
Enquiries	**788**	769	798	916	824	771
Viewings	**509**	502	518	578	480	524
Lettings	**98**	107	110	112	111	100

Good activity levels have continued into the third quarter, with 858 enquiries, 533 viewings and 90 deals in October 2023.

Alongside our new lettings, we have seen strong renewal activity in the half year, with 313 customers across the like-for-like portfolio renewing for a £1.6m (20%) uplift in annual rent.

RENT ROLL

Total rent roll, representing the total annualised net rental income at a given date, was up 1.3% (£1.8m) in the six months to £141.9m at 30 September 2023.

Total Rent Roll	£m
At 31 March 2023	140.1
Like-for-like portfolio	6.4
Completed projects	(0.4)
Projects underway and design stage	0.5
South East Office	0.0
Non-core	0.1
Disposals	(4.8)
At 30 September 2023	**141.9**

The total Estimated Rental Value (ERV) of the portfolio, comprising the ERV of the like-for-like portfolio and those properties currently undergoing refurbishment or redevelopment (but only including properties at the design stage and non-core properties at their current rent roll and occupancy), was £191.5m at 30 September 2023.

Like-for-like portfolio

The like-for-like portfolio represents 77% of the total rent roll as at 30 September 2023. It comprises 42 properties with stabilised occupancy excluding recent acquisitions, buildings impacted by significant refurbishment or redevelopment activity, or contracted for sale.

Like for Like	Six Months Ended 30 Sep 23	31 Mar 23[1]	30 Sep 22[1]
Occupancy	88.7%	89.3%	89.2%
Occupancy change[2]	(0.6%)	0.1%	0.4%
Rent per sq. ft.	£42.98	£40.30	£38.17
Rent per sq. ft. change	6.7%	5.6%	3.8%
Rent roll	£108.6m	£102.2m	£97.8m
Rent roll change	6.3%	4.5%	4.8%

[1] Restated for the transfer in of Westbourne Studios and Mare Street from the Completed Projects category and the transfer in of Castle Lane and Wilson Street from Recent Acquisitions
[2] Absolute change

We have continued to move pricing forward across our like-for-like portfolio with rent per sq. ft. increasing by 6.7% in the half year to £42.98. Like-for-like occupancy was marginally down by 0.6% to 88.7% in the half year, with an overall increase in like-for-like rent roll of 6.3% (£6.4m) to £108.6m.

We have seen ERV per sq. ft. increase by 0.8% in the half year. If all the like-for-like properties were at 90% occupancy at the CBRE estimated rental values at 30 September 2023, the rent roll would be £124.0m, £15.4m higher than the actual rent roll at 30 September 2023.

<u>Completed Projects</u>

There are eight projects in the completed projects category. Rent roll reduced overall by £0.4m in the six months to £8.7m. An underlying increase of £0.5m in rent roll was offset by a £0.9m reduction at Evergreen Studios, Richmond, following the expiry of a short leaseback of the building by the developer.

If the buildings in this category were all at 90% occupancy at the ERVs at 30 September 2023, the rent roll would be £11.8m, an uplift of £3.1m.

<u>Projects Underway – Refurbishments</u>

We are currently underway on eight refurbishment projects that will deliver 360,000 sq. ft. of new and upgraded space. As at 30 September 2023, rent roll was £8.9m, up £0.3m in the last six months.

Assuming 90% occupancy at the ERVs at 30 September 2023, the rent roll at these eight buildings once they are completed would be £19.5m, an uplift of £10.6m.

<u>Projects at Design Stage</u>

These are properties where we are well advanced in planning a refurbishment or redevelopment that has not yet commenced. As at 30 September 2023, the rent roll at these properties was £6.0m, up £0.2m.

<u>South East Office</u>

As at 30 September 2023, the rent roll of the South East office portfolio, comprising eleven buildings, was stable at £7.6m, with occupancy at 88.1%.

Assuming 90% occupancy (or current occupancy if higher) at the ERVs at 30 September 2023, the rent roll would be £10.3m, an uplift of £2.7m.

Non-core

As at 30 September 2023, the rent roll of the non-core portfolio, comprising three industrial estates, two residential schemes and an advertising tower adjacent to The Mille in Brentford, was £2.2m, down £0.1m.

Disposals

In June, we completed on the sale of five light industrial and logistics properties in Bracknell, Crawley, Poyle, Theale and Weybridge for £82.0m, in line with their March 2023 valuations.

In the second quarter, we completed on the sale of Columbia House, Farnborough, for £7.3m and Ancells Road, Fleet, for £3.5m, both in line with their March 2023 valuations.

In aggregate, these disposals have delivered £92.8m of proceeds in the first half of the year, at a combined net initial yield of 5.1%.

Since the half year, we have completed on the sale of the advertising tower adjacent to The Mille in Brentford for £9.0m and the Three Acre industrial estate, Folkestone for £4.5m, at a combined net initial yield at 7.2%.

PROFIT PERFORMANCE

Trading profit after interest for the half year was up 6.9% (£2.0m) on the prior half year to £31.1m.

£m	**30 Sep 2023**	30 Sep 2022
Net rental income	**61.0**	56.1
Administrative expenses - underlying	**(10.4)**	(10.4)
Administrative expenses - share based costs[1]	**(1.2)**	(1.0)
Net finance costs	**(18.3)**	(15.6)
Trading profit after interest	**31.1**	29.1

[1] These relate to both cash and equity settled costs

Net rental income was up 8.7% (£4.9m) to £61.0m.

£m	**30 Sep 2023**	30 Sep 2022
Underlying rental income	**59.3**	54.9
Unrecovered service charge costs	**(2.7)**	(1.7)
Empty rates and other non-recoverable costs	**(5.1)**	(4.8)
Services, fees, commissions and sundry income	**0.5**	(0.4)
Underlying net rental income	**52.0**	48.0
Acquisitions	**7.3**	5.0
Disposals	**1.7**	3.1
Net rental income	**61.0**	56.1

The £4.4m increase in underlying rental income to £59.3m reflects the strong increase in average rent per sq. ft. achieved over the last year. Total net rental income also benefited from increased rents from recent acquisitions which have continued to let up well in the first half of the year.

Although the majority of service charge costs are recovered from customers, the unusually high levels of inflation we have seen in the UK over the last year, combined with a slight reduction in overall occupancy, resulted in an increase of £1.0m in unrecovered service charge costs.

There was a small increase in empty rates and other non-recoverable costs which were up £0.3m to £5.1m. Net revenue from services, fees, commissions and sundry income was up by £0.9m, including increased hospitality revenue.

Rent collection for the period has remained robust with a charge for expected credit losses of £0.6m for the six months, compared to £1.1m for the full year to March 2023.

Underlying administrative expenses remained unchanged at £10.4m, with inflationary increases offset by synergy savings following the completion of the integration of McKay. Share-based costs increased by £0.2m to £1.2m driven by higher vesting levels and assumptions.

Net finance costs increased by £2.7m to £18.3m in the half year reflecting the increase in SONIA over the last year and higher average net debt following the acquisition of McKay. The average net debt balance in the period was £23m higher than the first six months of the prior year, whilst the average interest cost increased from 3.5% to 4.0%.

Loss before tax was £147.9m compared to a £35.8m profit in the prior year.

£m	**30 Sep 2023**	30 Sep 2022
Trading profit after interest	**31.1**	29.1
Change in fair value of investment properties	**(177.4)**	8.1
(Loss)/gain on sale of investment properties	**(1.2)**	1.5
Exceptional costs	**(0.4)**	(2.9)
(Loss)/profit before tax	**(147.9)**	35.8
Adjusted underlying earnings per share	**16.1p**	15.3p

The change in fair value of investment properties, including assets held for sale, was a decrease of £177.4m compared to an increase of £8.1m in the prior year.

The loss on sale of investment properties of £1.2m resulted from costs associated with disposals in the first half.

Exceptional costs include one-off items relating to the implementation of our new finance and property management system.

Adjusted underlying earnings per share, based on EPRA earnings adjusted for non-trading items and calculated on a diluted share basis, was up 5.2% to 16.1p.

INTERIM DIVIDEND

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

With the solid trading performance in the first half and confidence in the longer-term prospects of the Company, the Board is pleased to announce that this year an interim dividend of 9.0p per share (2022: 8.4p) will be paid on 2 February 2024 to shareholders on the register at 5 January 2024. The dividend will be paid as a REIT Property Income Distribution (PID) net of withholding tax where appropriate.

