3 June 2021

WORKSPACE GROUP PLC
FULL YEAR RESULTS

RESILIENT PERFORMANCE AND IMPROVING MOMENTUM

Workspace Group PLC ("Workspace") is pleased to announce its Full Year Results for the year ended 31 March 2021. The comments in this announcement refer to the period from 1 April 2020 to 31 March 2021 unless otherwise stated.

Financial performance: adversely impacted by Covid-19

- Trading profit after interest† down 52% to £38.7m from a 33% (£40.5m) decrease in net rental income to £81.5m, which includes £19.9m of rent discounts given to customers
- Total dividend of 17.75p per share (2020: 36.16p)
- Property valuation of £2,324m, an underlying reduction of £258m (10.0%) from 31 March 2020, driven by a fall in estimated rental values, with property yields stable
- EPRA net tangible assets per share down 13.8% to £9.38
- £300 million Green Bond issued in March 2021 with a seven-year term and interest rate of 2.25% pa
- Exceptional finance costs of £16.4m on early repayment in April 2021, of £148.5m of private placement notes due June 2023 that carried an interest rate of 5.6% pa
- Loan to value of 24% (2020: 21%) with £434m of undrawn facilities and cash at 31 March 2021, reducing to £269m on a proforma basis following the repayment of private placement notes
- Loss before tax of £235.7m (2020: £72.5m profit), reflecting the fall in trading profit after interest, reduction in the property valuation and exceptional finance costs

Customer activity: positive signs as restrictions eased

- Significant improvement in enquiries, viewings and lettings in recent months, now reaching pre-Covid levels
- Occupancy and rent roll adversely impacted over the year by customers leaving, existing customer activity and pricing on new lettings
- Like-for-like occupancy down 11.7% to 81.6%, stabilising in the fourth quarter
- Like-for-like rent per sq. ft. down by 12.9% to £36.57 and like-for-like rent roll down 23.9% to £85.1m
- Strong levels of rent collection, with 95% of rents due for the year (net of discounts and deferrals) received

ESG: a long-term sustainable model

- Committed to being a net zero carbon business by 2030
- Green bond issued to finance and refinance green building projects
- Project pipeline delivering employment-led regeneration of local communities

Portfolio activity: actively managing for growth

- Two new business centres opened in the first half, and two projects completed in the second half
- Obtained planning consent in May 2021 at Kennington Park Business Centre for 200,000 sq. ft. of new office space
- Healthy pipeline of refurbishment and redevelopment activity, projected to deliver 1.4m sq. ft. of new and upgraded space over the next five years
- One property disposal completed for £11m at 30 March 2020 valuation

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

"This has been an incredibly challenging year for the entire country, and we have seen first-hand the impact of Covid-19 on many of our customers. Despite the unprecedented circumstances, we have delivered a resilient performance which underlines the strength of our model, prudence of our financial strategy and enduring appeal of our flexible offer.

Our focus throughout the pandemic has been on our customers, and we are pleased that so many of them have decided that Workspace will continue to be their home as they look ahead to the post-pandemic recovery. The role of the office in our working lives is being re-examined and all the signs highlight flexibility, quality and wellbeing becoming more important for businesses and their people. We are perfectly positioned to benefit from this accelerated shift in attitudes by offering businesses a home they can grow in, without having to compromise their unique identity in a furnished or serviced office, or put up with the constraints of more traditionally leased offices.

We are seeing encouraging signs of recovery in customer demand and we have a lot to be optimistic about in the next year and beyond. We see significant opportunities for organic and inorganic growth as the economy comes back to life, whilst delivering on our commitment to becoming a net zero carbon business by 2030, and continuing to drive employment-led regeneration across the capital. After an incredibly challenging year, we are confident that our customer-focused strategy will enable us to take a leadership position and seize the significant market opportunity in front of us."

Summary Results

	March 2021	March 2020	Change
Financial performance			
Net rental income	**£81.5m**	£122.0m	-33%
Trading profit after interest†	**£38.7m**	£81.0m	-52%
Profit / (loss) before tax	**£(235.7)m**	£72.5m	-425%
Total dividend per share	**17.75p**	36.16p	-51%
Valuation			
EPRA net tangible assets per share†	**£9.38**	£10.88	-13.8%
EPRA net reinstatement value per share†	**£10.26**	£11.92	-13.9%
CBRE property valuation†	**£2,324m**	£2,574m	-10.0%**
Financing			
Loan to value	**24%**	21%	3%*
Undrawn bank facilities and cash	**£434m**	£166m	+£268m*

† 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. For further details see Notes to the Financial Statements.
* absolute change
** underlying change

For media and investor enquiries, please contact:

Workspace Group PLC 020 7138 3300
Graham Clemett, Chief Executive Officer
Dave Benson, Chief Financial Officer
Clare Marland, Head of Corporate Communications

Finsbury Glover Hering
James Bradley 07500 616161
Chris Ryall 07342 713748

Details of results presentation

The results presentation and Q&A will be streamed live at 8.45am at the following link:
https://secure.emincote.com/client/workspace/workspace017

Conference call: In order to join the presentation via phone, 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/workspace017/vip_connect

Notes to Editors

About Workspace Group PLC:

Established in 1987, and listed on the London Stock Exchange since 1993, Workspace owns and manages some 4 million sq. ft. of business space in London. We are home to thousands of businesses, including fast growing and established brands across a wide range of sectors.

Workspace is geared towards helping businesses perform at their very best. We provide inspiring, flexible work spaces in dynamic London locations.

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

LEI: 2138003GUZRFIN3UT430

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

CEO'S STATEMENT

The past year has been one of the most challenging in Workspace's history; with London effectively closed for much of it. This is borne out in our results, which reflect the impact of the pandemic on our customers. On a more positive note, we have seen new customer demand pick up materially and footfall in our centres improve as Government restrictions have eased, confirming the appeal of our distinctive buildings and flexible offer.

Looking at the results for the year, net rental income fell 33% to £81.5m, with £19.9m of rent discounts and deferrals offered to customers, and more significantly the net loss of around 10% of our customers. The decline in income resulted in a 52% fall in trading profit after interest, to £38.7m. This fall and the reduction in the property valuation were the main contributors to a pre-tax loss of £235.7m.

We decided at the half year to defer a decision on the payment of the dividend as the UK was entering another month of lockdown at that time and there was heightened uncertainty. However, the outcome of the year has been robust and so, with our committed policy to pay dividends on a covered basis out of earnings, I am delighted to say that we are now recommending a final dividend of 17.75p per share.

We saw a 10% decrease in the underlying property valuation to £2,324m, resulting in a 14% decline in EPRA net tangible assets per share to £9.38. The fall in the valuation reflected the reduction we have seen in rental values, with property yields stable. This fall in rental values was no surprise given that we have been pricing our lettings through the year into a very thin market of demand.

The support we have given our customers at the outset of the pandemic and the ongoing interaction we have had with them to ensure they have the right space for their business has not gone unrewarded and we are delighted that the majority of our customers stayed with us through this year. Like-for-like occupancy fell 11.7% to 81.6%, but we have seen that stabilise now and expect a good recovery over the coming year. Our support and focus on customer engagement also stood us in good stead for rent collection, which has been robust.

Pricing has fallen in line with the weaker levels of customer demand through the year and we expect it to remain subdued as we focus on driving the recovery in occupancy. With our flexible leases, however, pricing is extremely dynamic and this allows us to capture reversion more quickly than a traditional lease as market demand improves.

Despite the difficult environment we were operating in, we continued to execute our project pipeline during the year and, in fact, opened two new business centres in the summer of 2020. These continue to let up, with Lock Studios in Bow particularly capturing the imagination of businesses in that area. It is a true showcase of the employment-led regeneration element of our Doing the Right Thing ESG strategy, as we have created a vibrant hub for businesses in a community that previously lacked quality commercial space.

Creating sustainable environments and mitigating the risk of climate change is another strand of our Doing the Right Thing commitments and this year, we published our detailed pathway to becoming a net zero carbon business by 2030. This includes approved science-based targets and a commitment to drive down emissions of both operational and embodied carbon. A focus on sustainability is not limited to development and asset management; we also published a green finance framework during the year and successfully raised £300m through a green bond to finance and refinance green projects.

The third pillar of our Doing the Right Thing framework is looking after our people. They are the true strength of this business, a fact never more evident than in times of crisis. We have a fantastic culture at Workspace and our clear purpose and the values we adhere to have ensured that we have all been working toward a common goal. I'd like to thank all our teams across Workspace, and our partners, who have worked tirelessly both remotely and in our centres to support customers during this incredibly challenging year and keep the business on an even keel as we emerge in good shape out of the pandemic.

