Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board on 4 June 2019 by:

Graham Clemett
Interim CEO and
Chief Financial Officer

Independent auditor's report

to the members of Workspace Group PLC

KPMG

1. Our opinion is unmodified

We have audited the financial statements of Workspace Group PLC ("the Company") for the year ended 31 March 2019 which comprise the Consolidated and Parent Company's Balance Sheets, the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated and Parent Company's Statement's of Changes in Equity, and the related notes, including the accounting policies on pages 172–175.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 14 July 2017. The period of total uninterrupted engagement is for the 2 financial years ended 31 March 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: group financial statements as a whole	£25.4 million (2018: £22.1 million) 1% (2018: 1%) of total Group assets
Coverage	100% (2018:100%) of total Group assets

Key audit matters	**vs 2018**
Event driven	**New:** The impact of uncertainties due to the UK exiting the European Union on our audit
	New: Going concern
Recurring risks	**Group:** Valuation of Investment property
Recurring risks	**Parent:** Valuation of derivatives

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 62 (Principal Risks and Uncertainties), page 66 (Viability Statement) and page 123 (The Audit Committee Report).*	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in valuation of investment property, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: – **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. – **Sensitivity analysis:** When addressing valuation of investment property and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. – **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on valuation of investment property we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** – As reported under the key audit matters affected, we found the resulting estimates and related disclosures of valuation of investment property and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.
Going concern *Refer to page 66 (Going concern and Viability Statement) and page 172 (accounting policy).*	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and Company's available financial resources over this period were: – increased cost of debt from interest rate rises; – tenant default impacting cash flow and earnings; and – significant reduction in property values. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: – **Funding assessment:** We assessed the Group has sufficient resources to repay the debt falling due in at least the 12 months from authorising the accounts by analysing the Group's financing terms and considering directors' forecasts and assumptions for ongoing covenant compliance and available headroom; – **Historical comparisons:** We assessed the reasonableness of the cash flow projections by considering the historical accuracy of the previous forecasts; – **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively such as decrease in occupancy rates and fall in real estate prices; – **Assessing transparency:** We considered the completeness and accuracy of the matters covered in the Annual Report and assessed that they reflect the position of the Group's financing and the risks associated with the Group's ability to continue as a going concern. **Our results** – We found the going concern disclosure without any material uncertainty to be acceptable (2018 result: acceptable).

	The risk	Our response
Valuation of investment property (Group) (Group: £2,591.4 million; 2018: £2,288.7 million) *Refer to page 123 (Audit Committee Report), page 172 (accounting policy) and page 183 (financial disclosures).*	**Subjective valuation** Investment properties is the largest balance in the financial statements and is held at fair value in the Group's financial statements, representing 97% (2018: 98%) of total assets. The portfolio is externally valued by qualified independent valuers, CBRE. Each property is unique and determining fair value requires significant judgement and estimation, in particular over the key assumptions of the estimated rental value, yield and capital value per square foot. The key assumptions will be impacted by a number of factors including location, quality and condition of the building and occupancy. Valuing investment properties either under development or with development potential can be further complicated by the need to assess the likelihood of planning consent, an allowance for developer's profit and forecast of construction costs. Whilst comparable market transactions can provide valuation evidence, the flexible office sector is still maturing and the unique nature of each property means that a key factor in the property valuations are the assumptions made by the valuer. The effect of these matters is that, as part of our risk assessment, we determined that the investment properties value of £2,591.4 million has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 10) disclose the sensitivity estimated by the Group. Furthermore, each property valuation includes source data provided by directors and relied on as accurate by the external valuer, primarily the database of tenancy contracts. The relatively short average lease length in the Workspace portfolio and reduced market comparable information for such flexible office space means the valuer is more reliant on tenancy data to support their market rent assumptions than may be the case in other property sectors. Therefore the valuation is more sensitive to the source data than may be the case for more mature sectors with longer leases.	Our procedures, assisted by our own property valuation specialist (for procedures 1, 2 and 3), included: – **Assessing valuer's credentials:** We assessed CBRE's objectivity, professional qualifications and experience through discussions with them and reading their valuation report. – **Methodology choice:** We critically assessed the methodology used by the valuers by considering whether the valuation report is in accordance with the RICS Valuation Professional Standards 'the Red Book' and accounting standards. – **Benchmarking assumptions:** With the assistance of our own property valuation specialist, we held discussions with CBRE to critically assess movements in property values. For a sample of properties, we challenged the key assumptions used by the valuer upon which these valuations were based including those relating to forecast rents and yields, by making a comparison to our own understanding of the market and to industry benchmarks. – **Test of detail:** We compared a sample of key inputs used in the valuations, such as rental income, lease length and floor space to the Group's property management system and lease contracts. – **Test of detail:** For a selection of properties under development, we assessed the progress of the development and evaluated assumptions over constructions costs, agreeing them to construction contracts and directors' project appraisals. – **Assessing transparency:** We considered the adequacy of the Group's disclosures about the degree of estimation and sensitivity to key assumptions made when valuing properties. **Our results** – We found the valuation of investment properties to be acceptable (2018 result: acceptable).