PROPERTY VALUATION

At 30 September 2023, our property portfolio was independently valued by CBRE at £2,505m, an underlying decrease of 6.6% (£178m) in the half year. The main movements in the valuation are set out below:

	£m
Valuation at 31 March 2023	2,741
Capital expenditure	34
Disposals	(92)
Revaluation	(178)
Valuation at 30 September 2023	**2,505**

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

£m	**Valuation**	Movement
Like-for-like properties	**1,881**	(111)
Completed projects	**177**	(14)
Refurbishments	**290**	(31)
Redevelopments	**27**	(5)
South East office	**96**	(10)
Non-core	**34**	(7)
Total	**2,505**	(178)

Like-for-like Properties

There was a 5.6% (£111m) underlying decrease in the valuation of like-for-like properties to £1,881m. This was driven by a 45bps outward shift in equivalent yield (£132m), offset by a 0.8% increase in the ERV per sq. ft. (£21m).

ERV growth has returned to a lower, historically more normal level of growth, with pricing at most centres now back at or above pre-Covid levels. We saw stronger growth in ERV for smaller space which represent the majority of our lettings activity, with an increase of 2% in the six months for units under 1,000 sq. ft. compared to larger spaces where ERVs have been flat, and also reflects our approach to implement a wide range of smaller unit refurbishments and subdivisions.

	30 Sep 2023	31 Mar 2023[1]	Change
ERV per sq. ft.	**£48.38**	£48.01	0.8%
Rent per sq. ft.	**£42.98**	£40.30	6.6%
Equivalent yield	**6.7%**	6.2%	0.5%[2]
Net initial yield	**5.2%**	4.7%	0.5%[2]
Capital value per sq. ft.	**£661**	£697	5.2%

[1] *Restated for the transfer in of Westbourne Studios and Mare Street from the Completed Projects category and the transfer in of Castle Lane and Wilson Street from Recent Acquisitions*
[2] Absolute change

A 2.5% increase in ERV would increase the valuation of like-for-like properties by approximately £50m whilst a 25bps increase in equivalent yield would decrease the valuation by approximately £70m.

Completed Projects

There was an underlying decrease of 7.3% (£14m) in the value of the eight completed projects to £177m. This was driven by a 51bps outward shift in equivalent yield, offset by a 1.3% increase in the ERV per sq. ft. The overall valuation metrics for completed projects are set out below:

	30 Sep 2023
ERV per sq. ft.	**£31.20**
Rent per sq. ft.	**£27.65**
Equivalent yield	**6.9%**
Net initial yield	**4.3%**
Capital value per sq. ft.	**£422**

Current Refurbishments and Redevelopments

There was an underlying decrease of 9.7% (£31m) in the value of our current refurbishments to £290m and a reduction of 15.6% (£5m) in the value of our current redevelopments to £27m.

The decreases in respect of refurbishments largely reflected the movement in market yields, with redevelopment valuations also impacted by a decline in expected residential values and increases in expected build costs.

South East Office

There was a 9.4% (£10m) underlying decrease in the valuation of the South East office portfolio to £96m with a 92bps outward shift in equivalent yield, offset by a 1% increase in ERV per sq. ft. The overall valuation metrics are set out below:

	30 Sep 2023
ERV per sq. ft.	**£28.63**
Rent per sq. ft.	**£22.75**
Equivalent Yield	**9.9%**
Net Initial Yield	**7.7%**
Capital Value per sq. ft.	**£255**

REFURBISHMENT ACTIVITY

A summary of the status of the refurbishment pipeline at 30 September 2023 is set out below:

Projects	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	8	£29m	£68m	362,000
Design stage	8	£0m	£418m	672,000
Design stage (without planning)	6	£0m	£195m	331,000

We are on-site at Leroy House, Islington, where we are delivering a refurbished and extended 58,000 sq. ft. business centre which we expect to complete in summer 2024. Our adaptive re-use of the existing building creates 70% less embodied carbon compared to a new build scheme. We have also recently commenced major upgrades and extensions at Chocolate Factory, Wood Green, and at The Biscuit Factory, Bermondsey.

We will obtain vacant possession of Atelier House, at the northern end of our Centro property, in December 2023, which will allow us to progress with our planned conversion of the building to a business centre.

REDEVELOPMENT ACTIVITY

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

A summary of the status of the redevelopment pipeline at 30 September 2023 is set out below:

	No. of properties	Residential units	New commercial space (sq. ft.)
Design stage	3	539	61,000

The three schemes at design stage at Chocolate Factory in Wood Green, Rainbow in Raynes Park and Poplar all have planning consent.

SUSTAINABILITY

We have an inherently green property portfolio with energy intensity already 9% lower than industry best practice for net zero carbon offices. Further improving the energy efficiency of our buildings is key in helping us to achieve our target of being a net zero carbon business by 2030. The Workspace portfolio is currently 48% EPC A and B rated, an increase of 5% in the half year, and we are on track to upgrade the remainder of our portfolio to these categories by 2030. We are also targeting a reduction in Scope 1 gas emissions by a minimum of 5% each year, whilst continuing to procure 100% renewable electricity (REGO backed). In the half year we also achieved a 7% reduction in operational energy intensity and a 37% reduction in gas use.

CASH FLOW

A summary of cash flows is set out below:

£m	**30 Sep 2023**	30 Sep 2022
Net cash from operations after interest†	**20**	30
Dividends paid	**(32)**	(26)
Capital expenditure	**(36)**	(25)
Purchase of investment properties	**-**	(201)
Net debt acquired	**-**	(162)
Property disposals and cash receipts	**92**	7
Other	**(9)**	(2)
Net movement	**35**	(379)
Opening debt (net of cash)	**(902)**	(558)
Closing debt (net of cash)	**(867)**	(937)

† 2023 excludes £8.8m of VAT payments relating to sale of Riverside included in 'Other'

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

The overall decrease of £35m in net debt reflects the disposals made in the period.

NET ASSETS

Net assets decreased in the half year by £179m to £1,608m. EPRA net tangible assets (NTA) per share at 30 September 2023 was down 10.2% (£0.95) to £8.32.

	EPRA NTA per share £
At 31 March 2023	9.27
Adjusted trading profit after interest	0.16
Property valuation deficit	(0.92)
Dividends paid	(0.17)
Other	(0.02)
At 30 September 2023	**8.32**

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

TOTAL ACCOUNTING RETURN

The total accounting return for the half year was (8.4)% compared to 0.1% in the half year ended September 2022. The total accounting return comprises the change in absolute EPRA net tangible assets per share plus dividends paid in the year as a percentage of the opening EPRA net tangible assets per share. The calculation of total accounting return is set out in note 8 of the financial statements.

FINANCING

As at 30 September 2023, the Group had £4m of available cash and £129m of undrawn facilities:

	Drawn amount £m	Facility £m	Maturity
Private placement notes	300.0	300.0	2025-2029
Green bond	300.0	300.0	2028
Secured loan	65.0	65.0	2030
Bank facilities	206.5	335.0	2026
Total	**871.5**	**1,000.0**	

The majority of the Group's debt comprises long-term fixed-rate committed facilities including a £300m green bond, £300m of private placement notes, and a £65m secured loan facility.

Shorter term liquidity and flexibility is provided by floating-rate sustainability-linked Revolving Credit Facilities (RCFs) totalling £335.0m which were £206.5m drawn as at 30 September 2023. The maturity of the bank facilities was successfully extended by a further year in November 2023 with £135m now maturing in April 2026 and £200m in December 2026. Following the extension, on a pro-forma basis, the average maturity of drawn debt at 30 September 2023 was 4.1 years (31 March 2023: 4.1 years).

At 30 September 2023, the effective interest rate was 4.1% based on SONIA at 5.2%, with 76% of the net debt (£665m) at fixed rates. The average interest cost of our fixed-rate borrowings was 2.9% and our floating-rate bank facilities had an average margin of 1.8% over SONIA. A 1% change in SONIA would change the effective interest rate by 0.2% (at current debt levels).

At 30 September 2023, loan to value (LTV) was 34% (31 March 2023: 33%) and interest cover, based on net rental income and interest paid over the last 12 month period, was 3.5 times (31 March 2023: 3.8 times), providing good headroom on all facility covenants.

