25 May 2023

WORKSPACE GROUP PLC
FULL YEAR RESULTS

STRONG INCOME GROWTH AND 20% INCREASE IN DIVIDEND FROM OUR DISTINCTIVE FLEXIBLE MODEL

Workspace Group PLC ("Workspace"), London's leading owner and operator of sustainable, flexible work space today announces its results for the year to 31 March 2023. The comments in this announcement refer to the period from 1 April 2022 to 31 March 2023 unless otherwise stated.

Financial highlights: Strong rental income growth driving increase in trading profit and dividend, with valuation resilient

- Net rental income up 34% (£29.9m) to £116.6m, up 17% on an underlying basis[1]
- Trading profit after interest† up 29% to £60.7m
- Total dividend per share up 20% to 25.8p per share (31 March 2022: 21.5p)
- Resilient property valuation of £2,741m, an underlying[2] reduction of 3.2% (£91m) from 31 March 2022. Like-for-like portfolio valuation down 0.3%
- Loss before tax of £37.5m (2022: £124.0m profit) reflecting a reduction in the property valuation
- EPRA net tangible assets per share down 6.2% from 31 March 2022 to £9.27
- Robust balance sheet with £148m of cash and undrawn facilities and LTV of 33% (31 March 2022: 23%)
- Average cost of debt over the year was 3.7% with 73% at fixed rates and a weighted average drawn debt maturity of 4.1 years as at 31 March 2023
- Announced exchange for sale of McKay non-core assets for £82m in May 2023, will reduce LTV by 2% to 31% on a proforma basis and increase the percentage of lower cost fixed-rate debt to 80%

Customer activity: Good demand, high occupancy and pricing momentum

- Continued good customer demand with 1,312 lettings completed in the year with a total rental value of £34.8m, highlighting the appeal of our flexible offer
- Like-for-like rent roll up by 7.1% to £97.7m
- Like-for-like occupancy stable at 89.1%
- Like-for-like rent per sq. ft. up 9.4% to £40.61
- Strong demand at recently completed projects with occupancy up 10.3% to 80.2% and rent up £3.4m (36.5%)

Portfolio activity: McKay integration complete and active capital recycling

- Operational integration of McKay complete, good progress in adapting properties to the Workspace model and debt facilities transferred and extended
- Sale of the residential component of the mixed-use redevelopment at Riverside, Wandsworth for £54m completed in March 2023
- Sale of McKay non-core assets progressing:
    - one asset sold for £7m in July 2022
    - five assets exchanged for sale for £82m in May 2023

Project Activity and Sustainability

- Three major projects underway delivering 210,000 sq. ft. of new and upgraded space. Further 1.1m sq. ft. of projects in the pipeline
- Active asset management delivered a 5% reduction in operational energy intensity, 27% reduction in gas use and a 12% increase in EPC A and B rated space to 43%.

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

“Our strong trading performance and resilient valuation once again highlight the core strengths that differentiate Workspace: our unique flexible work space offer; the quality and sustainability of our owned buildings and the great in-house customer service and support we provide to our SME customers.

These strengths have enabled us to continue attracting a diverse range of the brightest SMEs across the capital, from outer London zones to more central locations. This demand has helped keep occupancy rates high across our portfolio, which has allowed us to drive a significant, sustained improvement in pricing and rental income growth. We estimate our target SMEs employ around 21% of London’s working population, some 1.2 million people, and represent a significant market opportunity for us.

We have also made good progress in recycling capital from disposals into our value-add projects and further strengthening our robust balance sheet. The sale of the residential component of the mixed-use redevelopment at Riverside, Wandsworth, for £54m in March was an important step, as was the exchange for sale of five non-core McKay assets for £82m, announced in May.

As flex has gone mainstream, our offer stands alone as the only true flexible space and lease option for London’s SMEs. Combined with our extensive property portfolio, long track record of experience and a proven scalable operating platform, we are well positioned to continue delivering strong income and dividend growth.”

Summary Results

	March 2023 (Unaudited)	March 2022	Change
Financial performance			
Net rental income	**£116.6m**	£86.7m	+34.5%
Trading profit after interest†	**£60.7m**	£46.9m	+29.4%
(Loss)/profit before tax	**£(37.5)m**	£124.0m	
Full year dividend per share	**25.8p**	21.5p	+20%

	March 2023	March 2022	Change
Valuation			
EPRA net tangible assets per share†	**£9.27**	£9.88	-6.2%
Property valuation†	**£2,741m**	£2,402m	-3.2%[2]
Financing			
Loan to value	**33%**	23%	
Undrawn bank facilities and cash	**£148m**	£442m	

† 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 Net Rental Income excludes net rental income associated with current year acquisitions, disposals, rent discounts and expected credit losses.
[2] Underlying change excluding capital expenditure and disposals and including McKay at acquisition cost.

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Details of results presentation

Workspace will host a results presentation for analysts and investors on Thursday 25 May 2023 at 9:00am. The venue for the presentation is The London Stock Exchange, 10 Paternoster Square, EC4M 7LS.

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

Webcast

The live webcast will be available here:
https://secure.emincote.com/client/workspace/workspace023

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/workspace023/vip_connect

Notes to Editors

About Workspace Group PLC:

Workspace is London's leading owner and operator of flexible work space, managing five million sq. ft. of sustainable space with 76 core 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.

Our ownership model 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).

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

CHIEF EXECUTIVE'S STATEMENT

We entered the year with good momentum and strong levels of customer demand, and occupancy at our like-for-like properties back at pre-Covid levels of around 90%. The resulting pricing tension has enabled us to deliver a 9.4% increase in rent per sq. ft. over the year, with many of our business centres now back at, or ahead of, pricing levels last seen in 2019. Even with prices increasing our customers value our offer highly, and it was great to see 88% stay with us on renewal.

We have also seen a good pace of occupancy increase at recently completed projects. Most notably, we have seen occupancy at our refurbished Mare Street property in Hackney move up 25% to 95% in the year, whilst Mirror Works, our new building in Stratford, saw occupancy increase 58% to 81%. These successes highlight both the quality of our buildings and the power of our marketing and sales platform in attracting demand to a broad range of locations and then converting this demand into lettings.

Our extensive property portfolio across London continues to provide us with a rich opportunity to upgrade and reposition buildings to meet both the changing needs of our customers and higher environmental standards. This sustainable regeneration, at the heart of our business model, drives uplifts in income and values producing very attractive returns. We currently have a pipeline of refurbishment and redevelopment projects that will deliver around 1.3m sq. ft. of new and upgraded space. Our existing buildings are income earning, so we can selectively decide on the optimal timing for each project to ensure we can deliver as a minimum our benchmark returns.

Our sustainability ambitions extend beyond simply meeting environmental standards, and we are proud of the regenerative impact of our business model. As we breathe new life into old buildings, we create hubs of economic activity across the Capital, providing significant employment and social benefits in what are often historically deprived areas. We hold our properties for the long-term and our engagement with local communities is crucial to our social sustainability agenda. During the year, we started major refurbishment schemes at the Chocolate Factory in Wood Green, and The Biscuit Factory in Bermondsey. The scheme at Leroy House in Islington, which started in summer 2021, is now well progressed and we expect to complete this project in spring 2024. We also completed the sale of the residential component of our mixed-use redevelopment at Riverside, Wandsworth for £54m in March 2023, where we obtained planning permission for 433 flats, highlighting our opportunity to add value and recycle capital.