	The risk	Our response
Valuation of derivatives (Parent) (Parent: £10.1million; 2018: £2.5million) *Refer to page 189 (financial disclosures).*	**Subjective estimate** The Parent Company has derivative financial instruments of £10.1 million (2018: £2.5 million). The cash flow hedge is against a $100 million/£64.5 million loan (2018: $100 million/£64.5 million). The Parent Company has a cross currency swap 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 the cross currency swaps, the Parent Company has created a synthetic Sterling fixed rate liability totalling £64.5 million (2018: £64.5 million). The swaps have been externally valued and are designated as a cash flow hedge with changes in fair value dealt with in other comprehensive income. The valuations of the swaps are based on market movements which can fluctuate in the year. It is not at a high risk of significant misstatement or subject to significant judgement. However, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: – **Test of detail:** We agreed the carrying value of derivatives to valuations obtained directly from the counter-party valuers. – **Benchmarking assumptions:** using our own specialists, we assessed the key assumptions used in the valuations, such as foreign exchange rates, against our own knowledge of the market and industry. **Our results** – We found the valuation of derivatives to be acceptable (2018: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £25.4 million (2018: £22.1 million), determined with reference to a benchmark of total Group assets of £2,682.2 million (2018: £2,339.2 million), of which it represents 1.0% (2018: 1.0%).

In addition, we applied materiality of £3.25 million (2018: £3.0 million) to Group components of trading profit after interest (as defined by the Group on page 49) which comprises net rental income, administrative expenses and net finance costs for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Group.

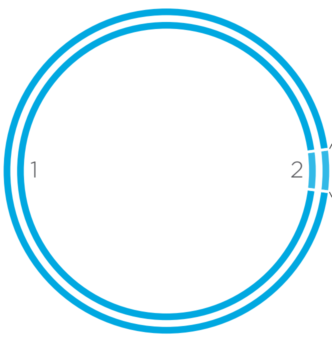
Materiality for the Parent Company financial statements as a whole was set at £15.3 million (2018: £21.0 million), determined with reference to a benchmark of company total assets, of which it represents 1% (2018: 3% of net assets).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.27 million (2018: £0.7 million) (Group), £0.8 million (2018: £0.6 million) (Parent Company) or £0.16 million (2018: £0.15 million) for misstatements relating to accounts to which the lower materiality was applied, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The components within the scope of our work accounted for the percentages illustrated opposite.

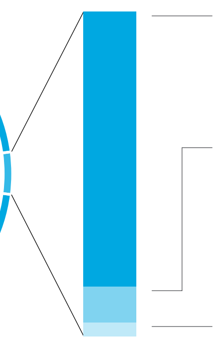
The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The Group team performed the parent company audit. The audit was performed using the materiality levels set out above.