FINANCIAL OUTLOOK FOR 2023/24

Over the first half of the year, we have seen continued strong rental growth driven by increased pricing and stable occupancy. Rental income growth in the second half of the year will be underpinned by the 6.3% growth in like-for-like rent roll we have seen over the last six months. We continue to see good demand and expect further growth in average rent per sq. ft. in the second half of the year. Rental income growth will also be supported by the letting up of recently completed projects.

The current high levels of inflation will impact on both our service charge and administrative costs. In relation to service charge costs, where the majority of the cost is passed on to our customers, we have been able to limit the impact on customers by the hedging of our energy costs in October 2021. Staff costs are the most significant driver of our administrative expenses and, whilst we have limited inflationary salary increases to a maximum of 6% for staff earning more than £50,000, we have given higher increases for those on lower salary levels.

The £92.8m of proceeds from disposals of non-core properties made in the first half have reduced our floating-rate debt, which currently has an effective interest rate of 7%, and we expect this to result in a reduction in interest costs in the second half.

We expect capital expenditure of around £30m in the second half as we continue to progress with planned asset management projects, including the refurbishments of Leroy House, Chocolate Factory and The Biscuit Factory. This capital expenditure will be offset by asset disposals in the second half of the year.

PROPERTY STATISTICS

	Half Year ended			
	30 Sep 2023	31 Mar 2023	30 Sep 2022	31 Mar 2022
Workspace Portfolio				
Property valuation	**£2,505m**	£2,741m	£2,863m	£2,402m
Number of locations	**79**	86	87	57
Lettable floorspace (million sq. ft.)	**4.7**	5.2	5.4	4.0
Number of lettable units	**4,718**	4,910	4,901	4,482
Rent roll of occupied units	**£141.9m**	£140.1m	£134.7m	£111.0m
Average rent per sq. ft.	**£36.81**	£32.86	£30.03	£33.26
Overall occupancy	**83.5%**	81.5%	84.0%	84.3%
Like-for-like number of properties	**42**	38	38	39
Like-for-like lettable floor space (million sq. ft.)	**2.8**	2.7	2.7	2.8
Like-for-like rent roll growth	**6.3%**	3.4%	3.6%	6.4%
Like-for-like rent per sq. ft. growth	**6.6%**	5.2%	4.0%	2.5%
Like-for-like occupancy movement	**(0.6%)**	(0.5%)	0.1%	4.0%

1) The like-for-like category has been restated in the current financial year for the following:
   - The transfer in of Westbourne Studios and Mare Street from the Completed Projects category and the transfer in of Castle Lane and Wilson Street from Recent Acquisitions.
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 includes the lettable area at like-for-like properties and all refurbishment and redevelopment projects, including those projects recently completed and also properties where we are in the process of obtaining vacant possession.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Notes	**Unaudited 6 months ended 30 September 2023 £m**	Unaudited 6 months ended 30 September 2022 £m	Audited Year ended 31 March 2023 £m
Revenue	2	**90.7**	82.3	174.2
Direct costs[1]	2	**(29.7)**	(26.2)	(57.6)
Net rental income	2	**61.0**	56.1	116.6
Administrative expenses		**(11.6)**	(11.4)	(21.5)
Trading profit		**49.4**	44.7	95.1
(Loss)/profit on disposal of investment properties	3(a)	**(1.2)**	1.5	(0.7)
Other expenses	3(b)	**(0.4)**	(2.3)	(3.8)
Change in fair value of investment properties	9	**(170.8)**	8.1	(88.0)
Impairment of assets held for sale	9	**(6.6)**	-	(5.1)
Operating (loss)/profit		**(129.6)**	52.0	(2.5)
Finance costs	4	**(18.3)**	(15.6)	(34.4)
Exceptional finance costs	4	**-**	(0.6)	(0.6)
(Loss)/ profit before tax		**(147.9)**	35.8	(37.5)
Taxation	5	**-**	-	(0.3)
(Loss)/ profit for the period after tax		**(147.9)**	35.8	(37.8)
Basic (loss)/earnings per share	7	**(77.2p)**	18.9p	(19.9 p)
Diluted (loss)earnings per share	7	**(77.2p)**	18.8p	(19.9 p)

[1] Direct costs include impairment of receivables of £0.6m (31 March 2023: £1.1m, 30 September 2022: £0.2m). See note 2 for further information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Unaudited 6 months ended 30 September 2023 £m	Unaudited 6 months ended 30 September 2022 £m	Audited Year ended 31 March 2023 £m
(Loss)/ profit for the period	**(147.9)**	35.8	(37.8)
Other comprehensive income:			
Items that may be classified subsequently to profit or loss:			
Change in fair value of other investments	**-**	-	0.4
Items that will not be reclassified subsequently to profit or loss:			
Pension fund movement	**-**	0.9	0.9
Other comprehensive income in the year	**-**	0.9	1.3
Total comprehensive (loss)/income for the period	**(147.9)**	36.7	(36.5)

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2023

	Notes	**Unaudited 30 September 2023 £m**	Audited 31 March 2023 £m	Unaudited 30 September 2022 £m
Non-current assets				
Investment properties	9	**2,471.7**	2,643.3	2,824.3
Intangible assets		**2.1**	2.0	2.0
Property, plant and equipment		**3.9**	4.4	2.9
Other investments		**2.1**	2.1	1.7
Deferred tax		**-**	-	0.3
		2,479.8	2,651.8	2,831.2
Current assets				
Trade and other receivables	10	**58.1**	45.8	37.1
Assets held for sale		**60.5**	123.0	65.9
Cash and cash equivalents	11	**10.3**	18.5	19.9
		128.9	187.3	122.9
Total assets		**2,608.7**	2,839.1	2,954.1
Current liabilities				
Trade and other payables	12	**(99.1)**	(107.8)	(97.8)
Borrowings	13(a)	**-**	(49.8)	(199.7)
Pension fund deficit		**-**	-	(0.3)
		(99.1)	(157.6)	(297.8)
Non-current liabilities				
Borrowings	13(a)	**(867.3)**	(859.1)	(745.1)
Lease obligations	14	**(34.7)**	(34.7)	(34.6)
		(902.0)	(893.8)	(779.7)
Total liabilities		**(1,001.1)**	(1,051.4)	(1,077.5)
Net assets		**1,607.6**	1,787.7	1,876.6
Shareholders' equity				
Share capital	16	**191.9**	191.6	191.6
Share premium		**296.6**	295.5	295.5[2]
Investment in own shares		**(9.9)**	(9.9)	(9.9)
Other reserves		**89.8**	91.0	90.2[2]
Retained earnings		**1,039.2**	1,219.5	1,309.2
Total shareholders' equity		**1,607.6**	1,787.7	1,876.6

[2] Refer to footnote on page 16.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2023

Unaudited 6 months to 30 September 2023	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 1 April 2023		191.6	295.5	(9.9)	91.0	1,219.5	1,787.7
Loss for the period		-	-	-	-	(147.9)	(147.9)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	(147.9)	(147.9)
Transactions with owners:							
Dividends paid	6	-	-	-	-	(33.3)	(33.3)
Share based payments		0.3	1.1	-	(1.2)	0.9	1.1
Balance at 30 September 2023		**191.9**	**296.6**	**(9.9)**	**89.8**	**1,039.2**	**1,607.6**

Unaudited 6 months to 30 September 2022							
Balance at 1 April 2022		181.1	295.5	(9.9)	32.6	1,300.3	1,799.6
Profit for the period		-	-	-	-	35.8	35.8
Other comprehensive income		-	-	-	-	0.9	0.9
Total comprehensive income		-	-	-	-	36.7	36.7
Transactions with owners:							
Shares issued	16	10.5	-	-	56.6[2]	-	67.1
Dividends paid	6	-	-	-	-	(27.8)	(27.8)
Share based payments		-	-	-	1.0	-	1.0
Balance at 30 September 2022		191.6	295.5	(9.9)	90.2	1,309.2	1,876.6

[2] Share premium as at 30 September 2022 has been restated to reduce the balance at that date by £56.6m with an equal increase in other reserves to reflect the nature of the McKay share acquisition, consistent with the audited financial statements as at 31 March 2023.