Never before in our history has there been such a spotlight shone on the office market as businesses all over the world consider how to use office space in the future. We are taking this opportunity to promote the Workspace offer as London reopens for business over the coming months by launching a targeted advertising campaign. We are highlighting the benefits of working from Workspace, in inspiring spaces in iconic locations where businesses can create their own identity and provide a home for their teams.

Looking to the future, we have a very clear strategy. We believe we can deliver superior value for all stakeholders through a focus on customer-led growth, operational excellence and Doing the Right Thing. We are confident in our product and see significant opportunity to grow our business both organically and through acquisitions.

BUSINESS REVIEW

CUSTOMER ACTIVITY

Covid-19 restrictions had a significant impact on new customer activity during the year with enquiries averaging 739 per month (2020: 1,087), viewings averaging 328 per month (2020: 675) and lettings averaging 96 per month (2020: 121).

On a more positive note, new customer demand picked up strongly through the fourth quarter, despite the third lockdown, reaching 1,172 enquiries and 150 lettings in March 2021.

	Monthly Activity			Monthly Average				
	31 Mar 2021	28 Feb 2021	31 Jan 2021	Q4 20/21	Q3 20/21	Q2 20/21	Q1 20/21	FY 19/20
Enquiries	1,172	839	720	910	672	869	506	1087
Viewings	535	404	300	413	322	435	142	675
Lettings	150	113	71	111	109	119	43	121

Momentum has continued into the first quarter of the new financial year with 939 enquiries and 612 viewings in April 2021.

As Government restrictions have eased, customer utilisation of our business centres has also improved, reaching 20% of pre-Covid levels by the end of March and 33% by the end of May.

RENT ROLL

Total rent roll, representing the total annualised net rental income at a given date, was down 21.7% to £103.9m at March 2021, with overall occupancy reducing from 87.0% to 77.8%.

Total Rent Roll	£m
At 31 March 2020	132.8
New customers	7.2
Retained (renewals, expansions, contractions)	(8.4)
Leavers	(26.6)
Other	(1.1)
At 31 March 2021	**103.9**

Over the past year, we have worked closely with our customers to retain as many as possible, including resizing or relocating them where appropriate. Unfortunately for some customers this was not possible, and they chose to vacate. We also worked hard to capture new demand with around 600 new customers joining us during the year, adding £7.2m to the rent roll. Rent roll movement by property category is summarised below.

Total Rent Roll	£m
At 31 March 2020	132.8
Like-for-like portfolio	(26.7)
Completed projects	0.4
Projects underway and design stage	(2.2)
Disposals / other	(0.4)
At 31 March 2021	**103.9**

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 at their current rent roll and occupancy) is £151.7m.

Like-for-like Portfolio

The like-for-like portfolio represents 82% of the total rent roll as at 31 March 2021. It comprises 38 properties with stabilised occupancy, excluding buildings impacted by significant refurbishment or redevelopment activity or contracted for sale. Like-for-like trends reported for previous financial years are not restated for the property transfers made in the current financial year.

The net result of customers joining, resizing and leaving during the year has been a 11.7% reduction in like-for-like occupancy to 81.6%. We have, however, seen a slowing decline in occupancy in recent months with occupancy stabilising by the end of the fourth quarter of the year.

	Quarter Ended			
Like-for-like	31 Mar 21	31 Dec 20	30 Sep 20	30 Jun 20
Occupancy	81.6%	82.1%	85.5%	90.1%
Occupancy Change*	(0.5)%	(3.4)%	(4.6)%	(3.2)%
Rent per sq. ft.	£36.57	£38.46	£40.61	£41.16
Rent per sq. ft. change	(4.9%)	(5.3)%	(1.3)%	(2.0)%
Rent Roll	£85.1m	£89.8m	£98.8m	£105.8m
Rent Roll change	(5.2)%	(9.1)%	(6.6)%	(5.3)%

* absolute change

We continued to price our offer competitively to capture demand including, on a case by case basis, offering short-term lease incentives where customers are planning a delayed return to their office. We saw a 12.9% decrease in rent per sq. ft. to £36.57 over the year. Around half the fall of 4.9% in the final quarter results from short term lease incentives which will unwind in the current financial year.

The combined impact of the reduction in like-for-like occupancy and rent per sq. ft. in the year was a 23.9% fall in like-for-like rent roll, to £85.1m.

If all the like-for-like properties were at 90% occupancy at the CBRE estimated rental values at 31 March 2021, the rent roll would be £107.9m, £22.8m higher than the actual cash rent roll at 31 March 2021.

Completed Projects

There are now a total of seven projects in the completed projects category. Rent roll has remained broadly flat, decreasing by just £0.1m in the year to £5.6m, with overall occupancy at 62.6%.

This category includes Mare Street, Hackney, and Lock Studios, Bow, which both opened in June 2020 providing a combined 94,000 sq. ft. of new space as well as Wenlock Studios, Old Street, which completed in December 2020 providing 11,000 sq. ft. of upgraded space and Parkhall Business Centre, Dulwich, which completed in February 2021 providing 78,000 sq. ft. of upgraded space.

Excluding the most recently completed projects at Parkhall Studios and Wenlock Studios, rent roll across the other completed projects increased by £0.4m in the year with Lock Studios letting up particularly well (over 50% let as at 31 March 2021).

If the buildings in this category were all at 90% occupancy at the CBRE estimated rental values at 31 March 2021, the rent roll would be £10.6m, an uplift of £5.0m.

Projects Underway – Refurbishments

We are currently underway on four refurbishment projects that will deliver 214,000 sq. ft. of new and upgraded space. As at 31 March 2021, rent roll was £3.2m, down £2.1m in the year. We expect the refurbishment of Pall Mall Deposit to complete during the current year delivering 59,000 sq. ft. of new and upgraded space.

Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2021, the rent roll at these four buildings once they are completed would be £7.6m, an uplift of £4.4m.

Projects Underway – Redevelopments

There are currently two mixed-use redevelopment projects underway providing 58,000 sq. ft. of net lettable space, with the first delivering 17,000 sq. ft. of additional space at The Light Bulb, Wandsworth, completing in the first half of the current financial year, followed by a new 41,000 sq. ft. business centre in Stratford, to be named Mirror Works (formerly Marshgate) opening in the second half of the year.

Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2021, the rent roll at the two new business centres would be £1.3m.

Projects at Design Stage

These are properties where we are planning a refurbishment or redevelopment that has not yet commenced. In a number of cases this is because we are awaiting planning consent. The rent roll at these properties at 31 March 2021 was £10.1m, unchanged in the year.

PROFIT PERFORMANCE

Trading profit after interest for the year is down 52.2% (£42.3m) on the prior year to £38.7m.

£m	**31 March 2021**	31 March 2020
Net rental income	**81.5**	122.0
Administrative expenses	**(19.0)**	(17.7)
Net finance costs	**(23.8)**	(23.3)
Trading profit after interest	**38.7**	81.0

Net rental income was down 33.2% (£40.5m) in total to £81.5m, as detailed below:

£m	**31 March 2021**	31 March 2020
Underlying net rental income	**105.5**	120.3
Rent discounts and waivers	**(19.9)**	-
Expected credit losses	**(4.2)**	(0.4)
Disposals	**0.1**	2.1
Net rental income	**81.5**	122.0

Net rental income was significantly reduced by rent discounts and waivers given to customers, predominantly in respect of the first quarter when we offered a 50% discount to all our business centre customers.

Although we hold rent deposits for the majority of our customers, the extension of Government restrictions on rent collection has impeded efforts to collect rent from a number of our customers, resulting in a significant charge for expected credit losses of £4.2m, an increase of £3.8m on the prior year.

There was a £14.8m (12.3%) decrease in underlying net rental income to £105.5m, as detailed below:

£m	**31 March 2021**	31 March 2020
Rental income	**115.4**	128.4
Unrecovered service charges	**(2.1)**	(3.3)
Empty rates and other non-recoverable costs	**(7.1)**	(6.3)
Services, fees, commissions and sundry income	**(0.7)**	1.5
Underlying net rental income	**105.5**	120.3

The reduction in rental income of £13.0m has been driven by the fall in rent roll as noted above. Our focus on cost control and reduced numbers of customers in our centres during the lockdown periods have enabled us to reduce unrecovered service charges by £1.2m. Lower average occupancy over the year has, however, resulted in an increase in empty rates and non-recoverable costs of £0.8m. Services, fees, commissions and sundry income have reduced by £2.2m due to both the fall in occupancy and the lower utilisation of our buildings, leading to a reduced ability to generate ancillary income.

Administrative expenses increased by 7.3% (£1.3m) to £19.0m reflecting a full year of our increased investment in our sales and marketing capability. The prior year benefited from a short-term saving in executive costs following the stepping down of the previous CEO in May 2019. Discretionary costs and headcount remain under tight control.