Total Group assets
£2,682.2m (2018: £2,339.2m)



1. Total Group assets
2. Group materiality

Group Materiality
£25.4m (2018: £22.1m)

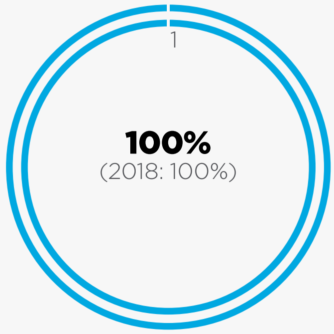


£25.4m
Whole financial statements materiality (2018: £22.1m)

£3.3m
Materiality applied to Group components of trading profit after interest (2018: £3.0m)

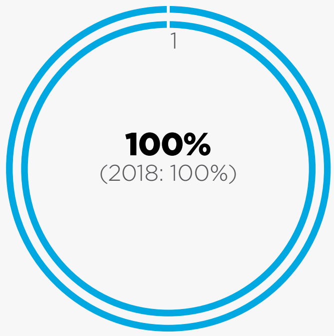
£1.27m
Misstatements reported to the Audit Committee (2018: £0.7m)

Group revenue



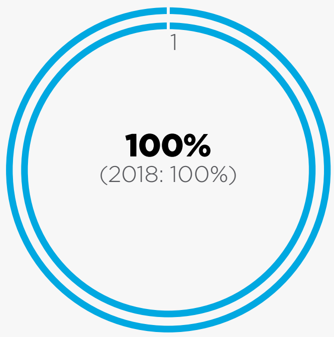
1. Full scope for Group audit purposes 2019

Group profit before tax



1. Full scope for Group audit purposes 2019

Group total assets



1. Full scope for Group audit purposes 2019

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in on page 155 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 159 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within Going Concern and Viability Statement page 66 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Going Concern and Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Going Concern and Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception
Under the Companies Act 2006, we are required to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities
Directors' responsibilities
As explained more fully in their statement set out on page 160, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the Directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, REIT legislation and certain aspects of company legislation recognising the financial nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Kelly
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
4 June 2019

Consolidated income statement

For the year ended 31 March 2019

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

Consolidated statement of other comprehensive income

For the year ended 31 March 2019

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

The notes on pages 172 to 200 form part of these financial statements.

Consolidated balance sheet

As at 31 March 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Investment properties	10	**2,591.4**	2,288.7
Intangible assets		**1.6**	1.4
Property, plant and equipment	11	**3.4**	2.9
Investment in joint ventures		**–**	0.1
Other investments	12	**9.8**	3.2
Derivative financial instruments	16(e) & (f)	**10.1**	2.5
		2,616.3	2,298.8
Current assets			
Trade and other receivables	13	**13.7**	22.4
Asset held for sale	10	**25.5**	–
Cash and cash equivalents	14	**26.7**	18.0
		65.9	40.4
Total assets		**2,682.2**	2,339.2
Current liabilities			
Trade and other payables	15	**(77.0)**	(75.5)
Deferred tax	6	**–**	–
		(77.0)	(75.5)
Non-current liabilities			
Borrowings	16(a)	**(623.2)**	(550.8)
		(623.2)	(550.8)
Total liabilities		**(700.2)**	(626.3)
Net assets		**1,982.0**	1,712.9
Shareholders' equity			
Share capital	19	**180.4**	163.8
Share premium	19	**295.1**	135.3
Investment in own shares	21	**(9.3)**	(9.3)
Other reserves	20	**27.4**	19.4
Retained earnings		**1,488.4**	1,403.7
Total shareholders' equity		**1,982.0**	1,712.9
EPRA net asset value per share	9	**£10.86**	£10.37

The notes on pages 172 to 200 form part of these financial statements.