Audited 12 months to 31 March 2023							
Balance at 1 April 2022		181.1	295.5	(9.9)	32.6	1,300.3	1,799.6
Loss for the year		-	-	-	-	(37.8)	(37.8)
Other comprehensive income		-	-	-	0.4	0.9	1.3
Total comprehensive (loss)		-	-	-	0.4	(36.9)	(36.5)
Transactions with owners:							
Shares issued	16	10.5	-	-	56.6	-	67.1
Dividends paid	6	-	-	-	-	(43.9)	(43.9)
Share based payments		-	-	-	1.4	-	1.4
Balance at 31 March 2023		191.6	295.5	(9.9)	91.0	1,219.5	1,787.7

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 30 SEPTEMBER 2023

	Notes	**Unaudited 6 month ended 30 September 2023 £m**	Unaudited 6 months ended 30 September 2022 £m	Audited Year ended 31 March 2023 £m
Cash flows from operating activities				
Cash generated from operations	15	**26.7**	40.2	110.5
Interest paid		**(15.2)**	(10.0)	(31.7)
Net cash inflow from operating activities		**11.5**	30.2	78.8
Cash flows from investing activities				
Purchase of investment properties		**-**	(184.4)	(184.4)
Capital expenditure on investment properties		**(35.9)**	(24.8)	(56.2)
Proceeds from disposal of investment properties (net of sales costs)		**3.5**	7.2	7.1
Proceeds from disposal of assets held for sale (net of sale costs)		**88.0**	-	41.4
Purchase of intangible assets		**(0.4)**	(0.4)	(0.8)
Purchase of property, plant and equipment		**(0.3)**	(0.7)	(3.1)
Other expenses		**(0.4)**	(1.4)	(2.9)
Settlement of defined benefit pension scheme		**-**	-	(1.3)
Net cash inflow/(outflow) from investing activities		**54.5**	(204.5)	(200.2)
Cash flows from financing activities				
Finance costs of new/amended borrowing facilities		**-**	(0.7)	(1.6)
Settlement of share schemes		**(0.2)**	-	-
Repayment of bank borrowings		**(134.5)**	(40.0)	(150.0)
Draw down of bank borrowings		**92.0**	212.0	286.0
Dividends paid	6	**(31.5)**	(26.1)	(43.5)
Net cash (outflow)/inflow from financing activities		**(74.2)**	145.2	90.9
Net decrease in cash and cash equivalents		**(8.2)**	(29.1)	(30.5)
Cash and cash equivalents at start of period	11	**18.5**	49.0	49.0
Cash and cash equivalents at end of period	11	**10.3**	19.9	18.5

1. Accounting policies

Basis of preparation

The half year report has been prepared in accordance with the Disclosure and Transparency Rules and with IAS 34 'Interim Financial Reporting' as adopted for use in the UK. The half year report should be read in conjunction with the annual financial statements for the year ended 31 March 2023, which have been prepared in accordance with UK adopted international accounting standards.

The condensed consolidated financial statements (consolidated financial statements) in the half year report, presented in Sterling, are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Annual Report and Accounts for the year to 31 March 2023, were prepared and approved by the Directors on a going concern basis, in accordance with UK adopted international accounting standards ("IFRS"). The Company elected to prepare its Parent Company financial statements in accordance with FRS 101. The auditor's opinion on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement made under Section 498 of the Companies Act 2006.

There have been no changes in estimates of amounts reported in prior periods which have a material impact on the current half year period.

As with most other UK property companies and REITs, the Group presents many of its financial measures in accordance with the guidance criteria issued by the European Public Real Estate Association ('EPRA'). These measures, which provide consistency across the sector, are all derived from the IFRS figures in notes 7 and 8.

Going concern

The Board is required to assess the appropriateness of applying the going concern basis in the preparation of the financial statements. Macro-economic and political issues have heightened wider concerns around the UK economy meaning there is continuing risk of an economic downturn. In this context, the Directors have fully considered the business activities and principal risks of the Company.

In preparing the assessment of going concern, the Board has reviewed a number of different scenarios over the 12 month period from the date of signing of these financial statements. These scenarios include a severe, but realistically possible, scenario which includes the following key assumptions:

- A reduction in occupancy, reflecting weaker customer demand for office space.
- A reduction in the pricing of new lettings, resulting in a reduction in average rent per sq. ft.
- Elevated levels of counterparty risk, with bad debt significantly higher than pre-pandemic levels.
- Continued elevated levels of cost inflation.
- Further increases in SONIA rates impacting the cost of variable rate borrowings.
- Estimated rental value reduction in-line with the decline in average rent per sq. ft. and outward movement in investment yields resulting in a lower property valuation.

The appropriateness of the going concern basis is reliant on the continued availability of borrowings, sufficient liquidity and compliance with loan covenants. All borrowings require compliance with LTV and Interest Cover covenants. As at the tightest test date in the scenarios modelled, the Group could withstand a reduction in net rental income of 39% compared to the September 2023 Net Rental Income and a fall in the asset valuation of 27% compared to 30 September 2023 before these covenants are breached, assuming no mitigating actions are taken.

As at 30 September 2023, the Company had significant headroom with £135m of cash and undrawn facilities. The majority of the Group's debt is long-term fixed-rate committed facilities comprising a £300m green bond, £300m of private placement notes, and a £65m secured loan facility. Shorter term liquidity and flexibility is provided by floating-rate bank facilities which comprise £335m of sustainability-linked revolving credit facilities (RCFs). The RCF facilities comprise £135m due in April 2025 and £200m due in December 2025, with both facilities having been extended by a further year after the balance sheet date. The £200m RCF also has the option to increase the facility amount by up to £100m, subject to lender consent.

For the full period of assessment under the scenario tested, the Group maintains sufficient headroom in its cash and loan facilities.

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

This report was approved by the Board on 20 November 2023.

Change in accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2023, with the exception of the following standards, amendments and interpretations endorsed by the UK which were effective for the first time for the Group's current accounting period and had no material impact on the financial statements.

- IAS 12 (amended): Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- IAS 8 (amended): Accounting Policies, Changes in Accounting Estimates and Errors: Definition;
- IAS 1 (amended) and IFRS Practise Statement 2: Presentation of Financial Statements and IFRS Practise Statement 2 Making Materiality Judgements;
- IFRS 17: Insurance Contracts;
- IFRS 9: Comparative Information

Standards in issue but not yet effective

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

- IFRS 16 (amended): Lease Liability in a Sale and Leaseback
- IAS 1 (amended): Classification of liabilities as current or non-current; Non-current Liabilities with Covenants; Deferral of Effective Date Amendment
- IAS 7 and IFRS 7 (amended): Supplier Finance Arrangements
- IAS 21 (amended): Lack of Exchangeability

2. Analysis of net rental income

	Unaudited 6 months ended 30 September 2023			Unaudited 6 months ended 30 September 2022		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**71.8**	**(2.8)**	**69.0**	65.6	(1.4)	64.2
Service charges	**15.9**	**(18.7)**	**(2.8)**	14.1	(16.4)	(2.3)
Empty rates and other non-recoverable costs	**-**	**(5.5)**	**(5.5)**	-	(5.5)	(5.5)
Services, fees, commissions and sundry income	**3.0**	**(2.7)**	**0.3**	2.6	(2.9)	(0.3)
	90.7	**(29.7)**	**61.0**	82.3	(26.2)	56.1

	Audited Year ended 31 March 2023		
	Revenue £m	Direct costs £m	Net rental income £m
Rental income	136.7	(4.2)	132.5
Service charges	30.0	(35.7)	(5.7)
Empty rates and other non-recoverable costs	-	(10.6)	(10.6)
Services, fees, commissions and sundry income	7.5	(7.1)	0.4
	174.2	(57.6)	116.6

A charge of £0.6m (31 March 2023: £1.0m, 30 September 2022: £0.2m) for expected credit losses in respect of receivables from customers is recognised in direct costs of rental income in the period.

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

3(a). (Loss)/profit on disposal of investment properties

	Unaudited 6 months ended 30 September 2023 £m	Unaudited 6 months ended 30 September 2022 £m	Audited Year ended 31 March 2023 £m
Proceeds from sale of investment properties (net of sale costs)	**3.4**	7.2	7.0
Proceeds from sale of assets held for sale (net of sale costs)	**88.1**	-	52.1
Book value at time of sale	**(92.7)**	(5.7)	(59.8)
(Loss)/profit on disposal	**(1.2)**	1.5	(0.7)

3(b). Other income/(expenses)

	Unaudited 6 months ended 30 September 2023 £m	Unaudited 6 months ended 30 September 2022 £m	Audited Year ended 31 March 2023 £m
Change in fair value of deferred consideration	**0.1**	-	(0.1)
Other expenses	**(0.5)**	(2.3)	(3.7)
	(0.4)	(2.3)	(3.8)

The increase in fair value of deferred consideration of £0.1m (cash and overage) from the sale of investment properties has been revalued by CBRE Limited at 30 September 2023 (31 March 2023: decrease of £0.1m; 30 September 2022: £nil).