In May 2022 we acquired the previously publicly listed McKay Securities, adding good quality assets across London and the South East to our existing portfolio at a discount to book value. We completed the operational integration of the McKay portfolio in November 2022, and continue to make progress in our plan to add significant value to the portfolio by adapting the buildings to our multi-let strategy and rolling out our flexible lease offer. The market environment has unfortunately slowed the planned sale of identified non-core assets (principally light industrial and logistics properties). We sold one asset for £7m in July 2022 and exchanged on the sale of a further five in May 2023 for £82m.

Overall we have delivered a strong trading performance in the year, with a 34% increase in net rental income, an increase of 17% on an underlying basis, and a 29% increase in trading profit after interest. We maintained tight control over discretionary costs and while we saw an increase in interest costs from the McKay acquisition, we benefited from the majority of our debt being at fixed rates.

A resilient property valuation meant that we saw a relatively small decline of 6% in our net asset value per share to £9.27 over the year. Outward yield movement was largely offset by the increases in rental price levels, with an underlying fall of just 3.2% in the property valuation.

Our strong trading performance is a testament to our business model:

- We have been championing flexibility in the commercial real estate market for over 35 years and it is great to see that it has now become firmly mainstream. Of course, it covers many different offers, but what makes ours stand apart is the complete flexibility we give our customers – both in terms of the leases we offer and the ability to fit out their own space. We have always understood the merits of giving our customers lease flexibility, achieving strong retention by providing an unmatched quality of service rather than tying them into long leases. The other aspect of flexibility, the ability for customers to fit out their space to suit their individual needs, is sometimes overlooked. This freedom to personalise their space and to create their own identity is incredibly important. In fact, around half of our customers use their space in a very different way to a traditional office occupier, meeting the needs of a diverse range of businesses such as fashion design, video production, etc.

- Our focus is on creative and service-based SMEs, which we estimate represent some 21% of the working population in London. These SMEs are in a very broad range of business sectors and represent a dynamic and exciting opportunity for us. We estimate Workspace is home to around 3% of this fragmented market, so we still have plenty to go for.

- We have a well-recognised brand, a scalable and technically advanced operating platform and an experienced and committed in-house team that provides a high level of service and support to customers. On that note, I would like to thank everyone at Workspace for their tremendous efforts through the year and congratulate them on the delivery of a great set of results.

With the strong improvement in trading performance and confidence in the longer term prospects of the Company, the Board is recommending a final dividend of 17.4p per share, taking the full year dividend to 25.8p which is up 20% on last year.

Lastly, I would like to thank our Chairman Stephen Hubbard, who steps down at this year's AGM having served as a non-executive for nine years, the last three as Chairman. He has been a fantastic ambassador and champion of our business. On behalf of everyone at Workspace, I would like to thank him for his contribution to the business over the past nine years and wish him all the very best for the future.

BUSINESS REVIEW

CUSTOMER ACTIVITY

We have seen resilient demand over the year with an average of 109 lettings per month, despite the extreme hot weather over the summer and disruption caused by tube and rail strikes. Good activity levels have continued into the first quarter of 2023/24.

	Monthly Average			
	Q4 22/23	Q3 22/23	Q2 22/23	Q1 22/23
Enquiries	**932**	724	780	757
Viewings	**589**	479	495	508
Lettings	**114**	110	106	108

Alongside our new lettings, we have seen strong renewal activity in the year, with over 700 customers renewing at a retention rate of 88%.

RENT ROLL

Total rent roll, representing the total annualised net rental income at a given date, was up 6.5% to £140.1m at 31 March 2023.

Rent Roll	£m
At 31 March 2022*	131.6
Like-for-like portfolio	6.5
Completed projects	3.4
Projects underway and design stage	(1.2)
McKay – London	0.8
McKay – South East	0.1
McKay – Non-core	0.7
Disposals	(1.8)
At 31 March 2023	**140.1**

*Adjusted for McKay portfolio acquired in May 2022

The total Estimated Rental Value (ERV) of the portfolio, comprising the ERV of the like-for-like portfolio and those properties currently undergoing refurbishment or redevelopment (but only including properties at the design stage at their current rent roll and occupancy) was £194.6m at 31 March 2023.

Like-for-like portfolio

The like-for-like portfolio represents 70% of the total rent roll as at 31 March 2023. It comprises 38 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 31 Mar 23	 30 Sep 22	 31 Mar 22
Occupancy	89.1%	89.6%	89.5%
Occupancy change	(0.5%)	0.1%	3.8%
Rent per sq. ft.	£40.61	£38.59	£37.12
Rent per sq. ft. change	5.2%	4.0%	2.8%
Rent roll	£97.7m	£94.5m	£91.2m
Rent roll change	3.4%	3.6%	6.4%

As occupancy levels have stabilised, we have been able to move pricing forward across our like-for-like portfolio with rent per sq. ft. increasing by 9.4% in the year to £40.61. Like-for-like occupancy was marginally down by 0.4% to 89.1% in the year, with an overall increase in like-for-like rent roll of 7.1% (£6.5m) to £97.7m.

We have seen ERV per sq. ft. increase by 13.6% in the year and if all the like-for-like properties were at 90% occupancy at the CBRE estimated rental values at 31 March 2023, the rent roll would be £116.7m, £19.0m higher than the actual rent roll at 31 March 2023.

Completed Projects

There are ten projects in the completed projects category, with overall rent roll increasing by 36.5% (£3.4m) in the year to £12.8m, with rent per sq. ft. up 19.7% and occupancy up 10.3% to 80.2%.

If the buildings in this category were all at 90% occupancy at the ERVs at 31 March 2023, the rent roll would be £17.2m, an uplift of £4.4m.

Projects Underway – Refurbishments

We are currently underway on three refurbishment projects that will deliver 210,000 sq. ft. of new and upgraded space. As at 31 March 2023, rent roll was £1.7m, down £0.4m in the year.

Assuming 90% occupancy at the ERVs at 31 March 2023, the rent roll at these three buildings once they are completed would be £7.8m, an uplift of £6.0m.

Projects at Design Stage

These are properties where we are planning a refurbishment or redevelopment that has not yet commenced. As at 31 March 2023 the rent roll at these properties was £5.8m.

McKay Securities

In May 2022, we completed the acquisition of the McKay portfolio. As at 31 March 2023 the rent roll at these properties was £22.0m, an underlying increase of £1.6m since acquisition. The integration is now complete with all operational activity utilising the Workspace platform.

As at 31 March 2023 the rent roll at the seven London assets was £8.2m, an increase of £0.8m since acquisition with occupancy at 72.6%. A number of these properties are being refurbished, including sub-division to adapt to the Workspace multi-let model. We have seen ERV per sq. ft. increase by 8% since acquisition and assuming 90% occupancy at the ERVs at 31 March 2023, the rent roll at these seven buildings, would be £11.6m, an uplift of £3.4m.