The financial statements on pages 168 to 200 were approved and authorised for issue by the Board of Directors on 4 June 2019 and signed on its behalf by:

G Clemett
Director

Consolidated statement of changes in equity

For the year ended 31 March 2019

		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 2017		163.2	135.4	(8.9)	18.7	1,270.1	1,578.5
Profit for the financial year		–	–	–	–	171.4	171.4
Other comprehensive income for the year	20	–	–	–	(1.0)	–	(1.0)
Total comprehensive income		–	–	–	(1.0)	171.4	170.4
Transactions with owners:							
Share issues	19	0.6	(0.1)	–	–	–	0.5
Own shares purchase (net)		–	–	(0.4)	–	–	(0.4)
Dividends paid	7	–	–	–	–	(37.8)	(37.8)
Share based payments	22	–	–	–	1.7	–	1.7
Balance at 31 March 2018		163.8	135.3	(9.3)	19.4	1,403.7	1,712.9
Profit for the financial year		**–**	**–**	**–**	**–**	**137.3**	**137.3**
Other comprehensive income for the year	20	**–**	**–**	**–**	**6.1**	**–**	**6.1**
Total comprehensive income		**–**	**–**	**–**	**6.1**	**137.3**	**143.4**
Transactions with owners:							
Share issues	19	**16.6**	**159.8**	**–**	**–**	**–**	**176.4**
Dividends paid	7	**–**	**–**	**–**	**–**	**(52.6)**	**(52.6)**
Share based payments	22	**–**	**–**	**–**	**1.9**	**–**	**1.9**
Balance at 31 March 2019		**180.4**	**295.1**	**(9.3)**	**27.4**	**1,488.4**	**1,982.0**

The notes on pages 172 to 200 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2019

	Notes	2019 £m	2018 £m
Cash flows from operating activities			
Cash generated from operations	18	**99.8**	93.2
Interest paid		**(23.7)**	(18.8)
Tax paid		**–**	(0.2)
Net cash inflow from operating activities		**76.1**	74.2
Cash flows from investing activities			
Purchase of investment properties		**(220.8)**	(370.4)
Capital expenditure on investment properties		**(86.7)**	(73.8)
Proceeds from disposal of investment properties (net of sale costs)		**50.8**	128.1
Purchase of intangible assets		**(0.6)**	(1.1)
Purchase of property, plant and equipment		**(1.5)**	(1.0)
Other income (overage receipts)		**5.8**	8.7
Purchase of investments		**(1.5)**	(0.1)
Income distributions from joint ventures	12(a)	**0.1**	0.2
Net cash outflow from investing activities		**(254.4)**	(309.4)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	19	**176.4**	0.5
Finance costs for new/amended borrowing facilities		**(0.7)**	(1.9)
Exceptional finance costs		**(2.9)**	–
Settlement and re-couponing of derivative financial instruments		**(0.2)**	(0.1)
Repayment of bank borrowings and Retail Bond	16(b)	**(343.5)**	(294.0)
Draw down of bank borrowings and Private Placement Notes	16(b)	**410.0**	580.0
Own shares purchase (net)		**–**	(0.4)
Dividends paid	7	**(52.1)**	(37.4)
Net cash inflow from financing activities		**187.0**	246.7
Net increase in cash and cash equivalents		**8.7**	11.5
Cash and cash equivalents at start of year	18	**18.0**	6.5
Cash and cash equivalents at end of year	18	**26.7**	18.0

The notes on pages 172 to 200 form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2019

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 2041612.

Basis of preparation

These 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 Financial Reporting Standards ('IFRS') and IFRS IC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Directors, having made reasonable enquiries have a reasonable expectation that the Group and the Company have adequate resources and sufficient loan facility headroom. The Directors believe the net current liability position at the balance sheet does not impact on their assessment of going concern. The details of the going concern assessment can be found on page 66.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and certain financial assets and liabilities (including derivative financial instruments, and other investments) at fair value through profit or loss or equity.