Net finance costs increased by 2.1% (£0.5m) in the year, with a slight increase in the average interest rate from 3.7% to 3.8%, reflecting a reduction in interest capitalisation due to a lower level of refurbishment activity during the year.

Loss before tax was £235.7m compared to a profit before tax of £72.5m in the prior year.

£m	**31 March 2021**	31 March 2020
Trading profit after interest	**38.7**	81.0
Change in fair value of investment properties	**(257.7)**	(7.5)
Loss on sale of investment properties	**(0.1)**	(0.8)
Exceptional finance costs	**(16.4)**	-
Other items	**(0.2)**	(0.2)
(Loss) / profit before tax	**(235.7)**	72.5
Adjusted underlying earnings per share	**21.3p**	44.6p

The deficit in the property revaluation increased from £7.5m in the prior year to a deficit of £257.7m in the current year.

Exceptional finance costs relate to the refinancing of $100m and £84m of private placement notes due 2030 which were repaid early in April 2021 after notice was given in March 2021. The costs included a £16.3m premium on redemption and £0.1m of unamortised finance costs.

Adjusted underlying earnings per share, based on EPRA earnings adjusted for non-trading items and calculated on a diluted share basis, is down 52% to 21.3p.

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 dividend per share is covered at least 1.2 times by adjusted underlying earnings per share.

At the half year we decided to defer a decision on the payment of the dividend as the UK was entering another month of lockdown at that time and there was heightened uncertainty. However, in line with our policy, the Board is now recommending a final dividend of 17.75p per share (2020: 24.49p) to be paid on 6 August 2021 to shareholders on the register at 2 July 2021. The dividend will be paid as a Property Income Distribution and fully meets the REIT distribution requirement for the year to 31 March 2021, with a dividend cover at 1.2 times adjusted underlying earnings per share.

PROPERTY VALUATION

At 31 March 2021, our property portfolio was independently valued by CBRE at £2,324m, an underlying decrease of 10.0% (£258m) in the year. The main movements in the valuation over the year are set out below:

	£m
Valuation at 31 March 2020	2,574
Revaluation deficit	(258)
Capital expenditure	24
Capital receipts	(5)
Disposals	(11)
Valuation at 31 March 2021	**2,324**

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

£m	Valuation	Uplift / deficit
Like-for-like Properties	1,790	(205)
Completed Projects	181	(8)
Refurbishments	256	(41)
Redevelopments	97	(4)
Total	**2,324**	**(258)**

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

There was a 10.3% (£205m) underlying decrease in the valuation of like-for-like properties to £1,790m. This is driven by a 9.8% decrease in ERV per sq. ft. reflecting price reductions we have seen on lettings and renewals completed during the year. The equivalent yield of the like-for-like portfolio is unchanged at 5.8%.

	31 March 2021	31 March 2020	Change
ERV per sq. ft.	**£42.07**	£46.65	-9.8%
Rent per sq. ft.	**£36.57**	£41.98	-12.9%
Equivalent Yield	**5.8%**	5.8%	-
Net Initial Yield	**4.2%**	5.1%	-0.9%
Capital Value per sq. ft.	**£628**	£696	-9.8%

Completed Projects

There was an underlying decrease of 4.2% (£8m) in the value of the seven completed projects to £181m. The overall valuation metrics for completed projects are set out below:

	31 March 2021
ERV per sq. ft.	**£30.55**
Rent per sq. ft.	**£23.15**
Equivalent Yield	**5.7%**
Net Initial Yield	**2.8%**
Capital Value per sq. ft.	**£469**

The major movements within this category were a decrease of £5.2m at Mare Street Studios, Hackney, which is in the early stages of letting up after being launched in June 2020 and a decrease of £4.2m at 160 Fleet Street reflecting a reduction in pricing expectations based on recent lettings.

Current Refurbishments and Redevelopments

There was an underlying reduction of 13.8% (£41m) in the value of our current refurbishments to £256m and a reduction of 4.0% (£4m) in the value of our current redevelopments to £97m.

The most significant movements in this category are a decrease of £8.8m at Fitzroy Street, Fitzrovia, where the sole occupier, as expected, has exercised their break ahead of our planned extensive refurbishment, a decrease of £7.9m at Westbourne Studios where, again as expected, a large customer has now vacated ahead of refurbishment and a reduction of £7.7m at Biscuit Factory (J Block), Bermondsey, reflecting lower occupancy and income expectations.

REFURBISHMENT ACTIVITY

A summary of the status of the refurbishment pipeline at 31 March 2021 is set out below:

Projects	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	4	£18m	£14m	214,000
Design stage	5	–	£165m	510,000
Design stage (without planning)	2	–	£130m	320,000

In May 2021, we received planning permission for the re-designation of land use for a major scheme at Kennington Park. The existing 91,000 sq. ft. of low-grade space situated to the south and east of the Kennington Park campus will be replaced with 200,000 sq. ft. of high specification office space.

REDEVELOPMENT ACTIVITY

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

A summary of the status of the redevelopment pipeline at 31 March 2021 is set out below:

	No. of properties	Residential units	Cash received	New commercial space (sq. ft.)
Underway	2	277	£24m	58,000
Design stage	5	1,210	–	289,000

In return for the sale of the residential schemes at Marshgate, Stratford, and Light Bulb (phase 2), Wandsworth, the two redevelopment schemes underway, we have received £24m in cash and two new commercial buildings, which will be delivered shortly. The new building at Marshgate, a 41,000 sq. ft. business centre, will be named Mirror Works.

In June 2020, we were granted planning consent for a significant mixed-use redevelopment project in Wandsworth. The 5.4 acre Riverside site currently comprises 145,000 sq. ft. of low quality office, leisure and light industrial space, with a rent roll of £2.0m. The planning consent is for a new 104,000 sq. ft. business centre and 65,000 sq. ft. of new light industrial space, as well as 402 residential apartments, including 35% affordable housing.

There are now five schemes at the design stage that have obtained mixed-use planning consents but are not yet contracted for sale.

ACQUISITIONS AND DISPOSALS

No acquisitions were made in the year, however, we continue to track opportunities across London and remain disciplined in our returns criteria.

In September 2020, we completed the sale of Bow Exchange, Bow, for £11.0m, in line with the 31 March 2020 valuation, at a capital value of £298 per sq. ft.

CASH FLOW

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

£m	**31 March 2021**	31 March 2020
Net cash from operations after interest	**39**	85
Dividends paid	**(46)**	(61)
Capital expenditure	**(26)**	(62)
Property disposals and cash receipts	**11**	65
Capital receipts	**-**	12
Finance costs for new / amended borrowing facilities	**(2)**	-
Net movement	**(24)**	39
Opening debt (net of cash)	**(541)**	(580)
Closing debt (net of cash)	**(565)**	(541)

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

Rent collection for the year was robust, despite the Government restrictions on rent collection measures which have been in place. Overall, 95% of rent due (after discounts and deferrals given to customers largely in respect of the first quarter) has been collected, including 93% of rent due for the fourth quarter of 2020/21 collected to date.

	Q1	Q2	Q3	Q4	FY20/21
Rent collected as proportion of rent receivable after discounts and deferrals	97%	98%	95%	93%	95%
Rent collected as proportion of gross rents	48%	86%	94%	92%	79%

We have to date collected 91% of rent due for the first quarter of 2021/22 which is ahead of the level of rents collected at the same point in the fourth quarter of 2020/21.

The majority of the amounts still outstanding, which include £1.1m of agreed rent deferrals, are covered by rent deposits or by the provision for doubtful debts.

FINANCING

As at 31 March 2021, the Group had £183.6m of cash and £250.0m of undrawn facilities:

	Drawn amount	Facility	Maturity
Private Placement Notes	£448.5m	£448.5m	2023-2029
Green Bond	£300.0m	£300.0m	2028
Bank facilities	-	£250m	2022-2023
Total	**£748.5m**	**£998.5m**	

All facilities are provided on an unsecured basis with an average maturity of 4.8 years (31 March 2020: 4.5 years).

In February 2021 we extended the term of £167m of our revolver bank facilities by one year to June 2023.

In March 2021 we issued a sterling-denominated senior unsecured guaranteed Green Bond in an aggregate principal amount of £300 million for a term of seven years, which bears interest at a rate of 2.25 per cent per annum. The Green Bond was issued in connection with the Company's new Green Finance Framework, in line with Workspace's ESG 'Doing the Right Thing' strategy and our recently published net zero carbon pathway.

At 31 March 2021, the average interest cost of our fixed rate private placement notes was 4.1%. Our revolver bank facilities are provided at a floating rate of 1.65% over LIBOR.

At 31 March 2021, loan to value (LTV) was 24% (31 March 2020: 21%) and interest cover, based on net rental income and interest paid (excluding exceptional refinancing costs), was 3.8 times (31 March 2020: 5.2), providing good headroom on all facility covenants.