As at 31 March 2023 the rent roll of the South-East office and business park portfolio, comprising thirteen buildings, was £8.5m, an increase of £0.1m since acquisition with occupancy steady at

88.3%. Assuming 90% occupancy (or current occupancy if higher) at the ERVs at 31 March 2023 the rent roll would be £11.2m, an uplift of £2.7m.

We are progressing with the disposal of the nine non-core light industrial and logistics assets with the timing dependant on market conditions. Contracts have been exchanged for the sale of five of these properties in May 2023. Overall occupancy across these sites at 31 March 2023 was 87.7% with a rent roll of £5.2m, an increase of £0.7m since acquisition. Assuming 90% occupancy (or current occupancy if higher) at the ERVs at 31 March 2023, the rent roll at these buildings, would be £6.5m, an uplift of £1.7m.

Disposals

In July 2022 we completed the sale of a medical centre in Newbury, which had rent roll of £0.2m, from the McKay portfolio for £7.2m (£1.1m ahead of the March 2022 valuation).

In March 2023 we completed on the sale of the Riverside residential component in Wandsworth for £54m (in line with the September 2022 valuation) and expect to commence the construction of the new commercial buildings (comprising 153,000 sq. ft. of workshop and office space), at our cost, on a phased basis in the second half of 2023.

PROFIT PERFORMANCE

Trading profit after interest for the year was up 29.4% (£13.8m) on the prior year to £60.7m.

£m	**31 Mar 2023**	31 Mar 2022
Net rental income	**116.6**	86.7
Administrative expenses - underlying	**(18.0)**	(17.7)
Administrative expenses - acquisitions	**(2.1)**	-
Administrative expenses - share based costs*	**(1.4)**	(1.6)
Net finance costs	**(34.4)**	(20.5)
Trading profit after interest	**60.7**	46.9

*These relate to both cash and equity settled costs

Net rental income was up 34.5% (£29.9m) to £116.6m.

£m	**31 Mar 2023**	31 Mar 2022
Underlying Rental income	**110.7**	97.9
Unrecovered service charge costs	**(4.0)**	(4.4)
Empty rates and other non-recoverable costs	**(8.3)**	(10.4)
Services, fees, commissions and sundry income	**-**	0.7
Underlying net rental income	**98.4**	83.8
Rent discounts and waivers	**-**	0.3
Expected credit losses	**(1.1)**	(1.5)
Acquisitions	**18.5**	1.2
Disposals	**0.8**	2.9
Net rental income	**116.6**	86.7

The £12.8m increase in underlying rental income to £110.7m reflects the strong increase in average rent per sq. ft. achieved over the last year.

With energy costs hedged until October 2024 and higher average occupancy levels compared to the prior period there was a decrease of £0.4m in unrecovered service charge costs.

Higher average occupancy has also contributed to a reduction in empty rates with non-recoverable costs decreasing by £2.1m to £8.3m. Net revenue from services, fees, commissions and sundry income decreased by £0.7m driven by the cost of our enhanced customer events programme.

Rent collection for the year has remained strong with 98% of rent collected to date with the charge for expected credit losses reducing to £1.1m in the year.

Growth in net rental income included a £18.5m contribution from recent acquisitions, primarily the McKay portfolio acquired in May 2022.

Underlying administrative expenses remained under tight control, increasing by £0.3m to £18.0m, which included inflationary pay rises of 3% but with higher increases in more junior roles Administrative expenses also included £2.1m in respect of the McKay business, with synergies realised ahead of original expectations. Share based costs decreased by £0.2m to £1.4m driven by lower vesting levels and assumptions.

Net finance costs increased by £13.9m to £34.4m in the year reflecting the increased level of debt following the McKay acquisition and the increase in SONIA during the period. The average net debt balance over the year was £281m higher than the prior year, whilst the average interest cost increased from 3.1% to 3.7%.

Loss before tax was £37.5m compared to a profit of £124.0m in the prior year.

£m	**31 Mar 2023** (Unaudited)	31 Mar 2022
Trading profit after interest	**60.7**	46.9
Change in fair value of investment properties	**(93.1)**	68.7
(Loss)/gain on sale of investment properties	**(0.7)**	7.8
Exceptional costs	**(4.3)**	-
Other items	**(0.1)**	0.6
(Loss)/profit before tax	**(37.5)**	124.0
Adjusted underlying earnings per share	**31.7p**	25.8p

The change in fair value of investment properties, including assets held for sale, was £93.1m compared to an increase of £68.7m in the prior year.

The loss on sale of investment property of £0.7m resulted from costs associated with the disposal of the residential scheme at Riverside, Wandsworth and the profit on disposal of the medical centre at Newbury from the McKay portfolio.

Exceptional costs include one-off items relating to the acquisition and integration of McKay, including the cost of buying-out the McKay pension scheme, and implementation of a 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 22.9% to 31.7p.

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 strong improvement in trading performance and confidence in the longer term prospects of the Company, the Board is recommending a final dividend of 17.4p per share, taking the full year dividend to 25.8p (2022: 21.5p), to be paid on 4 August 2023 to shareholders on the register at 7 July 2023. The dividend will be paid as a REIT Property Income Distribution (PID) net of withholding tax where appropriate.

PROPERTY VALUATION

At 31 March 2023, our property portfolio was independently valued by CBRE at £2,741m, an underlying decrease of 3.2% (£91m) in the year. The main movements in the valuation are set out below:

	£m
Valuation at 31 March 2022	2,402
Capital expenditure	56
Acquisitions	434
Disposals	(60)
Revaluation – H1	8
Revaluation – H2	(99)
Valuation at 31 March 2023	**2,741**

There was an underlying revaluation decrease of 3.5% (£99m) in the second half of the year compared to an increase of 0.3% (£8m) in the first half. A summary of the full year valuation and revaluation movement by property type is set out below:

£m	**Valuation 31 March 2023**	Revaluation increase/(decrease)		
		Full year	H2	H1
Like-for-like Properties	**1,887**	(6)	(21)	15
Completed Projects	**265**	12	12	-
Refurbishments	**172**	(25)	(14)	(11)
Redevelopments	**33**	(17)	(10)	(7)
McKay – London	**154**	1	(11)	12
McKay – South East	**114**	(13)	(21)	8
McKay – Non-core	**116**	(41)	(34)	(7)
Sold	**-**	(2)	-	(2)
Total	**2,741**	(91)	(99)	8

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

There was a 0.3% (£6m) underlying decrease in the valuation of like-for-like properties to £1,887m. This was driven by a 13.6% increase in the ERV per sq. ft. (£216m) reflecting the pricing of recent lettings and renewals, offset by a 55bps outward shift in equivalent yield (£222m). This outward shift typically ranged from 25bps to 90bps depending upon location.