New accounting standards, amendments and guidance

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

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

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

IFRS 15 – Revenue from contracts with customers

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

IFRS 9 – Financial Instruments

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

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

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

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

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

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

IFRS 16	Leases

IFRS 16 – Leases

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

Significant judgements, key assumptions and estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Group's significant accounting policies are stated below. Not all of these accounting policies require management to make subjective or complex judgements. The following is intended to provide an understanding of the significant judgements within the accounting policies that management consider critical because of the assumptions or estimation involved in their application and their impact on the consolidated financial statements.

Investment property valuation

The Group uses the valuation performed by its independent valuer as the fair value of its investment properties. The valuation is based upon the key assumptions of estimated rental values and market based yields. With regard to redevelopments and refurbishments, future development costs and an appropriate discount rate are also used. In determining fair value the valuers make reference to market evidence and recent transaction prices for similar properties.

Details of the valuation methodology and key assumptions are given in note 10. Management consider the significant assumptions to the valuation of investment properties to be estimated rental values and market based yields. Sensitivities on these assumptions are provided in note 10.

Significant accounting policies
The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless stated otherwise.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings up to 31 March 2019. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

Inter company transactions, balances and unrealised gains from intra group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investment properties
Investment properties are those properties owned or leased by the Group that are held either to earn rental income or for capital appreciation, or both, and are not occupied by the Company or subsidiaries of the Group.

Investment property is measured initially at cost, including related transaction costs. After initial recognition investment property is held at fair value based on a valuation by an independent professional external valuer at each reporting date. The valuation methods and key assumptions applied are explained in note 10. Changes in fair value of investment property at each reporting date are recorded in the consolidated income statement.

Investment properties acquired under finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the net present value of the minimum lease payments. The investment properties acquired under finance leases are subsequently carried at fair value plus an adjustment for the carrying amount of the finance lease obligation. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the consolidated income statement.

Properties are treated as acquired at the point the Group assumes the significant risks and rewards of ownership and are treated as disposed when these are transferred outside of the Group's control.

Existing investment properties which undergo redevelopment and refurbishment for continued future use remain in investment property where the purpose of holding the property continues to meet the definition of investment property as defined above. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group, and the cost of each item can be reliably measured. Certain internal staff costs directly attributable to capital/redevelopment projects are capitalised. All other repairs and maintenance costs are charged to the consolidated income statement during the period in which they are incurred.

Capitalised interest on refurbishment/redevelopment expenditure is added to the asset's carrying amount. Borrowing costs capitalised are calculated by reference to the actual interest rate payable on borrowings, or if financed out of general borrowings by reference to the average rate payable on funding the assets employed by the Group and applied to the direct expenditure on the property undergoing redevelopment. Interest is capitalised from the date of commencement of the redevelopment activity until the date when substantially all the activities necessary to prepare the asset for its intended use are complete.

Investment properties are recognised as 'assets held for sale' when it is considered highly probable that sale completion will take place. This is assumed when a sale has exchanged contracts by the balance sheet date and its carrying amount is highly probably to be recovered within one year.

Income from the sale of assets is recognised when the significant risks and returns have been transferred to the buyer. In the case of sales of properties this is generally taken on completion of the contract. In the case of a part disposal agreement, the part of the asset being disposed will be derecognised from investment property when completion is reached or when a finance lease agreement is signed (i.e. when the risks and rewards of this part of the site transfer to the developer). Profit or loss on disposal is taken as the consideration receivable (net of costs) less the latest valuation (net book value) and is taken to other operating income/expense.

Consideration can take the form of cash, new commercial buildings and a right to future overage (generally being a share in the proceeds of any future sale of the residential development to be constructed by the developer). Revenue is recognised when all relevant criteria in IAS 18 are met, specifically when the inflow of economic benefit is probable and when the amount can be measured reliably.

Consideration (including overage) is measured at the fair value of the consideration received/receivable.

Commercial property to be received is fair valued using the residual method described in note 10 and is included in investment property. Changes in fair value are recognised through the Consolidated income statement in accordance with IAS 40.