In March 2021, we gave notice to prepay £148.5m of our fixed rate private placement notes due June 2023 on 30 April 2021. The refinancing reduces the average cost of debt to 3.1% and average debt maturity increases to 5.3 years on a proforma basis. Following the refinancing, 71% of our facilities are at fixed rates, representing 100% of our borrowings on a drawn basis, LTV remains unchanged at 24% and undrawn revolver facilities and cash reduces to £269m on a proforma basis.

NET ASSETS

Net assets decreased in the year by £279m to £1,720m. EPRA net tangible assets (NTA) per share at 31 March 2021 was down 13.8% (£1.50) to £9.38 and EPRA net reinstatement value (NRV) per share was down 13.9% (£1.66) to £10.26:

	EPRA NRV per share	EPRA NTA per share
	£	£
At 31 March 2020	11.92	10.88
Adjusted trading profit after interest	0.21	0.21
Property valuation deficit	(1.42)	(1.42)
Purchasers costs	(0.16)	-
Dividends paid	(0.24)	(0.24)
Exceptional finance costs	(0.09)	(0.09)
Other	0.04	0.04
At 31 March 2021	**10.26**	**9.38**

The calculation of EPRA NTA and NRV per share measures are set out in note 9 of the financial statements.

OUTLOOK

The strong pick-up in new customer activity that we saw through the fourth quarter has continued into the new financial year. Assuming the lifting of Covid restrictions continues as planned and there are no further lockdowns, we expect to see continued momentum on new lettings and the rate of customers leaving and downsizing returning to normal levels.

Looking at the financial outlook for FY 2021/22, the following should be taken into account:

- Our focus in the coming year will be on regaining occupancy and we will continue to price to the market until we see sustained improvement in occupancy levels
- Net rental income will lag the improvement in rent roll as occupancy recovers
- There will also be a drag on income from unrecovered service charges and other occupancy-related costs, such as empty rates

- Capex will increase as we continue to progress the project pipeline. This includes Arup's vacation of Fitzroy Street, Fitzrovia, in June 2021 ahead of the planned refurbishment
- We expect credit losses to reduce to more normal levels once the Government moratorium on rent collection is lifted
- The successful refinancing has resulted in a lower cost of debt

KEY PROPERTY STATISTICS

	Half Year ended			
	31 Mar 2021	30 Sept 2020	31 Mar 2020	30 Sept 2019
Workspace Group Portfolio				
CBRE property valuation	**£2,324m**	£2,450m	£2,574m	£2,682m
Number of locations	**58**	58	59	64
Lettable floorspace (million sq. ft.)	**3.9**	3.9	3.9	4.0
Number of lettable units	**4,196**	4,147	4,009	4,969
Rent roll of occupied units	**£103.9m**	£118.2m	£132.8m	£130.4m
Average rent per sq. ft.	**£33.90**	£37.15	£39.18	£38.06
Overall occupancy	**77.8%**	81.1%	87.0%	86.3%
Like-for-like number of properties	**38**	38	29	28
Like-for-like lettable floor space (million sq. ft.)	**2.8**	2.8	2.2	2.2
Like-for-like rent roll growth	**(13.9)%**	(11.6)%	1.2%	0.7%
Like-for-like rent per sq. ft. growth	**(9.9)%**	(3.3)%	0.3%	(1.0)%
Like-for-like occupancy movement	**(3.9)%**	(7.8)%	0.9%	1.7%

1) The like-for-like category has been restated in the current financial year for the following:
   - The transfer in of Goswell Road, Cannon Wharf, Ink Rooms, 60 Gray's Inn Road, The Light Box, Edinburgh House, The Frames, The Leather Market, China Works and Fuel Tank from the completed projects category
   - The transfer in of Canalot Studios from the refurbishment projects category
     The transfer in of Poplar Business Park from the redevelopment projects category
   - The transfer out of Westbourne Studios to the refurbishment projects category
     The transfer out of Mallard Place to the redevelopment projects category
2) Like-for-like statistics for prior years are not restated for the changes made to the like-for-like property portfolio in the current financial year.
3) Overall rent per sq. ft. and occupancy statistics include the lettable area at like-for-like properties and all refurbishment and redevelopment projects, including those projects recently completed and also properties where we are in the process of obtaining vacant possession.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £m	2020 £m
Revenue	1	**142.3**	161.4
Direct costs	1	**(60.8)**	(39.4)
Net rental income	1	**81.5**	122.0
Administrative expenses	2	**(19.0)**	(17.7)
Trading profit		**62.5**	104.3
Loss on disposal of investment properties	3(a)	**(0.1)**	(0.8)
Other expenses	3(b)	**(0.2)**	(0.2)
Change in fair value of investment properties	10	**(257.7)**	(7.5)
Operating (loss)/ profit	2	**(195.5)**	95.8
Finance costs	4	**(23.8)**	(23.3)
Exceptional finance costs	4	**(16.4)**	–
(Loss)/ profit before tax		**(235.7)**	72.5
Taxation	6	**–**	(0.4)
(Loss)/ profit for the financial year after tax		**(235.7)**	72.1
Basic (loss)/ earnings per share	8	**(130.3)p**	40.0p
Diluted (loss)/ earnings per share	8	**(130.3)p**	39.7p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	2021 £m	2020 £m
(Loss)/ profit for the financial year	**(235.7)**	72.1
Other comprehensive income:		
Items that may be classified subsequently to profit or loss:		
Change in fair value of other investments	**–**	(1.9)
Cash flow hedge – transfer to income statement	**8.6**	(4.2)
Cash flow hedge – change in fair value	**(9.8)**	8.3
Other comprehensive (loss)/ income in the year	**(1.2)**	2.2
Total comprehensive (loss)/ income for the year	**(236.9)**	74.3

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Investment properties	10	**2,349.9**	2,586.3
Intangible assets		**2.4**	2.0
Property, plant and equipment	11	**4.0**	4.8
Other investments	12	**7.9**	7.9
Derivative financial instruments	16(e) & (f)	**8.7**	18.5
Deferred tax	6	**0.4**	0.6
		2,373.3	2,620.1
Current assets			
Trade and other receivables	13	**29.3**	25.2
Assets held for sale	10	**–**	11.0
Cash and cash equivalents	14	**191.0**	79.2
		220.3	115.4
Total assets		**2,593.6**	2,735.5
Current liabilities			
Trade and other payables	15	**(95.0)**	(83.1)
Borrowings	16(a)	**(156.6)**	(9.0)
		(251.6)	(92.1)
Non-current liabilities			
Borrowings	16(a)	**(596.2)**	(617.2)
Lease obligations	17	**(26.3)**	(28.2)
		(622.5)	(645.4)
Total liabilities		**(874.1)**	(737.5)
Net assets		**1,719.5**	1,998.0
Shareholders' equity			
Share capital	19	**181.1**	180.7
Share premium	19	**295.5**	295.4
Investment in own shares		**(9.6)**	(9.6)
Other reserves	20	**33.1**	32.2
Retained earnings		**1,219.4**	1,499.3
Total shareholders' equity		**1,719.5**	1,998.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

		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 2019		180.4	295.1	(9.3)	27.4	1,488.4	1,982.0
Profit for the financial year		–	–	–	–	72.1	72.1
Other comprehensive income for the year	20	–	–	–	2.2	–	2.2
Total comprehensive income		–	–	–	2.2	72.1	74.3
Transactions with owners:							
Share issues	19	0.3	0.3	(0.3)	–	–	0.3
Dividends paid	7	–	–	–	–	(61.2)	(61.2)
Share based payments		–	–	–	2.6	–	2.6
Balance at 31 March 2020		180.7	295.4	(9.6)	32.2	1,499.3	1,998.0
Profit for the financial year		–	–	–	–	(235.7)	(235.7)
Other comprehensive loss for the year	20	–	–	–	(1.2)	–	(1.2)
Total comprehensive loss		–	–	–	(1.2)	(235.7)	(236.9)
Transactions with owners:							
Share issues	19	0.4	0.1	–	(0.4)	–	0.1
Dividends paid	7	–	–	–	–	(44.2)	(44.2)
Share based payments		–	–	–	2.5	–	2.5
Balance at 31 March 2021		**181.1**	**295.5**	**(9.6)**	**33.1**	**1,219.4**	**1,719.5**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	**2021 £m**	2020 £m
Cash flows from operating activities			
Cash generated from operations	18	**62.4**	108.7
Interest paid		**(23.4)**	(24.1)
Tax (paid)/ received		**(0.6)**	0.1
Net cash inflow from operating activities		**38.4**	84.7
Cash flows from investing activities			
Capital expenditure on investment properties		**(23.6)**	(59.7)
Proceeds from disposal of investment properties (net of sale costs)		**11.0**	75.0
Purchase of intangible assets		**(1.2)**	(0.9)
Purchase of property, plant and equipment		**(1.2)**	(2.3)
Other income (overage receipts)		**0.1**	2.0
Purchase of investments		**–**	0.5
Net cash (outflow)/ inflow from investing activities		**(14.9)**	14.6
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	19	**0.1**	0.6
Finance costs for new/ amended borrowing facilities		**(2.0)**	–
Repayment of bank borrowings and Private Placement Notes	16(h)	**(217.0)**	(90.1)
Draw down of bank borrowings	16(h)	**54.0**	104.0
Green Bond Proceeds		**299.5**	–
Own shares purchase (net)		**–**	(0.3)
Dividends paid	7	**(46.3)**	(61.0)
Net cash inflow/ (outflow) from financing activities		**88.3**	(46.8)
Net increase in cash and cash equivalents		**111.8**	52.5
Cash and cash equivalents at start of year	18	**79.2**	26.7
Cash and cash equivalents at end of year	18	**191.0**	79.2