	31 Mar 2023	31 Mar 2022	Change
ERV per sq. ft.	**£48.00**	£42.23	13.6%
Rent per sq. ft.	**£40.61**	£37.12	9.4%
Equivalent Yield	**6.2%**	5.6%	0.6%*
Net Initial Yield	**4.7%**	4.2%	0.5%*
Capital Value per sq. ft.	**£698**	£679	2.8%

* absolute change

A 5% increase in ERV would increase the valuation of like-for-like properties by approximately £94m whilst a 50bps increase in equivalent yield would decrease the valuation by approximately £140m.

Completed Projects

There was an underlying increase of 4.7% (£12m) in the value of the ten completed projects to £265m. The overall valuation metrics for completed projects are set out below:

	31 Mar 2023
ERV per sq. ft.	**£34.36**
Rent per sq. ft.	**£28.70**
Equivalent Yield	**6.5%**
Net Initial Yield	**4.3%**
Capital Value per sq. ft.	**£475**

Current Refurbishments and Redevelopments

There was an underlying decrease of 12.7% (£25m) in the value of our current refurbishments to £172m and a reduction of 34.0% (£17m) in the value of our current redevelopments to £33m.

The most significant movements in this category are a decrease of £8.4m at our light industrial property Havelock Terrace, Battersea, reflecting the outward movement in industrial yields and a £8.1m decrease at Rainbow Industrial Park, Raynes Park, reflecting the outward movement in industrial yields and reduction in expected residential values.

McKay

We completed the acquisition of McKay Securities PLC on 6 May 2022 for a total consideration of £267.6m, comprising £191.1m in cash and 10.5m Workspace shares, and £9.4m transaction costs, representing a 14% discount to NTA acquired (after seller's transaction costs) of £310.5m.

There was an underlying decrease of 12.1% (£53m) in the valuation of the McKay portfolio, compared to the acquisition cost. A summary of the full year valuation and underlying movements for the McKay portfolio from acquisition is set out below:

	Valuation (£m)	Change (£m)	Equivalent Yield Movement	ERV Movement
London	**154**	1	+25bps	+8%
South East	**114**	(13)	+80bps	+5%
Non-core	**116**	(41)	+235bps	+6%
Total	**384**	(53)		

The valuation metrics for the McKay portfolio are set out below:

As at 31 March 2023	London	South East	Non-core
No. Properties	7	13	10
ERV per sq. ft.	£44.36	£26.67	£10.13
Rent per sq. ft.	£38.80	£21.68	£10.59
Equivalent Yield	6.9%	9.1%	6.4%
Net Initial Yield	4.3%	6.8%	4.3%
Capital Value per sq. ft.	£528	£257	£176

REFURBISHMENT ACTIVITY

A summary of the status of the refurbishment pipeline at 31 March 2023 is set out below:

Projects	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	3	£14m	£56m	210,000
Design stage	7	-	£251m	438,000
Design stage (without planning)	7	-	£382m	577,000

Our adaptive re-use of existing buildings for refurbishments delivers up to 70% reduction in embodied carbon compared to new build schemes.

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 spring 2024. We have recently commenced major upgrades and extensions at the Chocolate Factory, Wood Green and at the The Biscuit Factory, Bermondsey.

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 31 March 2023 is set out below:

	No. of properties	Residential units	New commercial space (sq. ft.)
Design stage	3	539	77,000

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

SUSTAINABILITY

We have an inherently green property portfolio with energy intensity already 19% lower than the industry best practice standard. 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 43% EPC A and B rated, an increase of 12% in the 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 year we also achieved a 5% reduction in operational energy intensity and a 27% reduction in gas use.

CASH FLOW

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

£m	**31 Mar 2023** (Unaudited)	31 Mar 2022
Net cash from operations after interest†	**70**	58
Dividends paid	**(44)**	(43)
Capital expenditure	**(60)**	(31)
Purchase of Investment Properties	**(201)**	(88)
Net Debt acquired	**(162)**	-
Property disposals and cash receipts	**49**	122
Other	**4**	(11)
Net movement	**(344)**	7
Opening debt (net of cash)	**(558)**	(565)
Closing debt (net of cash)	**(902)**	(558)

† Excludes £8.8m of VAT receipts relating to sale of Riverside included in 'Other'

There is a reconciliation of net debt in note 11(b) to the unaudited financial statements.

The overall increase of £344m in net debt reflects the acquisition of McKay in May 2022 for cash consideration of £201m (including fees) and net debt acquired of £162m.

Rent collection remains robust with 98% of rent due for the year collected to date. The majority of the amounts still outstanding are covered by rent deposits or by the provision for doubtful debts.

NET ASSETS

Net assets decreased in the year by £13m to £1,787m. EPRA net tangible assets (NTA) per share at 31 March 2023 was down 6.2% (£0.61) to £9.27:

	EPRA NTA per share £
At 31 March 2022	9.88
Adjusted trading profit after interest	0.31
Exceptional Costs	(0.02)
Property valuation deficit	(0.48)
Share issue	(0.19)
Dividends paid	(0.23)
At 31 March 2023	**9.27**

The calculation of EPRA NTA per share is set out in note 6 of the unaudited financial statements.

TOTAL ACCOUNTING RETURN

The total accounting return for the full year was (3.8)% compared to 8.0% in the year ended March 2022. The total accounting return comprises the growth in absolute EPRA net tangible assets per share plus dividends paid in the year as a percentage of the opening EPRA net tangible assets per share. The calculation of total accounting return is set out in note 6 of the unaudited financial statements.

FINANCING

As at 31 March 2023, the Group had £12m of available cash and £136m 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	249.0	385.0	2023-2025
Total	**914.0**	**1,050.0**	

The majority of the Group's debt comprises 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 totalling £385m which were £249m drawn as at 31 March 2023. The bank facilities comprise £335m of sustainability-linked Revolving Credit Facilities (RCFs) and a £50m acquisition facility put in place for the acquisition of McKay. During the year, our RCF bank facility maturities were extended, with £135m now maturing in April 2025 and £200m in December 2025, with both facilities having the potential to extend by a further year. The £200m RCF also has the option to increase the facility amount by up to £100m, subject to lender consent.

All facilities, other than the Secured loan, are provided on an unsecured basis with an average drawn debt maturity of 4.1 years (31 March 2022: 4.2 years).

At 31 March 2023, the effective interest rate was 4.0% based on SONIA at 4.2%, with 73% 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 1.78% over SONIA. A 1% increase in SONIA would increase the effective interest rate by 0.3% (at current debt levels).

At 31 March 2023, loan to value (LTV) was 33% (31 March 2022: 23%) and interest cover, based on net rental income and interest paid over the last 12 month period, was 3.8 times (31 March 2022: 4.8 times), providing good headroom on all facility covenants.

FINANCIAL OUTLOOK FOR 2023/24

Over the last year we have seen stable like-for-like occupancy and continued rental growth driven by good levels of customer demand. Rental income in 2023/24 will be underpinned by the 7.1% growth in like-for-like rent roll we have seen over the last year. We continue to see good demand and expect to see further pricing growth. Rental income growth will also be supported by the letting up of recently completed projects and the letting up of refurbished and vacant space in the McKay portfolio.