In the current period, other expenses include the exceptional one-off costs relating to the implementation costs of replacing our finance and property system (31 March 2023: £1.8m; 30 September 2022: £0.9). These costs are outside the Group's normal trading activities.

Other expenses in the prior period also included exceptional one-off costs relating to the acquisition and integration of McKay Securities Limited (31 March 2023: £1.9m, 30 September 2022: £1.4), including the cost of buying out McKay Securities Limited defined benefit pension scheme.

4. Finance costs

	Unaudited 6 months ended 30 September 2023 £m	Unaudited 6 months ended 30 September 2022 £m	Audited Year ended 31 March 2023 £m
Interest payable on bank loans and overdrafts	**(7.7)**	(4.3)	(11.9)
Interest payable on other borrowings	**(9.7)**	(9.4)	(19.0)
Amortisation of issue costs of borrowings	**(0.9)**	(1.1)	(2.0)
Interest on lease liabilities	**(0.9)**	(1.0)	(1.9)
Interest capitalised on property refurbishments (note 10)	**0.8**	0.1	0.2
Interest receivable	**0.1**	0.1	0.2
Finance costs	**(18.3)**	(15.6)	(34.4)
Exceptional finance costs	**-**	(0.6)	(0.6)
Total finance costs	**(18.3)**	(16.2)	(35.0)

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

In the prior period the exceptional finance costs relate to unamortised finance costs for McKay Securities Limited's previous bank loan which were written off when this was refinanced in September 2022.

5. Taxation

	Unaudited 6 months ended 30 September 2023 £m	Unaudited 6 months ended 30 September 2022 £m	Audited Year ended 31 March 2023 £m
Current tax:			
UK corporation tax	**-**	-	-
Deferred tax:			
On origination and reversal of temporary differences	**-**	-	0.3
			0.3
Total taxation charge	**-**	-	0.3

The Group is a Real Estate Investment Trust (REIT). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Group's other income is subject to corporation tax. No tax charge has arisen on this other income for the half year (31 March 2023: £0.3m, 30 September 2022: £nil).

6. Dividends

Ordinary dividends paid	Payment date	Per share	**Unaudited 6 months ended 30 September 2023 £m**	Unaudited 6 months ended 30 September 2022 £m	Audited Year ended 31 March 2023 £m
For the year ended 31 March 2022:					
Final dividend	August 2022	14.5p	**-**	27.8	27.8
For the year ended 31 March 2023:					
Interim dividend	February 2023	8.4p	**-**	-	16.1
Final dividend	August 2023	17.4p	**33.3**	-	-
Dividends for the period			**33.3**	27.8	43.9
Timing difference on payment of withholding tax			**(1.8)**	(1.7)	(0.4)
Dividends cash paid			**31.5**	26.1	43.5

The Directors are proposing an interim dividend in respect of the financial year ending 31 March 2024 of 9.0 pence per ordinary share which will absorb an estimated £17.3m of revenue reserves and cash. The dividend will be paid on 2 February 2024 to shareholders who are on the register of members on 5 January 2024. The dividend will be paid as a REIT Property Income Distribution (PID) net of withholding tax where appropriate.

7. Earnings per share

Earnings used for calculating earnings per share:	**Unaudited 6 months ended 30 September 2023 £m**	Unaudited 6 months ended 30 September 2022 £m	Audited Year ended 31 March 2023 £m
Basic and diluted earnings	**(147.9)**	35.8	(37.8)
Change in fair value of investment properties	**170.8**	(8.1)	88.0
Impairment of assets held for sale	**6.6**	-	5.1
Loss/(profit) on disposal of investment properties	**1.2**	(1.5)	0.7
EPRA earnings	**30.7**	26.2	56.0
Adjustment for non-trading items:			
Other expenses (note 3(b))	**0.4**	2.3	3.8
Exceptional finance costs (note 4)	**-**	0.6	0.6
Taxation	**-**	-	0.3
Adjusted trading profit after interest	**31.1**	29.1	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:	**Unaudited 6 months ended 30 September 2023**	Unaudited 6 months ended 30 September 2022	Unaudited Year ended 31 March 2023
Weighted average number of shares (excluding own shares held in trust)	**191,594,236**	189,456,131	190,470,363
Dilution due to share option schemes	**1,177,892**	872,332	1,129,310
Weighted average number of shares for diluted earnings per share	**192,772,128**	190,328,463	191,599,673

	Unaudited 6 months ended 30 September 2023	Unaudited 6 months ended 30 September 2022	Audited Year ended 31 March 2023
Basic (loss)/earnings per share	**(77.2p)**	18.9p	(19.9p)
Diluted (loss)/earnings per share	**(77.2p)**	18.8p	(19.9p)
EPRA earnings per share	**16.0p**	13.8p	29.4p
Adjusted underlying earnings per share[1]	**16.1p**	15.3p	31.7p

[1] Adjusted underlying earnings per share is calculated by dividing adjusted trading profit after finance costs by the diluted weighted average number of shares of 192,772,128 (31 March 2023: 191,599,673, 30 September 2022: 190,328,463).

The diluted loss per share for the period to 30 September 2023 has been restricted to a loss of 77.2p per share (31 March 2023: restricted to a loss of 19.9p per share), as the loss per share cannot be reduced by dilution in accordance with IAS 33 Earnings per Share.

8. Net assets per share

Number of shares used for calculating net assets per share:	**Unaudited 30 September 2023**	Audited 31 March 2023	Unaudited 30 September 2022
Shares in issue at period-end	**191,897,854**	191,638,357	191,638,357
Less own shares held in trust at period-end	**(135,461)**	(152,550)	(160,476)
Number of shares for calculating basic net assets per share	**191,762,393**	191,485,807	191,477,881
Dilution due to share option schemes	**1,269,278**	1,201,277	958,891
Number of shares for calculating diluted adjusted net assets per share	**193,031,671**	192,687,084	192,436,772

EPRA Net Asset Value Metrics

	Unaudited 30 September 2023			Audited 31 March 2023		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	**EPRA NRV £m**	**EPRA NTA £m**	EPRA NDV £m
IFRS Equity attributable to shareholders	**1,607.6**	**1,607.6**	**1,607.6**	1,787.7	1,787.7	1,787.7
Intangibles per IFRS balance sheet	**-**	**(2.1)**	**-**	-	(2.0)	-
Excess of book value of debt over fair value	**-**	**-**	**103.1**	-	-	86.6
Purchasers' costs[1]	**170.4**	**-**	**-**	186.4	-	-
EPRA measure	**1,778.0**	**1,605.5**	**1,710.7**	1,974.1	1,785.7	1,874.3
Number of shares for calculating diluted net assets per share (millions)	**193.0**	**193.0**	**193.0**	192.7	192.7	192.7
EPRA measure per share	**£9.21**	**£8.32**	**£8.87**	£10.24	£9.27	£9.73

	Unaudited 30 September 2022		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to shareholders	1,876.6	1,876.6	1,876.6
Intangibles per IFRS balance sheet	-	(2.0)	-
Excess of fair value of debt over book value	-	-	128.4
Purchasers' costs[1]	194.7	-	-
EPRA measure	2,071.3	1,874.6	2,005.0
Number of shares for calculating diluted net assets per share (millions)	192.4	192.4	192.4
EPRA measure per share	£10.76	£9.74	£10.42

[1] EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

Total Accounting Return

Total Accounting Return	**Unaudited 30 September 2023**	Audited 31 March 2023	Unaudited 30 September 2022
Opening EPRA net tangible assets per share (A)	**9.27**	9.88	9.88
Closing EPRA net tangible assets per share	**8.32**	9.27	9.74
Decrease in EPRA net tangible assets per share	**(0.95)**	(0.61)	(0.14)
Ordinary dividends paid in the period	**0.17**	0.23	0.15
Total return (B)	**(0.78)**	(0.38)	0.01
Total accounting return (B/A)	**(8.4%)**	(3.8%)	0.1%

The total accounting return for the period comprises the (reduction)/growth in absolute EPRA net tangible assets per share plus dividends paid in the period as a percentage of the opening EPRA net tangible assets per share. The total return for the period to 30 September 2023 was -8.4% (year ended 31 March 2023: -3.8%, period ended 30 September 2022: 0.1%).