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies, and those for 2021 will be delivered in due course. The auditor has reported on those accounts; their reports were i) unqualified and ii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The accounting policies are consistent with those contained in the Group's last annual report and accounts for the year ended 31 March 2020, with exception of the following:

BASIS OF PREPARATION

These condensed financial statements are presented in Sterling, which is the Company's functional currency and the Group's presentation currency and have been prepared on a going concern basis, in accordance with International Accounting Standards in conformity with the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition the Group financial statements are required under the UK Disclosure and Transparency Rules 4.1.6, to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU").

The extended impact of the Covid-19 pandemic on the operations of the Group has been a key consideration when assessing the appropriateness of applying the going concern basis in the preparation of the financial statements. There is still some uncertainty as to how the economy will recover and whether there will be any long term impact on the demand for office space. We have therefore modelled a number of different scenarios considering a period of 12 months 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 gradual recovery period of two years from summer 2021 to return pre-pandemic levels of 90% occupancy.
- New lettings continue to be below the average price per sq. ft. of vacating customers until like for-like occupancy levels reach 90%.
- Continued higher levels of counterparty risk, with bad debt significantly higher than pre-pandemic levels.
- A further two months of Government restrictions on public movement in the winter of 2021 ("lockdown").
- The forecast assumes there will be no movement in yield, but the property valuation will decrease further in line with the fall in rent psf.

The appropriateness of the going concern basis is reliant on the continued availability of borrowings and compliance with loan covenants. The Group issued a £300m green bond and extended two thirds of the £250m revolving loan facility in March 2021. At 31 March 2021, the Group had a fully unsecured loan portfolio of £748.5m, which subsequently reduced to £684m following the early prepayment in April 2021 of the private placement loan notes due in 2023. All outstanding 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 55% and a fall in the asset valuation of 51% compared to 31 March 2021 before these covenants are breached, assuming no mitigating actions are taken.

As at 31 March 2021, the Company had significant headroom on its facilities with £184m of cash and undrawn facilities of £250m. Of the undrawn facilities, £83m is due to expire in June 2022. There is no other debt due to be refinanced until June 2023. For the full period of the scenario tested, the Group maintains sufficient headroom in its cash and loan facilities and loan covenants are met.

Consequently, the Directors are confident 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 financial statements and therefore have prepared the financial statements on a going concern basis.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND GUIDANCE

a) During the year to 31 March 2021 the Group adopted the following accounting standards and guidance:

IFRS Standards	Amendments to References to the Conceptual Framework in IFRS Standards
IFRS 3 (amended)	Definition of a Business
IAS 1 and IAS 8 (amended)	Definition of Material
IFRS 9, IAS 39, IFRS 7 (amended)	Interest Rate Benchmark Reform

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 will result in changes to presentation and disclosure only. They have not been adopted early by the Group:

IFRS 17	Insurance contracts
IAS 1 (amended)	Classification of liabilities as current or non-current
IFRS 10 and IAS 28 (amended)	Sale or Contribution of Assets between an investor and its Associate or Joint Venture
IFRS 3 (amended)	Reference to the Conceptual Framework
IAS 16 (amended)	Property, Plant and Equipment: Proceeds before intended use

1. ANALYSIS OF NET RENTAL INCOME AND SEGMENTAL INFORMATION

	2021			2020		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**118.0**	**(24.4)**	**93.6**	132.7	(2.2)	130.5
Service charges	**20.3**	**(24.6)**	**(4.3)**	21.8	(25.5)	(3.7)
Empty rates and other non-recoverables	**–**	**(7.1)**	**(7.1)**	–	(6.3)	(6.3)
Services, fees, commissions and sundry income	**4.0**	**(4.7)**	**(0.7)**	6.9	(5.4)	1.5
	142.3	**(60.8)**	**81.5**	161.4	(39.4)	122.0

Included within direct costs for rental income and service charge in the period are amounts of £17.8m (2020: £nil) and £2.1m (2020: £nil) respectively, relating to discounts provided to customers, accounted for in accordance with IFRS 9. Additionally, a charge of £4.2m (2020: £0.4m) 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 review performance is reviewed as one portfolio. As a result, management have determined that the Group operates a single operating segment providing business accommodation for rent in London.

2. OPERATING PROFIT

The following items have been charged in arriving at operating profit:

	2021 £m	2020 £m
Depreciation[1]	**2.0**	0.9
Staff costs (including share based costs)[1] (note 5)	**20.1**	18.7
Repairs and maintenance expenditure on investment properties	**2.5**	2.4
Trade receivables impairment (note 13)	**3.5**	0.8
Amortisation of intangibles	**0.9**	0.5
Audit fees payable to the Company's Auditor	**0.2**	0.2

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

Auditor's remuneration: services provided by the Company's Auditor and its associates	**2021 £000**	2020 £000
Audit fees:		
Audit of Parent Company and consolidated financial statements	**207**	178
Audit of subsidiary financial statements	**33**	31
	240	209
Fees for other services:		
Audit-related assurance services	**96**	31
Total fees payable to Auditor	**336**	240

	2021 £m	2020 £m
Total administrative expenses are analysed below:		
Staff costs	**11.3**	9.8
Cash-settled share based costs	**0.2**	–
Equity settled share based costs	**2.3**	2.6
Other	**5.2**	5.3
	19.0	17.7

3(A). LOSS ON DISPOSAL OF INVESTMENT PROPERTIES

	2021 £m	2020 £m
Proceeds from sale of investment properties (net of sale costs)	**11.0**	79.5
Book value at time of sale	**(11.1)**	(80.3)
Loss on disposal	**(0.1)**	(0.8)

3(B). OTHER EXPENSES

	2021 £m	2020 £m
Change in fair value of deferred consideration	**0.2**	0.2
	0.2	0.2

The value of deferred consideration (cash and overage) from the sale of investment properties has been revalued by CBRE Limited at 31 March 2021 and 31 March 2020. This resulted in a reduction in the fair value of deferred consideration of £0.2m at 31 March 2021 (31 March 2020: £0.2m). The amounts receivable are included in the consolidated balance sheet under current trade and other receivables (note 13).

4. FINANCE COSTS

	2021 £m	2020 £m
Interest payable on bank loans and overdrafts	**(3.1)**	(4.1)
Interest payable on other borrowings	**(18.6)**	(18.6)
Amortisation of issue costs of borrowings	**(0.9)**	(0.7)
Interest payable on leases	**(1.6)**	(1.7)
Interest capitalised on property refurbishments (note 10)	**0.4**	1.8
Foreign exchange (losses)/ gains on financing activities	**(8.6)**	4.2
Cash flow hedge – transfer from/ (to) equity	**8.6**	(4.2)
Finance costs	**(23.8)**	(23.3)
Exceptional finance costs	**(16.4)**	–
Total finance costs	**(40.2)**	(23.3)

The exceptional finance costs relate to the refinancing of $100m & £84m private placement notes due 2023 which were repaid early in April 2021, an irrevocable notice for the repayment was given in March 2021. The costs included a £16.3m premium on redemption and £0.1m of unamortised finance costs. The costs have been calculated in accordance with IFRS 9, re-estimating the cash flows based on original effective interest rate with the adjustment being taken through P&L.

5. EMPLOYEES AND DIRECTORS

Staff costs for the Group during the year were:	2021 £m	2020 £m
Wages and salaries	**16.3**	15.3
Social security costs	**2.1**	1.8
Other pension costs (note 27)	**0.8**	0.7
Cash-settled share based costs (note 23)	**0.2**	–
Equity settled share based costs (note 23)	**2.3**	2.6
	21.7	20.4
Less costs capitalised	**(1.6)**	(1.7)
	20.1	18.7

The monthly average number of people employed during the year was:	2021 Number	2020 Number
Head office staff (including Directors)	**121**	117
Estates and property management staff	**118**	118
	239	235

The emoluments and pension benefits of the Directors are determined by the Remuneration Committee of the Board and are set out in detail in the Directors' Remuneration Report on pages 167 to 197. These form part of the financial statements.