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 6% for staff earning more than £50,000, we have given higher increases for those on lower salary levels.

The proceeds from the recently announced exchange for sale of five McKay non-core assets for £82m will be used to repay our short-term floating rate debt which currently has an effective interest rate of 6%. The disposal will result in a reduction in rent roll of £3.6m, a reduction in net debt of £82m and a net reduction of around £5m per annum in interest costs. On a proforma basis this sale reduces LTV by 2% to 31%, increases the percentage of fixed-rate debt to 80% and reduces our average cost of debt to 3.8% and extends the average maturity of drawn debt to 4.4 years. We are progressing with the sale of the remaining non-core assets valued at £34m as at 31 March 2023.

We expect capital expenditure of around £60m over the next year as we progress with a range of planned asset management projects, including the refurbishments of Leroy House, Chocolate Factory and Biscuit Factory. This investment incorporates the spend of some £10m per annum to meet our 2030 environmental commitments.

PROPERTY STATISTICS

	Half Year ended			
	31 Mar 2023	30 Sep 2022	31 Mar 2022	30 Sep 2021
Workspace Portfolio				
Property valuation	**£2,741m**	£2,863m	£2,402m	£2,271m
Number of locations	**86**	87	57	58
Lettable floorspace (million sq. ft.)	**5.2**	5.4	4.0	3.9
Number of lettable units	**4,910**	4,901	4,482	4,234
Rent roll of occupied units	**£140.1m**	£134.7m	£111.0m	£102.1m
Average rent per sq. ft.	**£32.86**	£30.03	£33.26	£32.28
Overall occupancy	**81.5%**	84.0%	84.3%	81.2%
Like-for-like number of properties	**38**	38	39	39
Like-for-like lettable floor space (million sq. ft.)	**2.7**	2.7	2.8	2.9
Like-for-like rent roll growth	**3.4%**	3.6%	6.4%	2.1%
Like-for-like rent per sq. ft. growth	**5.2%**	4.0%	2.5%	(2.1%)
Like-for-like occupancy movement	**(0.5%)**	0.1%	4.0%	3.7%

1) The like-for-like category has been restated in the current financial year for the following:
   - The transfer out of Riverside to the sold category
2) Like-for-like statistics for prior years are not restated for the changes made to the like-for-like property portfolio in the current financial year.
3) Overall rent per sq. ft. and occupancy statistics 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 YEAR ENDED 31 MARCH 2023

	Notes	2023 (Unaudited) £m	2022 £m
Revenue	1	174.2	132.9
Direct costs[1]	1	(57.6)	(46.2)
Net rental income	1	116.6	86.7
Administrative expenses	2	(21.5)	(19.3)
Trading profit		95.1	67.4
(Loss)/profit on disposal of investment properties		(0.7)	7.8
Other income		–	0.6
Other expenses		(3.8)	–
Change in fair value of investment properties	7	(88.0)	68.7
Impairment of assets held for sale	7	(5.1)	–
Operating (loss)/profit		(2.5)	144.5
Finance costs	3	(34.4)	(20.5)
Exceptional finance costs	3	(0.6)	–
(Loss)/profit before tax		(37.5)	124.0
Taxation		(0.3)	(0.1)
(Loss)/profit for the financial year after tax		(37.8)	123.9
Basic (loss)/earnings per share	5	(19.9p)	68.5p
Diluted (loss)/earnings per share	5	(19.9p)	68.1p

1. Direct costs in 2023 includes impairment of receivables of £1.1m (2022: £1.5m). See note 1 for additional information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 (Unaudited) £m	2022 £m
(Loss)/profit for the financial year		(37.8)	123.9
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of other investments		0.4	–
Fair value of investments recycled to retained earnings		–	2.1
Cash flow hedge – transfer to income statement		–	(0.3)
Items that will not be reclassified subsequently to profit or loss:			
Pension fund movement		0.9	–
Other comprehensive income in the year		1.3	1.8
Total comprehensive (loss)/income for the year		(36.5)	125.7

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2023

	Notes	2023 (Unaudited) £m	2022 £m
Non-current assets			
Investment properties	7	2,643.3	2,366.7
Intangible assets		2.0	1.9
Property, plant and equipment		4.4	2.9
Other investments		2.1	1.7
Deferred tax		–	0.3
		2,651.8	2,373.5
Current assets			
Trade and other receivables	8	45.8	23.5
Assets held for sale		123.0	65.9
Cash and cash equivalents	9	18.5	49.0
		187.3	138.4
Total assets		2,839.1	2,511.9
Current liabilities			
Trade and other payables	10	(107.8)	(85.8)
Borrowings	11(a)	(49.8)	–
		(157.6)	(85.8)
Non-current liabilities			
Borrowings	11(a)	(859.1)	(595.5)
Lease obligations	12	(34.7)	(31.0)
		(893.8)	(626.5)
Total liabilities		(1,051.4)	(712.3)
Net assets		1,787.7	1,799.6
Shareholders' equity			
Share capital	14	191.6	181.1
Share premium	14	295.5	295.5
Investment in own shares		(9.9)	(9.9)
Other reserves		91.0	32.6
Retained earnings		1,219.5	1,300.3
Total shareholders' equity		1,787.7	1,799.6

Company registration number – 02041612

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

		Attributable to owners of the Parent					
	Notes	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 31 March 2021		181.1	295.5	(9.6)	33.1	1,219.4	1,719.5
Profit for the financial year		–	–	–	–	123.9	123.9
Other comprehensive income for the year		–	–	–	–	1.8	1.8
Total comprehensive income		–	–	–	–	125.7	125.7
Transactions with owners:							
Purchase of own shares		–	–	(0.3)	–	–	(0.3)
Dividends paid	4	–	–	–	–	(44.8)	(44.8)
Share based payments		–	–	–	1.6	–	1.6
Recycled OCI to retained earnings		–	–	–	(2.1)	–	(2.1)
Balance at 31 March 2022		181.1	295.5	(9.9)	32.6	1,300.3	1,799.6
Loss for the financial year		–	–	–	–	(37.8)	(37.8)
Other comprehensive income for the year		–	–	–	0.4	0.9	1.3
Total comprehensive income		–	–	–	0.4	(36.9)	(36.5)
Transactions with owners:							
Shares issued		10.5	–	–	56.6	–	67.1
Dividends paid	4	–	–	–	–	(43.9)	(43.9)
Share based payments		–	–	–	1.4	–	1.4
Balance at 31 March 2023 (Unaudited)		191.6	295.5	(9.9)	91.0	1,219.5	1,787.7