Overage is only recognised once an agreement has been signed with a residential developer. Overage represents a financial asset and is designated as a financial asset at fair value through profit or loss upon initial recognition. The carrying value of overage is assessed at each period end and changes in fair value are taken to Other operating income.

Acquisitions
Where properties are acquired through corporate acquisitions and there are no significant assets (other than investment property) and liabilities, and without a business being acquired, the acquisition is treated as an asset acquisition. In all other cases, the acquisition is treated as a business combination.

Intangible assets
Intangible assets are stated at historical cost, less accumulated amortisation. Acquired computer software licences and external costs of implementing or developing computer software programs and websites are capitalised. These costs are amortised over their estimated useful lives of five years on a straight-line basis.

Costs associated with maintaining computer software programs are recognised as an expense as they fall due.

Property, plant and equipment
Equipment and fixtures

Equipment and fixtures are stated at historical purchase cost less accumulated depreciation and impairment. Historical cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Subsequent expenditure is charged to the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of each item can be reliably measured. All other repairs and maintenance costs are charged to the Consolidated income statement during the period in which they are incurred.

Depreciation is provided using the straight-line method to allocate the cost less estimated residual value over the assets' estimated useful lives which range from four to 10 years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at least at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Joint ventures
Joint ventures are those entities over which the Group, either directly or indirectly, is in a position to jointly control the financial and operating policies of the entity. Joint ventures are accounted for under the equity method whereby the Group's investment is initially accounted for at cost and adjusted thereafter to recognise the Group's share of the gains or losses in the joint venture. These are adjusted for any gains or losses arising from transactions between the Group and the joint venture.

Other investments
Investments in unlisted shares are accounted for under IFRS 9 at fair value, using a valuation multiple and financial information. Changes in fair value are shown in the consolidated statement of other comprehensive income.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment where it is established there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The provision is recorded in the consolidated income statement.

Deferred consideration on the disposal of investment properties is included within trade and other receivables. It is fair valued on recognition and at each year end with any movement taken to Other operating income.

Trade and other payables
Trade and other payables are initially recognised at fair value and subsequently held at amortised cost.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, restricted cash in the form of tenants' deposits and deposits held on call with banks. Bank overdrafts are included in current liabilities but within cash and cash equivalents for the purpose of the consolidated cash flow statement.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, with any difference between the initial amount (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method, except for interest capitalised on redevelopments.

Foreign currency translation
Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in Other comprehensive income as qualifying cash flow hedges.

Derivative financial instruments and hedge accounting
The Group enters into derivative transactions in order to manage its exposure to foreign currency fluctuations and interest rate risks. Financial derivatives are recorded at fair value calculated by valuation techniques based on market prices, estimated future cash flows and forward interest rates.

For financial derivatives (where hedge accounting is not applied) movements in fair value are recognised in the consolidated income statement. In line with IFRS 13, fair values of financial derivatives are measured at the estimated amount that the Group would receive or pay to terminate the agreement at the balance sheet date, taking into account the current interest expectations and current credit value adjustment of the counterparties.

The Group applies hedge accounting for certain derivatives that are designated and effective as hedges of future cash flows (cash flow hedges). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in note 16. Movements on the hedging reserve in other comprehensive income are shown in note 20.

For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in consolidated statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within other gains/(losses). Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, to offset the currency movement on borrowings that are hedged at each period end). The gain or loss relating to the effective portion of swaps hedging the currency of borrowings is recognised in the consolidated income statement.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Investment in own shares
The Group operates an Employee Share Ownership Trust ('ESOT') and a trust for the Share Incentive Plan ('SIP'). When the Group funds these trusts in order to purchase Company shares, the loan is deducted from Shareholders' equity as investment in own shares.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision maker is the Executive Committee of the Company. The Group considers that it has only one operating segment being a single portfolio of commercial property providing business accommodation for rent in London.