Total Directors' emoluments for the financial year were £1.7m (2020: £2.9m), comprising of £1.6m (2020: £1.4m) of Directors' remuneration, nil (2020: £1.4m) gain on exercise of share options and £0.1m (2020: £0.1m) of cash contributions in lieu of pension in respect of two Directors (2020: two).

6. TAXATION

	2021 £m	2020 £m
Current tax:		
UK corporation tax	**–**	0.8
Adjustments to tax in respect of previous periods	**–**	–
	–	0.8
Deferred tax:		
On origination and reversal of temporary differences	**–**	(0.4)
	–	–
Total taxation charge	**–**	0.4

Taxation chargeable in the year relates to income from non-REIT activities such as overage, meeting room income and utilities recharges.

The tax on the Group's profit for the year differs from the standard applicable corporation tax rate in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £m	2020 £m
(Loss)/ profit before taxation	**(235.7)**	72.5
Tax at standard rate of corporation tax in the UK of 19% (2020: 19%)	**(44.8)**	13.8
Effects of:		
REIT exempt income	**(8.0)**	(14.3)
Changes in fair value not subject to tax as a REIT	**49.0**	1.4
Share based payment adjustments	**(0.1)**	–
Overage income subject to tax when received	**–**	(0.1)
Unrecognised losses carried forward	**3.8**	–
Utilisation of losses unrecognised brought forward	**–**	(0.4)
Other non-taxable expenses	**0.1**	–
Total taxation charge	**–**	0.4

The Group is a Real Estate Investment Trust ('REIT'). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Group estimates that as the majority of its future profits will be exempt from tax, future tax charges are likely to be low.

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at balance sheet date has been calculated at 19% (2020: 19%).

The Group currently has an unrecognised asset in relation to tax losses carried forward of £5.6m (2020: £1.3m) calculated at a corporation tax rate of 19% (2020: 19%).

	2021 £m	2020 £m
Deferred tax assets:		
– Deferred tax to be recovered within 12 months	**0.5**	0.8
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered within 12 months	**(0.1)**	(0.2)
Deferred tax assets (net)	**0.4**	0.6

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Other income (overage receipts) £m	Total £m
At 1 April 2019	0.6	0.6
Credited to income statement	(0.4)	(0.4)
At 31 March 2020	0.2	0.2
Credited to income statement	(0.1)	(0.1)
At 31 March 2021	**0.1**	**0.1**

Deferred tax assets	Expenses (share based payment) £m	Tax losses £m	Total £m
At 1 April 2019	(0.6)	(0.2)	(0.8)
Charged to income statement	–	–	–
At 31 March 2020	(0.6)	(0.2)	(0.8)
Other movement	–	0.2	0.2
Charged to income statement	0.1	–	0.1
At 31 March 2021	**(0.5)**	**–**	**(0.5)**

7. DIVIDENDS

	Payment date	Per share	**2021 £m**	2020 £m
For the year ended 31 March 2019:				
Final dividend	August 2019	22.26p		40.1
For the year ended 31 March 2020:				
Interim dividend	February 2020	11.67p		21.1
Final dividend	August 2020	24.49p	**44.2**	–
Dividends for the year			**44.2**	61.2
Timing difference on payment of withholding tax			**2.1**	(0.2)
Dividends cash paid			**46.3**	61.0

The Directors are proposing a final dividend in respect of the financial year ended 31 March 2021 of 17.75p pence per ordinary share which will absorb an estimated £32.1m of revenue reserves and cash. If approved by the shareholders at the AGM, it will be paid on 6 August 2021 to shareholders who are on the register of members on 2 July 2021. The dividend will be paid as a REIT Property Income Distribution ('PID') net of withholding tax where appropriate.

8. EARNINGS PER SHARE

Earnings used for calculating earnings per share:	2021 £m	2020 £m
Basic and diluted earnings	**(235.7)**	72.1
Change in fair value of investment properties	**257.7**	7.5
Exceptional finance costs	**16.4**	–
Profit on disposal of investment properties	**0.1**	0.8
EPRA earnings	**38.5**	80.4
Adjustment for non-trading items:		
Other expenses	**0.2**	0.2
Taxation	**–**	0.4
Trading profit after interest	**38.7**	81.0

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:	2021 Number	2020 Number
Weighted average number of shares (excluding own shares held in trust)	**180,839,945**	180,465,649
Dilution due to share option schemes	**–**	981,867
Weighted average number of shares for diluted earnings per share	**180,839,945**	181,447,516

In pence:	2021	2020
Basic (loss)/ earnings per share	**(130.3p)**	40.0p
Diluted (loss)/ earnings per share	**(130.3p)**	39.7p
EPRA earnings per share	**21.3p**	44.5p
Adjusted underlying earnings per share[1]	**21.3p**	44.6p

1. Adjusted underlying earnings per share is calculated by trading profit after interest on a diluted weighted average number of shares of 181,831,833 (2020: 181,447,516).

The diluted loss per share for the period to 31 March 2021 has been restricted to a loss of 130.3p per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33, Earnings per Share.

9. NET ASSETS PER SHARE AND TOTAL ACCOUNTING RETURN

Net assets used for calculating net assets per share:	2021 £m	2020 £m
Net assets at end of year (basic)	**1,719.5**	1,998.0
Derivative financial instruments at fair value	**(8.7)**	(18.5)
EPRA net assets	**1,710.8**	1,979.5

Number of shares used for calculating net assets per share:	2021 Number	2020 Number
Shares in issue at year end	**181,113,594**	180,747,868
Less own shares held in trust at year end	**(159,139)**	(174,719)
Dilution due to share option schemes	**1,116,127**	1,232,747
Number of shares for calculating diluted adjusted net assets per share	**182,070,582**	181,805,896

	2021	2020
EPRA net assets per share	**£9.40**	£10.89
Basic net assets per share	**£9.50**	£11.07
Diluted net assets per share	**£9.44**	£10.99

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

EPRA Net Asset Value Metrics
EPRA published updated best practice reporting guidance in October 2019, which included three new Net Asset Valuation metrics; EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV). This new set of EPRA NAVs metrics came into full effect for accounting periods starting from 1 January 2020, presented below for comparison to the previous EPRA NAV metric.

	March 2021			March 2020		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to shareholders	**1,719.5**	**1,719.5**	**1,719.5**	1,998.0	1,998.0	1,998.0
Fair value of derivative financial instruments	**(8.7)**	**(8.7)**	**–**	(18.5)	(18.5)	–
Intangibles per IFRS balance sheet	**–**	**(2.3)**	**–**	–	(2.0)	–
Excess of fair value of debt over book value	**–**	**–**	**22.2**	–	–	11.9
Purchasers' costs	**158.1**	**–**	**–**	187.8	–	–
New EPRA measure	**1,868.9**	**1,708.5**	**1,741.7**	2,167.3	1,977.5	2,009.9
New EPRA measure per share	**£10.26**	**£9.38**	**£9.57**	£11.92	£10.88	£11.06

Reconciliation to previously reported EPRA NAV

	March 2021			March 2020		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
EPRA NAV	**1,710.8**	**1,710.8**	**1,710.8**	1,979.5	1,979.5	1,979.5
Include fair value of derivative financial instruments	**–**	**–**	**8.7**	–	–	18.5
Exclude intangibles per IFRS balance sheet	**–**	**(2.3)**	**–**	–	(2.0)	–
Excess of fair value of debt over book value	**–**	**–**	**22.2**	–	–	11.9
Purchasers' costs	**158.1**	**–**	**–**	187.8	–	–
New EPRA measure	**1,868.9**	**1,708.5**	**1,741.7**	2,167.3	1,977.5	2,009.9

Total accounting return

Total Accounting Return	**2021 £**	2020 £
Opening EPRA net tangible assets per share (A)	**10.88**	10.85
Closing EPRA net tangible assets per share	**9.38**	10.88
(Decrease)/ Increase in EPRA net tangible assets per share	**(1.50)**	0.03
Ordinary dividends paid in the year	**0.24**	0.34
Total return (B)	**(1.26)**	0.37
Total accounting return (B/A)	**(11.5%)**	3.4%

The total accounting return for the year 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 total return for the year ended 31 March 2021 was (11.5%) (31 March 2020: 3.4%).