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 (Unaudited) £m	2022 £m
Cash flows from operating activities			
Cash generated from operations	13	110.5	80.5
Interest paid		(31.7)	(22.6)
Net cash inflow from operating activities		78.8	57.9
Cash flows from investing activities			
Purchase of investment properties		(184.4)	(88.4)
Capital expenditure on investment properties		(56.2)	(29.8)
Proceeds from disposal of investment properties (net of sale costs)		7.1	117.3
Proceeds from disposal of assets held for sale (net of sale costs)		41.4	-
Purchase of intangible assets		(0.8)	(0.5)
Purchase of property, plant and equipment		(3.1)	(0.7)
Other (expenses)/income		(2.9)	4.5
Settlement of defined benefit pension scheme		(1.3)	-
Proceeds from sale of investments		-	6.8
Net cash (outflow)/inflow from investing activities		(200.2)	9.2
Cash flows from financing activities			
Finance costs for new/amended borrowing facilities		(1.6)	(1.3)
Exceptional finance costs		-	(16.4)
Settlement of derivative financial instruments		-	0.7
Repayment of bank borrowings and Private Placement Notes		(150.0)	(173.5)
Draw down of bank borrowings		286.0	25.0
Own shares purchase (net)		-	(0.3)
Dividends paid	4	(43.5)	(43.3)
Net cash inflow/(outflow) from financing activities		90.9	(209.1)
Net decrease in cash and cash equivalents		(30.5)	(142.0)
Cash and cash equivalents at start of year	9	49.0	191.0
Cash and cash equivalents at end of year	9	18.5	49.0

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

Workspace Group PLC (the 'Company') and its subsidiaries (together 'the Group') are engaged in property investment in the form of letting of high-quality business accommodation to businesses across London.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK.

The registered number of the Company is 02041612.

The consolidated financial statements of Workspace Group PLC and the entities controlled by the Company (its subsidiaries, collectively the Group) for the year ended 31 March 2023 will be approved by the Board of Directors and reported on by the auditors, KPMG LLP (KPMG), in June 2023. Accordingly, the financial information for the year ended 31 March 2023 is presented unaudited in this preliminary announcement.

BASIS OF PREPARATION

The results in this preliminary announcement have been taken from the Group's 2023 unaudited Annual Report and Accounts. The unaudited consolidated financial statements of the Group have been prepared in accordance with UK-adopted international accounting standards.

The basis of preparation, basis of consolidation and summary of significant accounting policies applicable to the Group's consolidated financial statements will be published in the Notes to the audited consolidated financial statements in the 2023 Annual Report and Accounts.

The unaudited consolidated financial statements have been prepared on a going concern basis and on a historical cost basis except as otherwise stated. The Group has reviewed the appropriateness of the going concern basis in preparing the unaudited financial statements, details of which are included below. Based on those assumptions, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the financial statements.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2023 or 2022. The financial information for 2022 is derived from the statutory accounts for 2022 which have been delivered to the registrar of companies. The auditor has reported on the 2022 accounts; their report was (i) unqualified, (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 statutory accounts for 2023 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies in due course.

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, including the war in Ukraine, have heightened wider concerns around the UK economy meaning there is a 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 issue of these unaudited preliminary results. 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 34% compared to 31 March 2023 Net Rental Income and a fall in the asset valuation of 42% compared to 31 March 2023 before these covenants are breached, assuming no mitigating actions are taken.

As at 31 March 2023, the Company had significant headroom with £150.0m of cash and undrawn facilities. The majority of the Group's debt is long-term fixed-rate committed facilities comprising a £300.0m green bond, £300.0m of private placement notes, and a £65.0m secured loan facility. Shorter term liquidity and flexibility is provided by floating-rate bank facilities which comprise £335.0m of sustainability-linked revolving credit facilities (RCFs), a £2.0m overdraft facility and £50.0m of facilities put in place for the acquisition of McKay which matures in September 2023. The RCF facilities comprise £135.0m due in April 2025 and £200.0m due in December 2025, with both facilities having the potential to extend by a further year. The £200.0m RCF also has the option to increase the facility amount by up to £100.0m, subject to lender consent.

For the full period of assessment under the scenarios 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 their liabilities as they fall due for at least 12 months from the date of issue of these unaudited preliminary results and therefore the preliminary results have been prepared on a going concern basis.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND GUIDANCE

a) During the year to 31 March 2023 the Group adopted the following accounting standards and guidance:

IFRS Standards 2018-2020	Annual Improvements to IFRS Standards 2018-2020
IAS 37 (amended): Onerous Contracts	Cost of Fulfilling a Contract
IAS 16 (amended)	Property, Plant and Equipment – Proceeds before Intended Use
IFRS 3 (amended)	Reference to the Conceptual Framework

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

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

IAS 12 (amended)	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 Practice Statement 2	Presentation of Financial Statements and IFRS Practice Statement 2: Making Materiality Judgements
IFRS 17	Insurance Contracts
IFRS 9	Comparative Information
IAS 1 (amended)	Classification of Liabilities as Current or Non-Current; Non-Current Liabilities with Covenants; Deferral of Effective Date Amendment
IFRS 16 (amended)	Lease Liability in a Sale and Leaseback

1. ANALYSIS OF NET RENTAL INCOME AND SEGMENTAL INFORMATION

	2023 (Unaudited)			2022		
	Revenue £m	Direct costs[1] £m	Net rental income £m	Revenue £m	Direct costs[1] £m	Net rental income £m
Rental income	136.7	(4.2)	132.5	104.3	(2.9)	101.4
Service charges	30.0	(35.7)	(5.7)	21.1	(25.9)	(4.8)
Empty rates and other non-recoverable costs	–	(10.6)	(10.6)	–	(10.6)	(10.6)
Services, fees, commissions and sundry income	7.5	(7.1)	0.4	7.5	(6.8)	0.7
	174.2	(57.6)	116.6	132.9	(46.2)	86.7

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

Included within direct costs for rental income is a charge of £1.0m (2022: £1.5m) and within direct costs for service charges is a charge of £0.1m (2022: £nil) for expected credit losses in respect of receivables from customers in the period.

All of the properties within the portfolio are geographically close to each other and have similar economic features and risks. Management information utilised by the Executive Committee to monitor and review performance is presented as one portfolio. As a result, for the year ended 31 March 2023, management have determined that the Group operates a single operating segment providing business accommodation for rent in and around London.

2. OPERATING (LOSS)/PROFIT

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

	2023 (Unaudited) £m	2022 £m
Depreciation[1]	1.6	1.8
Staff costs (including share-based costs)[1]	25.3	19.6
Repairs and maintenance expenditure on investment properties	5.4	2.0
Trade receivables impairment (note 8)	1.1	1.5
Amortisation of intangibles	0.7	0.9
Audit fees payable to the Company's Auditor	0.4	0.3

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

	2023 (Unaudited) £m	2022 £m
Total administrative expenses are analysed below:		
Staff costs	13.4	10.7
Equity settled share-based payments	1.4	1.6
Other	6.7	7.0
Total Administrative Expenses	21.5	19.3

3. FINANCE COSTS

	2023 (Unaudited) £m	2022 £m
Interest payable on bank loans and overdrafts	(11.9)	(1.4)
Interest payable on other borrowings	(19.0)	(16.7)
Amortisation of issue costs of borrowings	(2.0)	(1.1)
Interest payable on leases	(1.9)	(1.7)
Interest capitalised on property refurbishments (note 7)	0.2	0.4
Interest receivable	0.2	–
Finance costs	(34.4)	(20.5)
Exceptional finance costs	(0.6)	–
Total finance costs	(35.0)	(20.5)

The exceptional finance costs in the year related to unamortised finance costs for McKay Securities Limited's previous bank loan which were written off when this was refinanced in September 2022.