9. Investment Properties

	Unaudited 30 September 2023 £m	Audited 31 March 2023 £m	Unaudited 30 September 2022 £m
Balance at 1 April	**2,643.3**	2,366.7	2,366.7
Purchase of investment properties	**-**	426.6	426.6
Capital expenditure	**33.5**	55.8	24.8
Remeasurement of leases	**-**	3.7	3.6
Capitalised interest on refurbishments (note 4)	**0.8**	0.2	0.1
Disposals during the period	**(3.6)**	(5.5)	(5.6)
Change in fair value of investment properties	**(170.8)**	(88.0)	8.1
Disposed properties tenant incentives recognised in advance under IFRS 16	**1.4**	-	-
Less: Classified as assets held for sale	**(32.9)**	(116.2)	-
Total investment properties	**2,471.7**	2,643.3	2,824.3

Investment properties represent a single class of property being business premises for rent in and around London.

Capitalised interest is included at a rate of capitalisation of 6.6% (31 March 2023: 3.9%, 30 September 2022: 3.0%). The total amount of capitalised interest included in investment properties is £15.9m (31 March 2023: £15.1m, 30 September 2022: £15.0m).

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

Five of the properties classified as held for sale at the end of the prior year were not sold during the half-year. They are retained within current assets as they are still expected to sell within the next 12 months of 30 September 2023 and have been subject to an impairment charge of £6.6m following the valuation carried out at 30 September 2023. Six (31 March 2023: eleven, 30 September 2022: four) additional properties were reclassified as held for sale at 30 September 2023.

Valuation

The Group's investment properties are held at fair value and were revalued at 30 September 2023 by the external valuer, CBRE Limited, for the properties held throughout the period. They are independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Global Standards. All the properties are revalued at period end regardless of the date of acquisition. In line with IFRS 13, all investment properties are valued on the basis of their highest and best use.

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

When valuing properties being refurbished, 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 ERV 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 investment properties, is as follows:

	Unaudited 30 September 2023 £m	Audited 31 March 2023 £m	Unaudited 30 September 2022 £m
Total per CBRE valuation report	**2,505.2**	2,741.1	2,863.0
Deferred consideration on sale of property	**(0.6)**	(0.5)	(0.6)
Head leases obligations	**34.7**	34.7	34.6
Less: reclassified as held for sale	**(60.5)**	(123.2)	(65.9)
Less: tenant incentives recognised in advance under IFRS 16	**(7.1)**	(8.8)	(6.8)
Total investment properties per balance sheet	**2,471.7**	2,643.3	2,824.3

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

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

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

CBRE have made enquiries to ascertain any sustainability factors which are likely to impact on value, consistent with the scope of their terms of engagement. Sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect the value of an asset, even if not explicitly recognised. This includes key environmental risks; such as flooding, energy efficiency, climate, design, legislation and management considerations – as well as current and historic land use. Where CBRE recognise the value impacts of sustainability, they reflect their understanding of how market participants include sustainability factors in their decisions and the consequential impact on market valuations.

The following table summarises the valuation techniques and inputs used in the determination of the property valuation at 30 September 2023.

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	1,880.9	1	£20 - £79	£48	5.0% - 8.2%	6.7%
Completed projects	177.3	1	£24 - £53	£31	5.9% - 7.0%	6.9%
Refurbishments	289.9	2	£24 - £56	£37	4.8% - 9.8%	7.0%
Redevelopments	19.7	2	£12 - £17	£15	5.0% - 9.9%	7.1%
South East Office	76.3	1	£25 - £35	£29	7.3% - 11.6%	9.9%
Head leases	34.7	N/A				
IFRS 16 adjustment	(7.1)	N/A				
Total	2,471.7					

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

Developer's profit is a key unobservable input for properties that are valued using the residual value method. The range is 10%–19% with a weighted average of 14%.

Costs to complete is a key unobservable input for properties that are valued using the residual value method. The range of £222–£425 per sq. ft. and a weighted average of £270 per sq. ft.

10. Trade and other receivables

Current trade and other receivables	**Unaudited 30 September 2023 £m**	Audited 31 March 2023 £m	Unaudited 30 September 2022 £m
Trade receivables	**20.3**	12.3	11.4
Prepayments, other receivables and accrued income	**26.5**	22.3	25.1
Deferred consideration on sale of investment properties	**11.3**	11.2	0.6
	58.1	45.8	37.1

Included within trade receivables is the provision for impairment of receivables of £4.3m (31 March 2023: £4.6m, 30 September 2022: £5.1m).

The deferred consideration arising on the sale of investment properties relates to cash and overage. The overage has been fair valued by CBRE Limited on the basis of residual value, using appropriate discount rates, and will be revalued on a regular basis. This is a Level 3 valuation of a financial asset, as defined by IFRS 13. The change in fair value recorded in the Consolidated income statement was £0.1m (31 March 2023: -£0.1m, 30 September 2022: £nil) (note 3(b)).

Receivables at fair value:
Included within deferred consideration on sale of investment properties is £0.6m (31 March 2023: £0.5m, 30 September 2022: £0.6m) of overage or cash which is held at fair value through profit and loss.

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

11. Cash and cash equivalents

	Unaudited 30 September 2023 £m	Audited 31 March 2023 £m	Unaudited 30 September 2022 £m
Cash at bank and in hand	**4.0**	12.0	13.3
Restricted cash – tenants' deposit deeds	**6.3**	6.5	6.6
	10.3	18.5	19.9

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

12. Trade and other payables

	Unaudited 30 September 2023 £m	Audited 31 March 2023 £m	Unaudited 30 September 2022 £m
Trade payables	**13.6**	15.4	10.6
Other tax and social security payable	**6.8**	15.9	5.8
Tenants' deposit deeds (note 11)	**6.3**	6.5	6.6
Tenants' deposits	**31.3**	30.5	29.4
Accrued expenses	**28.0**	26.1	31.9
Deferred income – rent and service charges	**13.1**	13.4	13.5
	99.1	107.8	97.8

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

13. Borrowings

(a) Balances

	Unaudited 30 September 2023 £m	Audited 31 March 2023 £m	Unaudited 30 September 2022 £m
Current			
Bank loans (unsecured)	**-**	49.8	199.7
Non-current			
Bank loans (unsecured)	**205.1**	197.2	83.4
Other loans (secured)	**64.0**	63.9	64.0
3.07% Senior Notes 2025 (unsecured)	**79.9**	79.9	79.9
3.19% Senior Notes 2027 (unsecured)	**119.8**	119.8	119.8
3.6% Senior Notes 2029 (unsecured)	**99.9**	99.9	99.8
Green Bond (unsecured)	**298.6**	298.4	298.2
	867.3	908.9	944.8

(b) Net Debt

	Unaudited 30 September 2023 £m	Audited 31 March 2023 £m	Unaudited 30 September 2022 £m
Borrowings per (a) above	**867.3**	908.9	944.8
Adjust for:			
Cost of raising finance	**4.2**	5.1	5.2
	871.5	914.0	950.0
Cash at bank and in hand (note 11)	**(4.0)**	(12.0)	(13.3)
Net Debt	**867.5**	902.0	936.7

At 30 September 2023, the Group had £129.0m (31 March 2023: £136.0m, 30 September 2022: £250.0m) of undrawn bank facilities, a £2.0m overdraft facility (31 March 2023: £2.0m, 30 September 2022: £2.0m) and £4.0m of unrestricted cash (31 March 2023: £12.0m, 30 September 2022: £13.3m).

Net debt represents borrowing facilities drawn, less cash at bank and in hand. It excludes lease obligations and any cost of raising finance as they have no future cash flows.

The Group has a loan to value covenant applicable to the Bank Loans and Senior Debt Borrowings of 60% and Green Bond of 65%. Loan to value at 30 September 2023 was 34% (31 March 2023: 33%, 30 September 2022: 33%).

The Group also has an interest cover covenant of 2.0x applicable to the Bank Loan and Senior Debt Borrowings, and 1.75x applicable for the Green Bond. This is calculated as net rental income divided by interest payable on loans and other borrowings. At 30 September 2023 interest cover was 3.5x (31 March 2023: 3.8x, 30 September 2022: 4.5x).