10. INVESTMENT PROPERTIES

	2021 £m	2020 £m
Balance at 1 April	**2,586.3**	2,591.4
Purchase of investment properties	**–**	–
Capital expenditure	**22.8**	53.5
Change in value of lease obligations	**(1.9)**	12.4
Capitalised interest on refurbishments (note 4)	**0.4**	1.8
Disposals during the year	**–**	(65.3)
Change in fair value of investment properties	**(257.7)**	(7.5)
Less: Reclassified as deferred consideration	**–**	–
Less: Classified as assets held for sale	**–**	–
Balance at 31 March	**2,349.9**	2,586.3

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

Capitalised interest is included at a rate of capitalisation of 3.7% (2020: 4.0%). The total amount of capitalised interest included in investment properties is £14.5m (2020: £14.1m).

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

Investment properties include buildings with a carrying amount of £271m (2020: £305m) held under leases with a carrying amount of £26.3m (2020: £28.2m). Investment property lease commitment details are shown in note 17.

Valuation

The Group's investment properties are held at fair value and were revalued at 31 March 2021 by the external valuer, CBRE Limited, a firm of independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Global Standards at this balance sheet date. 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 currently being used for business accommodation in their current state. However, the valuation is based on the current valuation at the balance sheet date including the impact of the potential refurbishment and redevelopment as this represents the highest and best use.

The Executive Committee and the Board both conduct a detailed review of each property valuation to review appropriate assumptions have been applied. Meetings are held with the valuers to review and challenge the valuations, to confirm that they have considered all relevant information, and rigorous reviews are performed to check that valuations are sensible. In particular, they discussed the impact on the valuation of the Covid-19 rent reductions. They are satisfied with the valuers conclusions.

The valuation as at 31 March 2020, was subject to a material valuation uncertainty clause due to the uncertainty in the property market following the outbreak of Covid-19. In addition, to allow for the immediate impact of the pandemic, the valuers reflected in their assessment a £32m deduction that a buyer might expect to allow for the risk of increased customer defaults and non-payment of rent. This deduction was calculated based on the assumption that two quarters of rent would be discounted by 50%. The valuation as at 31 March 2021 does not include a material uncertainty clause and does not include a similar deduction.

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 ERV's. As a result of adjustments made to market observable data, the significant inputs are deemed unobservable under IFRS 13.

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

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

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

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

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

	2021 £m	2020 £m
Total per CBRE valuation report	**2,324.2**	2,574.4
Deferred consideration on sale of property	**(0.6)**	(5.3)
Head leases treated as leases under IFRS 16	**26.3**	28.2
Less: Reclassified as assets held for sale	**–**	(11.0)
Total investment properties per balance sheet	**2,349.9**	2,586.3

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.

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

The following table summarises the valuation techniques and inputs used in the determination of the property valuation.

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	1,790.5	A	£12-£68	£42	4.5%-7.4%	5.8%
Completed projects	180.7	A	£19-£48	£31	4.5%-6.5%	5.7%
Refurbishments	255.7	A/B	£20-£70	£36	3.8%-6.6%	5.1%
Redevelopments	96.7	A/B	£14-£33	£20	3.9%-6.7%	5.3%
Head leases	26.3	n/a	–	–	–	–
Total	2,349.9					

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

A key unobservable input for redevelopments at planning stage and refurbishments is developer's profit. The range is 14%–19% with a weighted average of 16%.

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £213–£242 per sq. ft. and a weighted average of £232 per sq. ft.

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

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

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+179/-179	-74/+81
Completed projects	+18/-18	-8/+8
Refurbishments	+28/-28	-16/+17
Redevelopments	+9/-7	-3/+5

11. PROPERTY, PLANT AND EQUIPMENT

Cost or valuation	Equipment and fixtures £m
1 April 2019	8.7
Additions during the year	2.3
Balance at 31 March 2020	11.0
Additions during the year	1.2
Disposals during the year	(1.6)
Balance at 31 March 2021	**10.6**

Accumulated depreciation	
1 April 2019	5.3
Charge for the year	0.9
Balance at 31 March 2020	6.2
Charge for the year	2.0
Disposals during the year	(1.6)
Balance at 31 March 2021	**6.6**

Net book amount at 31 March 2021	**4.0**
Net book amount at 31 March 2020	4.8

12. OTHER INVESTMENTS

The Group holds the following investment:

	2021 £m	2020 £m
15% of share capital of Excell Holdings Limited (2020: 15%)	**7.9**	7.9
	7.9	7.9

In accordance with IFRS 9 the valuation of the share in Excell Holdings has been adjusted to fair value, resulting in no movement in the financial year (2020: a reduction of £1.9m), recognised in the consolidated statement of comprehensive income.

13. TRADE AND OTHER RECEIVABLES

Current trade and other receivables	**2021 £m**	2020 £m
Trade receivables	**16.0**	11.1
Less provision for impairment of receivables	**(4.6)**	(1.1)
Trade receivables – net	**11.4**	10.0
Prepayments, other receivables and accrued income	**12.8**	9.9
Deferred consideration on sale of investment properties	**5.1**	5.3
	29.3	25.2

Receivables at fair value:
Included within deferred consideration on sale of investment properties is £0.6m (2020: £0.8m) of overage which is held at fair value through profit and loss. In the current year, 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. This is a Level 3 valuation of a financial asset, as defined by IFRS 13. The change in fair value recorded in the consolidated income statement, including both current and non-current elements, was a loss of £0.2m (31 March 2020: £0.2m) (note 3(b)).

	2021 £m	2020 £m
Deferred consideration on sale of investment properties:		
Balance at 1 April	**5.3**	2.9
Cash received	**–**	(1.9)
Additions/reclassifications	**–**	4.5
Change in fair value	**(0.2)**	(0.2)
Balance at 31 March	**5.1**	5.3

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.

Trade receivables and the corresponding provision for bad debts have increased in the year to 31 March 2021 as a result of delayed payments from customers impacted by Covid-19. Receivables outstanding for more than 30 days amount to £8.1m and are subject to a provision for bad debt of £4.0m. The balance of £4.1m, not subject to a bad debt provision, has either been received post year end or is covered by available tenants deposits.

Movements on the provision for impairment of trade receivables are shown below:

	2021 £m	2020 £m
Balance at 1 April	**1.1**	0.7
Increase in provision for impairment of trade receivables	**4.3**	0.8
Receivables written off during the year	**(0.8)**	(0.4)
Balance at 31 March	**4.6**	1.1

14. CASH AND CASH EQUIVALENTS

	2021 £m	2020 £m
Cash at bank and in hand	**183.6**	70.3
Restricted cash – tenants' deposit deeds	**7.4**	8.9
	191.0	79.2

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

15. TRADE AND OTHER PAYABLES

	2021 £m	2020 £m
Trade payables	**10.4**	4.8
Other tax and social security payable	**3.6**	5.6
Corporation tax payable	**–**	0.8
Tenants' deposit deeds (note 14)	**7.4**	8.9
Tenants' deposits	**20.7**	25.6
Accrued expenses	**43.4**	26.6
Deferred income – rent and service charges	**9.5**	10.8
	95.0	83.1

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

16. BORROWINGS

(a) Balances

	2021 £m	2020 £m
Current		
Senior Floating Rate Notes 2020 (unsecured)	**–**	9.0
5.6% Senior US Dollar Notes 2023 (unsecured)	**72.6**	–
5.53% Senior Notes 2023 (unsecured)	**84.0**	–
Non-current		
Bank loans (unsecured)	**(0.8)**	153.0
5.6% Senior US Dollar Notes 2023 (unsecured)	**–**	81.0
5.53% Senior Notes 2023 (unsecured)	**–**	83.9
3.07% Senior Notes (unsecured)	**79.8**	79.8
3.19% Senior Notes (unsecured)	**119.7**	119.7
3.6% Senior Notes (unsecured)	**99.8**	99.8
Green Bond (unsecured)	**297.7**	–
	752.8	626.2

In March 2021, the Group issued a Green Bond of £300m. At year end the bank loan facility had been fully repaid, there are unamortised finance costs of £0.8m (2020: £1.0m) included within borrowings.

(b) Net debt

	2021 £m	2020 £m
Borrowings per (a) above	**752.8**	626.2
Adjust for:		
Cost of raising finance	**3.8**	1.9
Foreign exchange differences	**(8.1)**	(16.6)
	748.5	611.5
Cash at bank and in hand (note 14)	**(183.6)**	(70.3)
Net debt	**564.9**	541.2

At 31 March 2021 the Group had £250m (2020: £96m) of undrawn bank facilities, a £2m overdraft facility (2020: £2m) and £183.6m of unrestricted cash (2020: £70.3m).

Net debt represents borrowing facilities drawn, less cash at bank and in hand. It excludes impacts of foreign exchange differences as these are fixed via swaps, lease obligations and any cost of raising finance as they have no future cash flows.