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 P&L.

4. DIVIDENDS

	Payment date	Per share	2023 (Unaudited) £m	2022 £m
For the year ended 31 March 2021:				
Final dividend	August 2021	17.75p	–	32.1
For the year ended 31 March 2022:				
Interim dividend	February 2022	7.0p	–	12.7
Final dividend	August 2022	14.5p	27.8	
For the year ended 31 March 2023:				
Interim dividend	February 2023	8.4p	16.1	
Dividends for the year			43.9	44.8
Timing difference on payment of withholding tax			(0.4)	(1.5)
Dividends cash paid			43.5	43.3

The Directors are proposing a final dividend in respect of the financial year ended 31 March 2023 of 17.4 pence per ordinary share, which will absorb an estimated £33.3m of retained earnings and cash. If approved by the shareholders at the AGM, it will be paid on 4 August 2023 to shareholders who are on the register of members on 7 July 2023. The dividend will be paid as a REIT Property Income Distribution ('PID') net of withholding tax where appropriate.

5. EARNINGS PER SHARE

Earnings used for calculating earnings per share:	2023 (Unaudited) £m	2022 £m
Basic and diluted earnings	(37.8)	123.9
Decrease/(increase) in fair value of investment properties	88.0	(68.7)
Impairment of assets held for sale	5.1	–
Loss/(profit) on disposal of investment properties	0.7	(7.8)
EPRA earnings	56.0	47.4
Adjustment for non-trading items:		
Other expenses/(income)	3.8	(0.6)
Exceptional finance costs	0.6	–
Taxation	0.3	0.1
Trading profit after interest	60.7	46.9

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:	2023 (Unaudited) Number	2022 Number
Weighted average number of shares (excluding own shares held in trust)	190,470,363	180,983,916
Dilution due to share option schemes	1,129,310	998,280
Weighted average number of shares for diluted earnings per share	191,599,673	181,982,196

In pence:	2023 (Unaudited)	2022
Basic (loss)/earnings per share	(19.9p)	68.5p
Diluted (loss)/earnings per share	(19.9p)	68.1p
EPRA earnings per share	29.4p	26.2p
Adjusted underlying earnings per share[1]	31.7p	25.8p

1. Adjusted underlying earnings per share is calculated by dividing trading profit after interest by the diluted weighted average number of shares of 191,599,673 (2022: 181,982,196).

The diluted loss per share for the period to 31 March 2023 has been 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.

6. NET ASSETS PER SHARE AND TOTAL ACCOUNTING RETURN

Number of shares used for calculating net assets per share:	2023 (Unaudited) Number	2022 Number
Shares in issue at year-end	191,638,357	181,125,259
Less own shares held in trust at year-end	(152,550)	(162,113)
Dilution due to share option schemes	1,201,277	1,078,852
Number of shares for calculating diluted adjusted net assets per share	192,687,084	182,041,998

EPRA Net Asset Value Metrics

The Group measures financial position with reference to EPRA Net Tangible Assets (NTA), Net Reinvestment Value (NRV) and Net Disposal Value (NDV).

	March 2023 (Unaudited)			March 2022		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to shareholders	1,787.7	1,787.7	1,787.7	1,799.6	1,799.6	1,799.6
Intangibles per IFRS balance sheet	–	(2.0)	–	–	(1.9)	–
Excess of book value of debt over fair value	–	–	86.6	–	–	13.0
Purchasers' costs	186.4	–	–	163.3	–	–
EPRA measure	1,974.1	1,785.7	1,874.3	1,962.9	1,797.7	1,812.6
EPRA measure per share	£10.24	£9.27	£9.73	£10.78	£9.88	£9.96

Total accounting return

Total Accounting Return	2023 (Unaudited) £	2022 £
Opening EPRA net tangible assets per share (A)	9.88	9.38
Closing EPRA net tangible assets per share	9.27	9.88
(Decrease)/Increase in EPRA net tangible assets per share	(0.61)	0.50
Ordinary dividends paid in the year	0.23	0.25
Total return (B)	(0.38)	0.75
Total accounting return (B/A)	(3.8%)	8.0%

The total accounting return for the year comprises the movement in absolute EPRA net tangible assets per share plus dividends paid in the year as a percentage of the opening EPRA net tangible assets per share. The total return for the year ended 31 March 2023 was -3.8% (31 March 2022: 8.0%).

7. INVESTMENT PROPERTIES

	2023 (Unaudited) £m	2022 £m
Balance at 1 April	2,366.7	2,349.9
Purchase of investment properties	426.6	88.4
Capital expenditure	55.8	30.0
Change in value of lease obligations	3.7	4.7
Capitalised interest on refurbishments (note 3)	0.2	0.4
Disposals during the year	(5.5)	(109.5)
Change in fair value of investment properties	(88.0)	68.7
Less: Classified as assets held for sale	(116.2)	(65.9)
Balance at 31 March	2,643.3	2,366.7

Investment properties represent a single class of property, being business accommodation for rent in and around London. Capitalised interest is included at a rate of capitalisation of 3.9% (2022: 3.0%). The total amount of capitalised interest included in investment properties is £15.1m (2022: £14.9m). The change in fair value of investment properties is recognised in the consolidated income statement.

Investment properties include buildings with a carrying amount of £321.9m (2022: £315.4m) for which there are lease obligations of £34.7m (2022: £31.0m).

During the period, the Group acquired McKay Securities Limited (formerly McKay Securities PLC) adding 32 properties in and around London to the portfolio.

One of the properties classified as held for sale at the end of the prior year was not sold during the year. It is retained within current assets as it is still expected to sell within 12 months of 31 March 2023 and has been subject to an impairment charge of £5.1m following the valuation carried out at 31 March 2023. Ten (2022: two) additional properties were reclassified as held for sale at year-end. Five of these properties have exchanged for sale and are likely to complete within the next 12 months. The transfer value is their year-end valuation per CBRE.

Valuation

The Group's investment properties are held at fair value and were revalued at 31 March 2023 by the external valuer, CBRE Limited, a firm of 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. 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 still being used for business accommodation in their current state. However, the valuation at the balance sheet date includes the impact of the potential refurbishment and redevelopment as this represents the highest and best use.

The Executive Committee and the Board both conduct a detailed review of each property valuation to review appropriate assumptions have been applied and that valuations are appropriate. Meetings are held with the valuers to review and challenge the valuations and to confirm that they have considered all relevant information.

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

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

	2023 (Unaudited) £m	2022 £m
Total per CBRE valuation report	2,741.1	2,402.2
Deferred consideration on sale of property	(0.5)	(0.6)
Head leases treated as leases under IFRS 16	34.7	31.0
Less: tenant incentives recognised under IFRS 16	(8.8)	-
Less: Reclassified as assets held for sale	(123.2)	(65.9)
Total investment properties per balance sheet	2,643.3	2,366.7

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

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

Property valuations are complex and involve data which is not publicly available and therefore involve 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.