Revenue recognition
Revenue comprises rental income, service charges and other sums receivable from the Group's investment properties. Other sums comprise insurance charges, supplies of utilities, premia associated with surrender of tenancies, commissions, fees and other sundry income.

All the Group's properties are leased out under operating leases and are included in investment property in the consolidated balance sheet. Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the lease term. Rent received in advance is deferred in the consolidated balance sheet and recognised in the period to which it relates to. If the Group provides significant incentives to its customers the incentives are recognised over the lease term on a straight-line basis.

Service charges and other sums receivable from tenants are recognised on an accruals basis by reference to the stage of completion of the relevant service or transactions at the reporting date. These services generally relate to a 12-month period.

Direct costs
Direct costs comprise service charges and other costs directly recoverable from tenants and non-recoverable costs directly attributable to investment properties and other revenue streams.

Exceptional items
Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Share based payments
The Group operates a number of share schemes under which the Group receives services from employees as consideration for equity instruments of the Group.

The fair value of the employee services received in exchange for the grant of share awards and options is recognised as an expense over the vesting period.

Fair value is measured by the use of Black-Scholes and Binomial option pricing models. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Pensions
The Group operates a defined contribution pension scheme. Contributions are charged to the consolidated income statement on an accruals basis.

Taxation
Current income tax is tax payable on the taxable income for the year and any prior year adjustment, and is calculated using tax rates that have been substantively enacted by the consolidated balance sheet date.

Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Compliance with the Real Estate Investment Trust ('REIT') taxation regime
The Group is a REIT and is thereby exempt from tax on both rental profits and chargeable gains from its UK property rental business. In order to retain REIT status, certain ongoing criteria must be maintained. The main criteria are as follows:
- At the start of each accounting period, the assets of the tax exempt business must be at least 75% of the total value of the Group's assets;
- At least 75% of the Group's total profits must arise from the tax exempt business; and
- At least 90% of the tax exempt business earnings must be distributed.

Dividend distributions
Final dividend distributions to the Company's Shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved, while interim dividends are recognised when paid.

1. Analysis of net rental income and segmental information

	2019			2018		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**123.7**	**(3.8)**	**119.9**	106.1	(3.4)	102.7
Service charges	**19.3**	**(24.6)**	**(5.3)**	17.7	(21.8)	(4.1)
Empty rates and other non-recoverables	**–**	**(5.3)**	**(5.3)**	–	(5.0)	(5.0)
Services, fees, commissions and sundry income	**6.4**	**(4.7)**	**1.7**	5.1	(3.1)	2.0
	149.4	**(38.4)**	**111.0**	128.9	(33.3)	95.6

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

2. Operating profit

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

	2019 £m	2018 £m
Depreciation[1]	**1.0**	1.1
Staff costs (including share based costs)[1] (note 5)	**18.8**	18.6
Repairs and maintenance expenditure on investment properties	**3.7**	2.6
Trade receivables impairment (note 13)	**0.7**	0.6
Amortisation of intangibles	**0.4**	0.3
Operating lease rentals payable	**0.1**	0.1
Audit fees payable to the Company's Auditor	**0.2**	0.2

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

Auditor's remuneration: Services provided by the Company's Auditor and its associates	**2019 £000**	2018 £000
Audit fees:		
Audit of Parent Company and consolidated financial statements	**154**	150
Audit of subsidiary financial statements	**27**	20
	181	170
Fees for other services:		
Audit-related assurance services	**31**	30
Total fees payable to Auditor	**212**	200

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

3(a). Profit on disposal of investment properties

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

3(b). Other income

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

3(c). Other expenses

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

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

4. Finance costs

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

Exceptional finance costs of £3.1m were incurred upon repayment of the £57.5m 6% Retail Bond in September 2018. The costs included a £2.9m premium on redemption and £0.2m of unamortised finance costs and legal fees relating to this debt.