(c) Maturity

	Unaudited 30 September 2023 £m	Audited 31 March 2023 £m	Unaudited 30 September 2022 £m
Repayable within one year	**-**	50.0	200.0
Repayable between one and two years	**157.5**	-	73.0
Repayable between two and three years	**129.0**	279.0	92.0
Repayable between three years and four years	**120.0**	-	-
Repayable between four years and five years	**300.0**	420.0	120.0
Repayable in five years or more	**165.0**	165.0	465.0
	871.5	914.0	950.0
Cost of raising finance	**(4.2)**	(5.1)	(5.2)
	867.3	908.9	944.8

(d) Interest rate and repayment profile

	Principal at period end £m	Interest rate	Interest payable	Repayable
Non-current				
Private Placement Notes:				
3.07% Senior Notes	**80.0**	3.07%	Half Yearly	August 2025
3.19% Senior Notes	**120.0**	3.19%	Half Yearly	August 2027
3.6% Senior Notes	**100.0**	3.60%	Half Yearly	January 2029
Bank Loan	**129.0**	SONIA + 1.77%[1]	Monthly	December 2025
Bank Loan	**77.5**	SONIA + 1.77%[1]	Monthly	April 2025
Other Loan (secured)	**65.0**	4.02%	Monthly	May 2030
Green Bond	**300.0**	2.25%	Yearly	March 2028
	871.5			

[1] The base margin can be adjusted by up to 4.5bps dependent upon achievement of three ESG-linked metrics.

(e) Financial instruments and fair values

	Unaudited 30 September 2023 Book Value £m	**Unaudited 30 September 2023 Fair Value £m**	Audited 31 March 2023 Book Value £m	Audited 31 March 2023 Fair Value £m	Unaudited 30 September 2022 Book Value £m	Unaudited 30 September 2022 Fair Value £m
Financial liabilities held at amortised cost						
Bank loans (unsecured)	**205.1**	**205.1**	247.0	247.0	283.1	283.1
Other loans (secured)	**64.0**	**57.0**	63.9	63.5	64.0	57.4
Private Placement Notes	**299.6**	**270.1**	299.6	287.8	299.5	264.1
Lease obligations	**34.7**	**34.7**	34.7	34.7	34.6	34.6
Green Bond	**298.6**	**232.0**	298.4	224.0	298.2	211.8
	902.0	**798.9**	943.6	857.0	979.4	851.0
Financial assets at fair value through other comprehensive income						
Derivative financial instruments:						
Other Investments	**2.1**	**2.1**	2.1	2.1	1.7	1.7
	2.1	**2.1**	2.1	2.1	1.7	1.7
Financial assets at fair value through profit or loss						
Deferred consideration (overage)	**11.3**	**11.3**	11.2	11.2	0.6	0.6
	11.3	**11.3**	11.2	11.2	0.6	0.6

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, other loans and Private Placement Notes have been determined by reference to market prices and discounted expected cash flows at prevailing interest rates and are Level 2 valuations. There have been no transfers between levels in the year. The different levels of valuation hierarchy as defined by IFRS 13 are set out in note 9.

The total change in fair value of derivative financial instruments recorded in other comprehensive income was a £nil (31 March 2023: £0.4m, 30 September 2022: £nil).

14. Lease obligations

Lease liabilities in respect of leased investment property are recognised in accordance with IFRS 16.

	Unaudited 30 September 2023 £m	Audited 31 March 2023 £m	Unaudited 30 September 2022 £m
Minimum lease payments under leases fall due as follows:			
Within one year	**2.1**	2.1	2.1
Between two and five years	**8.4**	8.4	8.3
Beyond five years	**198.8**	199.8	200.8
	209.3	210.3	211.2
Future finance charges on leases	**(174.6)**	(175.6)	(176.6)
Present value of lease liabilities	**34.7**	34.7	34.6

Following the adoption of IFRS 16, lease obligations are shown separately on the face of the balance sheet. The balance represents a non-current liability as the payment shown within one year of £2.1m is offset by future finance charges on leases of £2.1m. All lease obligations are long leaseholds, therefore, the majority of the obligations fall beyond fifteen years.

15. Notes to cash flow statement

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

	Unaudited 6 months ended 30 September 2023 £m	Unaudited 6 months ended 30 September 2022 £m	Audited Year ended 31 March 2023 £m
(Loss)/profit before tax	**(147.9)**	35.8	(37.5)
Depreciation	**0.8**	0.7	1.6
Amortisation of intangibles	**0.3**	0.3	0.7
Letting fees amortisation	**0.2**	0.3	0.5
Loss/(profit) on disposal of investment properties	**1.2**	(1.5)	0.7
Other expenses	**0.4**	2.3	3.8
Net loss/(profit) from change in fair value of investment property	**170.8**	(8.1)	88.0
Impairment of assets held for sale	**6.6**	-	5.1
Equity-settled share based payments	**1.2**	1.0	1.4
Finance expense	**18.3**	15.6	34.4
Exceptional finance costs	**-**	0.6	0.6
Changes in working capital:			
Increase in trade and other receivables	**(13.6)**	(8.3)	(6.4)
(Decrease)/ increase in trade and other payables	**(11.6)**	1.5	17.6
Cash generated from operations	**26.7**	40.2	110.5

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

	Unaudited 30 September 2023 £m	Audited 31 March 2023 £m	Unaudited 30 September 2022 £m
Cash at bank and in hand	**4.0**	12.0	13.3
Restricted cash – tenants' deposit deeds	**6.3**	6.5	6.6
	10.3	18.5	19.9

16. Share Capital

	Unaudited 30 September 2023 £m	Audited 31 March 2023 £m	Unaudited 30 September 2022 £m
Issued: fully paid ordinary shares of £1 each	**191.9**	191.6	191.6

Movements in share capital were as follows:	**Unaudited 30 September 2023**	Audited 31 March 2023	Unaudited 30 September 2022
Number of shares at 1 April	**191,638,357**	181,125,259	181,125,259

Movements in share capital were as follows:	**Unaudited 30 September 2023**	Audited 31 March 2023	Unaudited 30 September 2022
Issue of shares	**259,497**	10,513,098	10,513,098
Number of shares at period end	**191,897,854**	191,638,357	191,638,357

In the prior period ended 30 September 2022, the Group issued shares as part of the consideration for the acquisition of McKay Securities Limited (formerly McKay Securities PLC) totalling 10,513,098 shares. In the period there were 259,497 scheme options issued (31 March 2023: £nil proceeds, 30 September 2022: £nil proceeds).

17. Capital commitments

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

	Unaudited 30 September 2023 £m	Audited 31 March 2023 £m	Unaudited 30 September 2022 £m
Construction or refurbishment of investment properties	**30.3**	34.4	30.0

18. Post balance sheet events

In October 2023 the Group announced the completion of the sale of the advertising tower adjacent to the Mille Building, Brentford for total consideration of £9.0m, the sale price is in line with the 31 March 2023 valuation. The sale of Folkestone completed in November 2023 for £4.5m, this is in line with the 30 September 2023 valuation.

In November 2023, the Group's £335m RCF bank facilities were extended by a further 12 months, with £135m now expiring in April 2026 and £200m maturing in December 2026.

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

We confirm that to the best of our knowledge:

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

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

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Workspace Group PLC are listed in the Workspace Group PLC Annual Report and Accounts for 31 March 2023. A list of current Directors is maintained on the Workspace Group website: www.workspace.co.uk.

Approved by the Board on 20 November 2023 and signed on its behalf by

D Benson
Director

INDEPENDENT REVIEW REPORT TO WORKSPACE GROUP PLC

Conclusion

We have been engaged by Workspace Group PLC ("the Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 which comprises Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

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

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

Conclusion relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusion relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

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

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

Bano Sheikh for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
20 November 2023

PRINCIPAL RISKS AND UNCERTAINTIES

The Board assesses and monitors the principal risks of the business and considers how these risks could best be mitigated, where possible, through a combination of internal controls and risk management. The first six months of the financial year have seen a period of challenging macro-economic conditions with high inflation and increasing interest rates.

Whilst the combination of these factors presents an increased risk of recession and potential adverse impact on property values and construction costs, the key risks that could affect the Group's medium-term performance and the factors which mitigate these risks, have not materially changed from those set out in the Group's 2023 Annual Report and Accounts.

These risks have been assessed in line with the requirements of the 2018 UK Corporate Governance Code and are shown below. The Board is satisfied that we continue to operate within our risk profile.