(c) Maturity

	2021 £m	2020 £m
Repayable within one year	**148.5**	9.0
Repayable between one year and two years	**–**	–
Repayable between two years and three years	**–**	154.0
Repayable between three years and four years	**–**	148.5
Repayable between four years and five years	**80.0**	–
Repayable in five years or more	**520.0**	300.0
	748.5	611.5
Cost of raising finance	**(3.8)**	(1.9)
Foreign exchange differences	**8.1**	16.6
	752.8	626.2

(d) Interest rate and repayment profile

	Principal at period end £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	–	Base+2.25%	Variable	On demand
Private Placement Notes:				
5.6% Senior US Dollar Notes	64.5	5.6%	Half year	April 2021
5.53% Senior Notes	84.0	5.53%	Half year	April 2021
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	3.6%	Half yearly	January 2029
Bank Loan	–	LIBOR+1.65%	Monthly	June 2022 & June 2023
Green Bond	300.0	2.25%	Half yearly	March 2028
	748.5			

Irrevocable notice was given on 31st March 2021 to repay the private placement notes due for repayment in June 2023 on 30th April 2021, the termination costs have been reflected in exceptional finance costs.

(e) Derivative financial instruments

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

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

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

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

	2021	2020
Carrying amount of derivative	**8.7**	18.5
Change in fair value of designated hedging instrument	**(9.8)**	8.3
Change in fair value of designated hedged item	**8.6**	(4.2)
Notional amount £m	**64.5**	64.5
Notional amount ($m)	**100**	100
Rate payable (%)	**5.66%**	5.66%
Maturity	**June 2023**	June 2023
Hedge ratio	**1:1**	1:1

The Cashflow hedge was terminated in line with the repayment of the US Dollar Notes.

(f) Financial instruments and fair values

	2021 Book value £m	2021 Fair value £m	2020 Book value £m	2020 Fair value £m
Financial liabilities held at amortised cost				
Bank loans	**(0.8)**	**(0.8)**	153.0	154.0
Private Placement Notes	**455.9**	**478.1**	473.2	484.1
Lease obligations	**26.3**	**26.3**	28.2	28.2
Green Bond	**297.7**	**297.7**	–	–
	779.1	**801.3**	654.4	666.3
Financial assets at fair value through other comprehensive income				
Derivative financial instruments:				
Cash flow hedge – derivatives used for hedging	**8.7**	**8.7**	18.5	18.5
Other investments	**7.9**	**7.9**	6.9	6.9
	16.6	**16.6**	25.4	25.4
Financial assets at fair value through profit or loss				
Deferred consideration (overage)	**5.1**	**5.1**	5.3	5.3
	5.1	**5.1**	5.3	5.3

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

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

(g) Financial instruments by category

Assets	2021 £m	2020 £m
a) Assets at value through profit or loss		
Deferred consideration (overage)	**5.1**	5.3
	5.1	5.3
b) Loans and receivables		
Cash and cash equivalents	**191.0**	79.2
Trade and other receivables excluding prepayments[1]	**14.5**	11.7
	205.5	90.9
c) Assets at value through other comprehensive income		
Cash flow hedge – derivatives used for hedging	**8.7**	18.5
Other investments	**7.9**	6.9
	16.6	25.4
Total	**227.2**	121.6

Liabilities	2021 £m	2020 £m
Other financial liabilities at amortised cost		
Borrowings	**752.8**	626.2
Lease liabilities	**26.3**	28.2
Trade and other payables excluding non-financial liabilities[2]	**81.9**	65.9
	861.0	720.3

1. Trade and other receivables exclude prepayments of £9.7m (2020: £8.2m) and non-cash deferred consideration of £5.1m (2020: £5.3m).
2. Trade and other payables exclude other tax and social security of £3.6m (2020: £5.6m), corporation tax of nil (2020: £0.8m) and deferred income of £9.5m (2020: £10.8m).

(h) Changes in liabilities from financing activities

	Bank loans and borrowings £m	Lease liabilities £m	Derivatives used for hedging-assets £m
Balance at 1 April 2020	626.2	28.2	18.5
Changes from financing cash flows:		–	–
Proceeds from bank borrowings and Private Placement Notes	54.0	–	–
Repayment of bank borrowings and Private Placement Notes	(217.0)	–	–
Proceeds from Green Bond	299.5	–	–
Total changes from cash flows	136.5	–	–
Changes in fair value of derivative financial instruments	–	–	(9.8)
Foreign exchange differences	(8.5)	–	–
Amortisation of issue costs of borrowing	(1.4)	–	–
Changes in leases	–	(1.9)	–
Interest payable	21.7	1.6	–
Interest paid	(21.7)	(1.6)	–
Total other changes	(9.9)	(1.9)	(9.8)
Balance at 31 March 2021	**752.8**	**26.3**	**8.7**

17. LEASE OBLIGATIONS

Lease liabilities are in respect of leased investment property.

Minimum lease payments under leases fall due as follows:

	2021 £m	2020 £m
Within one year	**1.6**	1.7
Between two and five years	**6.6**	6.8
Beyond five years	**148.4**	156.0
	156.6	164.5
Future finance charges on leases	**(130.3)**	(136.3)
Present value of lease liabilities	**26.3**	28.2

Following the adoption of IFRS 16 lease obligations, which were previously included in borrowings, have been shown separately on the face of the balance sheet. The balance represents a non-current liability as the payment shown within one year of £1.6m (2020: £1.7m) is offset by future finance charges on leases of £1.6m (2020: £1.7m).

18. NOTES TO CASH FLOW STATEMENT

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

	2021 £m	2020 £m
(Loss)/ profit before tax	**(235.7)**	72.5
Depreciation	**2.0**	0.9
Amortisation of intangibles	**0.9**	0.5
(Loss)/profit on disposal of investment properties	**0.1**	0.8
Other expenses	**0.2**	0.2
Net loss from change in fair value of investment property	**257.7**	7.5
Equity settled share based payments	**2.5**	2.6
Finance costs	**23.8**	23.0
Exceptional finance costs	**16.4**	–
Changes in working capital:		
Increase in trade and other receivables	**(4.4)**	(9.5)
(Decrease)/ Increase in trade and other payables	**(1.1)**	10.2
Cash generated from operations	**62.4**	108.7

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

	2021 £m	2020 £m
Cash at bank and in hand	**183.6**	70.3
Restricted cash – tenants' deposit deeds	**7.4**	8.9
	191.0	79.2

19. SHARE CAPITAL AND SHARE PREMIUM

	2021 £m	2020 £m
Issued: Fully paid ordinary shares of £1 each	**181.1**	180.7

Movements in share capital were as follows:	2021 Number	2020 Number
Number of shares at 1 April	**180,747,868**	180,385,498
Issue of shares	**365,726**	362,370
Number of shares at 31 March	**181,113,594**	180,747,868

The Group issued 365,726 shares (2020: 362,370 shares) during the year to satisfy the exercise of share options with net proceeds of £0.1m (2020: £0.7m).

	Share capital		Share premium	
	2021 £m	2020 £m	2021 £m	2020 £m
Balance at 1 April	**180.7**	180.4	**295.4**	295.1
Issue of shares	**0.4**	0.3	**0.1**	0.3
Balance at 31 March	**181.1**	180.7	**295.5**	295.4

20. OTHER RESERVES

	Other Investment Reserve £m	Equity settled share based payments £m	Merger reserve £m	Hedging reserve £m	Total £m
Balance at 1 April 2019	4.0	17.6	8.7	(2.9)	27.4
Share based payments	–	2.6	–	–	2.6
Change in fair value of other investments (note 12)	(1.9)	–	–	–	(1.9)
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	–	4.1	4.1
Balance at 31 March 2020	2.1	20.2	8.7	1.2	32.2
Share based payments	–	2.5	–	–	2.5
Issue of shares	–	(0.4)	–	–	(0.4)
Change in fair value of other investments (note 12)	–	–	–	–	–
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	–	(1.2)	(1.2)
Balance at 31 March 2021	**2.1**	**22.3**	**8.7**	**–**	**33.1**

21. CAPITAL COMMITMENTS

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

	2021 £m	2020 £m
Investment property construction	**4.2**	4.3

22. POST BALANCE SHEET EVENTS

On the 31st March 2021 the Group gave notice to make an early repayment of the $100m & £84m private placement notes due June 2023, which were repaid in April 2021. The costs in relation to the termination are reflected in exceptional finance costs as shown in note 4.

23. RESPONSIBILITY STATEMENT

The 2021 Annual Report, which will be issued on 21 June 2021, contains a responsibility statement which states that on 2 June 2021, the date of approval of the Annual Report, the Directors confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group.
- The Business Review contained within the Annual Report, includes as fair review of the developments and performance of the business, and the position of the Group, with a description of the principle risks and uncertainties that the Group faces included in a separate section.
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.