8. TRADE AND OTHER RECEIVABLES

Current trade and other receivables	2023 (Unaudited) £m	2022 £m
Trade receivables	16.9	11.9
Less provision for impairment of receivables	(4.6)	(5.2)
Trade receivables – net	12.3	6.7
Prepayments, other receivables and accrued income	22.3	16.2
Deferred consideration on sale of investment properties	11.2	0.6
Total receivables	45.8	23.5

Receivables at fair value

Included within deferred consideration on sale of investment properties is £0.5m (2022: £0.6m) of overage which is held at fair value through profit and loss. As the amounts receivable are expected within the following 12 months they have been classified as current receivables. The deferred consideration arising on the sale of investment properties relates to cash and overage. The overage has been fair valued by CBRE Limited using appropriate discount rates and will be revalued on a regular basis.

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:

	2023 (Unaudited) £m	2022 £m
Balance at 1 April	5.2	4.6
Increase in provision for impairment of trade receivables	1.1	1.5
Receivables written off during the year	(1.7)	(0.9)
Balance at 31 March	4.6	5.2

9. CASH AND CASH EQUIVALENTS

	2023 (Unaudited) £m	2022 £m
Cash at bank and in hand	12.0	42.3
Restricted cash – tenants' deposit deeds	6.5	6.7
Total cash	18.5	49.0

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

10. TRADE AND OTHER PAYABLES

	2023 (Unaudited) £m	2022 £m
Trade payables	15.4	13.2
Other tax and social security payable	15.9	3.8
Tenants' deposit deeds (note 9)	6.5	6.7
Tenants' deposits	30.5	26.5
Accrued expenses	26.1	27.4
Deferred income – rent and service charges	13.4	8.2
Total payables	107.8	85.8

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

11. BORROWINGS

(a) Balances

	2023 (Unaudited) £m	2022 £m
Current		
Bank loans (unsecured)	49.8	–
Non-current		
Bank loans (unsecured)	197.2	(2.1)
Other loans (secured)	63.9	–
3.07% Senior Notes (unsecured)	79.9	79.9
3.19% Senior Notes (unsecured)	119.8	119.8
3.6% Senior Notes (unsecured)	99.9	99.8
Green Bond (unsecured)	298.4	298.1
	859.1	595.5
Total Borrowings	908.9	595.5

(b) Net debt

	2023 (Unaudited) £m	2022 £m
Borrowings per (a) above	908.9	595.5
Adjust for:		
Cost of raising finance	5.1	4.5
	914.0	600.0
Cash at bank and in hand (note 9)	(12.0)	(42.3)
Net debt	902.0	557.7

At 31 March 2023, the Group had £136.0m (2022: £400.0m) of undrawn bank facilities, a £2.0m overdraft facility (2022: £2.0m) and £12.0m of unrestricted cash (2022: £42.3m).

(c) Maturity

	2023 (Unaudited) £m	2022 £m
Repayable within one year	50.0	–
Repayable between one and two years	–	–
Repayable between two and three years	279.0	–
Repayable between three years and four years	–	80.0
Repayable between four years and five years	420.0	80.0
Repayable in five years or more	165.0	440.0
	914.0	600.0
Cost of raising finance	(5.1)	(4.5)
Total	908.9	595.5

(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
Bank Loan	50.0	SONIA + 1.75%[1]	Monthly	September 2023
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	123.0	SONIA + 1.77%[2]	Monthly	December 2025
Bank Loan	76.0	SONIA + 1.80%[2]	Monthly	April 2025
Other Loan (Secured)	65.0	4.02%	Monthly	May 2030
Green Bond	300.0	2.25%	Yearly	March 2028
Total Loans	914.0			

1. This is an average over the life of the facility. The margin increases from 1.5% to 2.0% over the facility availability period.
2. The base margin is dependent upon the LTV as reported in the client certificate, which is submitted twice a year. The base margin can be adjusted further by up to 4.5bps dependent upon achievement of three ESG-linked metrics.

12. LEASE OBLIGATIONS

Lease liabilities are in respect of leased investment property.

Minimum lease payments under leases fall due as follows:

	2023 (Unaudited) £m	2022 £m
Within one year	2.1	1.9
Between two and five years	8.4	7.4
Between five and fifteen years	19.0	18.6
Beyond fifteen years	180.8	162.4
	210.3	190.3
Future finance charges on leases	(175.6)	(159.3)
Present value of lease liabilities	34.7	31.0

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 (2022: £1.9m) is offset by future finance charges on leases of £2.1m (2022: £1.9m). All lease obligations are long leaseholds, therefore, the majority of the obligations fall beyond fifteen years.

13. NOTES TO CASH FLOW STATEMENT

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

	2023 (Unaudited) £m	2022 £m
(Loss)/profit before tax	(37.5)	124.0
Depreciation	1.6	1.8
Amortisation of intangibles	0.7	0.9
Letting fees amortisation	0.5	–
Loss/(profit) on disposal of investment properties	0.7	(7.8)
Other expenses/(income)	3.8	(0.6)
Net loss/(profit) from change in fair value of investment property	88.0	(68.7)
Impairment of assets held for sale	5.1	–
Equity-settled share-based payments	1.4	1.6
Finance costs	34.4	20.5
Exceptional finance costs	0.6	–
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(6.4)	1.4
Increase/(decrease) in trade and other payables	17.6	7.4
Cash generated from operations	110.5	80.5

For the purposes of the cash flow statement, cash and cash equivalents include restricted cash – tenants' deposit deeds (note 9).

14. SHARE CAPITAL AND SHARE PREMIUM

	2023 (Unaudited) £m	2022 £m
Issued: Fully paid ordinary shares of £1 each	191.6	181.1

Movements in share capital were as follows:	2023 (Unaudited) Number	2022 Number
Number of shares at 1 April	181,125,259	181,113,594
Issue of shares	10,513,098	11,665
Number of shares at 31 March	191,638,357	181,125,259

The Group issued 10,513,098 shares as part of the consideration for the acquisition of McKay Securities Limited (formerly McKay Securities PLC) during the year. The average share price on issue was £6.38 leading to an increase in the merger reserve of £56.6m in the period. In the year there were no share scheme options issued (31 March 2022: 11,665 with net proceeds £nil).

	Share capital		Share premium	
	2023 (Unaudited) £m	2022 £m	2023 (Unaudited) £m	2022 £m
Balance at 1 April	181.1	181.1	295.5	295.4
Issue of shares	10.5	–	–	0.1
Balance at 31 March	191.6	181.1	295.5	295.5

15. CAPITAL COMMITMENTS

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

	2023 (Unaudited) £m	2022 £m
Investment property construction	34.4	4.6

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

16. POST BALANCE SHEET EVENTS

On 16 May 2023 the Group announced the exchange for sale of five light industrial and logistics properties in the South-East of England for a total consideration of £82m. The sale price is in line with the 31 March 2023 valuation and is at a net initial yield of 4.5%.