Risk Area	Mitigating activities
Customer demand Opportunities for growth could be missed without a clear branding strategy to meet the changing demands of flexible working models. Whilst the uncertainty from the Covid pandemic has significantly reduced there are other macroeconomic factors including, weak economic growth, current levels of inflation, and interest rate rises that could also impact potential customers. **RISK IMPACT** • Fall in occupancy levels at our properties • Reduction in rent roll • Reduction in property valuation	• Broad mix of buildings across London and the home counties with different office experiences at various price points to match customer requirements. • Pipeline of refurbishment and redevelopments to further enhance the portfolio. • Weekly meeting to track enquiries, viewings and lettings to closely track customer trends and amend pricing as demand changes. • Centre staff maintain ongoing relationships with our customers to understand their requirements and implement change to meet their needs. • Business plans are stress tested to assess the sensitivity of forecasts to reduced levels of demand and implement contingency measures. • Marketing campaigns maintain awareness of Workspace's offer and content and messaging is regularly reviewed to remain relevant and appealing to customers.
Financing There may be a reduction in the availability of long-term financing due to a prolonged economic recession, which may result in an inability to grow the business and impact Workspace's ability to deliver services to customers. **RISK IMPACT** • Inability to fund business plans and invest in new opportunities • Increased interest costs • Negative reputational impact amongst lenders and in the investment community	• We regularly review funding requirements for business plans and we have a wide range of options to fund our forthcoming plans. We also prepare a five-year business plan which is reviewed and updated annually. • We have a broad range of funding relationships in place and regularly review our refinancing strategy. We also maintain a specific interest rate profile via use of fixed rates on our loan facilities so that our interest payment profile is stable. • Loan covenants are monitored and reported to the Board on a monthly basis, and we undertake detailed cash flow monitoring and forecasting.
Valuation Macroeconomic uncertainty could have an impact on asset valuations, whereby property yields increase and valuations fall. This may result in a reduction in return on investment and negative impact on covenant testing. **RISK IMPACT** • Financing covenants linked to loan to value ('LTV') ratio • Impact on share price	• Market-related valuation risk is largely dependent on independent, external factors. We maintain a conservative LTV ratio which can withstand a severe decline in property values without covenant breaches. • We monitor changes in sentiment in the London real estate market, yields and pricing to track possible changes in valuation. CBRE a leading full-service real estate services and investment organisation, provides twice yearly valuations of all our properties.

• Failure to meet Energy Performance Certificate (EPC) targets could result in a loss of rental income impacting valuation	• Typically, our building or unit refurbishment projects are completed within short time frames, giving us good visibility on costs, expected rents and property values at completion. We continually assess the viability of our refurbishment and development projects for optimal timing and cost management opportunities, and have flexibility on when to commence development. Alternative use opportunities, including mixed-use developments, are actively pursued across the portfolio.
Acquisition pricing Inadequate appraisal and due diligence of a new acquisition could lead to paying above market price leading to a negative impact on valuation and rental income targets. **RISK IMPACT** • Negative impact on valuation • Impact on overall shareholder return	• We have an acquisition strategy determining key criteria such as location, size and potential for growth. These criteria are based on the many years of knowledge and understanding of our market and customer demand. • A detailed appraisal is prepared for each acquisition and is presented to the Investment Committee for challenge and discussion prior to authorisation by the Board. The acquisition is then subject to thorough due diligence prior to completion. • Workspace will only make acquisitions that are expected to yield a minimum return and will not knowingly overpay for an asset. • For all corporate acquisitions we undertake appropriate property, financial and tax due diligence including a review of ESG.
Customer payment default There remains a risk of continued economic downturn given the broader geopolitical climate, inflation and interest rate rises. This could result in further pressure on rent collection figures with a prolonged period of companies failing leading to a decline in occupancy and an increase in office vacancies. **RISK IMPACT** • Negative cash flow and increasing interest costs • Breach of financial covenants	• The risk is mitigated by strong credit control processes being in place along with an experienced team of credit controllers, able to make quick decisions and negotiate with customers for payment. In addition, we hold a three-month deposit for the majority of customers. • Centre staff maintain relationships with customers and can identify early signs of potential issues.
Cyber security A cyber-attack could lead to a loss of access to Workspace systems or a network disruption for a prolonged period of time, this could damage Workspace's reputation and inhibit our ability to run the business. **RISK IMPACT** • Inability to process new leases and invoice customers • Reputational damage • Increased operational costs	• Cyber security risk is managed using a mitigation framework comprising network security, IT security policies and third-party risk assessments. Controls are regularly reviewed and updated and include technology such as next generation firewalls, multi layered access control through to people solutions such as user awareness training and mock-phishing emails. • Assurance of the framework's performance is gained through an independent maturity assessment, penetration testing and network vulnerability testing, all performed annually.

Resourcing Ineffective succession planning, recruitment and people management could lead to limited resourcing levels and a shortage of suitably skilled individuals to be able to achieve Workspace's objectives and grow the business. A failure to have in place adequate resourcing may also result in a stretch of existing management and a decline in efficiency. **RISK IMPACT** • Increased costs from high staff turnover • Delay to growth plans • Reputational damage	• We have a robust recruitment process to attract new joiners and established interview and evaluation processes with a view to ensuring a good fit with the required skill set and our valued corporate culture. • Various incentive schemes align employee objectives with the strategic objectives of the Group to motivate employees to work in the best interests of the Group and its stakeholders. This is supported by a robust appraisal and review process for all employees. • Our HR and Support Services teams run a detailed training and development programme designed to ensure employees are supported and encouraged to progress with learning and study opportunities. The Recruitment Manager coordinates all activities to attract talented employees.
Third party relationships Poor performance from one of Workspace's key contractors or third-party partners could result in an interruption to or reduction in the quality of our service offering to customers or could lead to significant disruptions and delays in any refurbishment or redevelopment projects. **RISK IMPACT** • Decline in customer confidence • Increase project or operational costs • Fall in customer demand • Weaker cash flow • Reputational damage	• Workspace has in place a robust tender and selection process for key contractors and partners. Contracts contain service level agreements which are monitored regularly, and actions taken in the case of underperformance. • For key services, Workspace maintains relationships with alternative providers so that other solutions would be available if the main contractor or third party was unable to continue providing their services. Processes are in place for identifying key suppliers and understanding any specific risks that require further mitigation. • Workspace is London Living Wage compliant for all contractors since April 2022.
Regulatory A failure to keep up to date and plan for changing regulations in key areas such as health and safety or sustainability could lead to fines or reputational damage. **RISK IMPACT** • Increased costs • Reputational damage	• Health and safety is one of our primary concerns, with strong leadership promoting a culture of awareness throughout the business. We have well-developed policies and procedures in place to help ensure that any workers, employees or visitors on site comply with strict safety guidelines and we work with well-respected suppliers who share our high-quality standards in health and safety. • Health and safety management systems are reviewed and updated in line with changing regulations and regular audits are undertaken to identify any potential improvements. • Sustainability requirements have an increasing importance for the Group and it is a responsibility we take seriously. We have committed to a net zero Carbon target of 2030 and we are implementing the TCFD recommendations. We manage our properties to ensure they are compliant with or exceed the Minimum Energy Efficiency Standards (MEES) for EPCs.

Climate Change A failure to recognise that climate change presents a financial risk to our business alongside changes to our customers' expectations could lead to a significant impact on the business. **RISK IMPACT** • Loss of rent roll • Negative impact on value • Reduced occupancy levels • Reputational damage	• The inherent risk from climate change is universal, with a high likelihood of risk materialising in the near future resulting in potentially significant impact on businesses in general. For Workspace, our risk is lower when compared to many other real estate businesses, in particular our exposure to physical risk. However, transition risk is an industry-wide risk and is impacting all real estate businesses due to the significant environmental impact associated with the sector. In response to this, Workspace has been proactively managing its risk exposure. Our mitigation strategy includes: • Annual assessment of our climate risk exposure, using climate modelling to inform our risk management plan • Ongoing review of control measures and their effectiveness by our Risk Management Group and Environmental Sustainability Committee • Active management of acute physical risks such as floods and storms across the portfolio through emergency preparedness, site maintenance surveys and business continuity planning • Delivery of an accelerated net zero and EPC upgrade plan across the portfolio to manage transition risk • Introduction of climate objectives linked with remuneration, to incentivise focused action • Long-term energy contracts in place to hedge price and availability risk • Stretching carbon targets for our development projects to minimise reliance on raw materials and exposure to increasing offset costs