5. Employees and Directors

Staff costs for the Group during the year were:	**2019 £m**	2018 £m
Wages and salaries	**15.8**	15.6
Social security costs	**1.9**	1.9
Other pension costs (note 26)	**0.8**	0.8
Cash settled share based costs (note 22)	**0.3**	0.6
Equity settled share based costs (note 22)	**1.9**	1.7
	20.7	20.6
Less costs capitalised	**(1.9)**	(2.0)
	18.8	18.6

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

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 127 to 154. These form part of the financial statements.

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

6. Taxation

	2019 £m	2018 £m
Current tax:		
UK corporation tax	–	–
Adjustments to tax in respect of previous periods	–	(0.1)
	–	(0.1)
Deferred tax:		
On origination and reversal of temporary differences	–	(0.9)
	–	(0.9)
Total taxation credit	–	(1.0)

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

	2019 £m	2018 £m
Profit before taxation	**137.3**	170.4
Tax at standard rate of corporation tax in the UK of 19% (2018: 19%)	**26.0**	32.4
Effects of:		
REIT exempt income	**(15.1)**	(17.1)
Changes in fair value not subject to tax as a REIT	**(11.5)**	(15.7)
Share based payment adjustments	**0.1**	(0.4)
Overage income subject to tax when received	–	0.6
Adjustments to tax in respect of previous periods	–	(0.1)
Losses carried forward previously unrecognised	**0.6**	0.1
Utilisation of losses unrecognised brought forward	–	(0.8)
Other non-taxable expenses	**(0.1)**	–
Total taxation credit	–	(1.0)

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

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

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

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

6. Taxation continued

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

Deferred tax liabilities	Other income (overage receipts) £m	Total £m
At 1 April 2017	1.8	1.8
Credited to income statement	(1.0)	(1.0)
At 31 March 2018	**0.8**	**0.8**
Credited to income statement	**(0.2)**	**(0.2)**
At 31 March 2019	**0.6**	**0.6**

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

7. Dividends

	Payment date	Per share	**2019 £m**	2018 £m
For the year ended 31 March 2017:				
Final dividend	August 2017	14.27p	**–**	23.3
For the year ended 31 March 2018:				
Interim dividend	February 2018	8.84p	**–**	14.5
Final dividend	August 2018	18.55p	**33.4**	–
For the year ended 31 March 2019:				
Interim dividend	February 2019	10.61p	**19.2**	–
Dividends for the year			**52.6**	37.8
Timing difference on payment of withholding tax			**(0.5)**	(0.4)
Dividends cash paid			**52.1**	37.4

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 March 2019 of 22.26 pence per ordinary share which will absorb an estimated £40.2m of revenue reserves and cash. If approved by the Shareholders at the AGM, it will be paid on 2 August 2019 to Shareholders who are on the register of members on 5 July 2019. The dividend will be paid as a REIT Property Income Distribution ('PID') net of withholding tax where appropriate.

8. Earnings per share

Earnings used for calculating earnings per share:	2019 £m	2018 £m
Basic and diluted earnings	**137.3**	171.4
Change in fair value of investment properties	**(60.8)**	(82.5)
Exceptional finance costs	**3.1**	–
Profit on disposal of investment properties	**(8.3)**	(26.6)
EPRA earnings	**71.3**	62.3
Adjustment for non-trading items:		
Other income/(expenses)	**1.1**	(0.6)
Taxation	**–**	(1.0)
Trading profit after interest	**72.4**	60.7

Earnings have been adjusted to derive an earnings per share measure as defined by the European Public Real Estate Association ('EPRA') and an adjusted underlying earnings per share measure.

Number of shares used for calculating earnings per share:	2019 Number	2018 Number
Weighted average number of shares (excluding own shares held in trust)	**177,138,144**	163,495,793
Dilution due to share option schemes	**1,258,651**	1,293,620
Weighted average number of shares for diluted earnings per share	**178,396,795**	164,789,413

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

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

9. Net assets per share and total accounting return

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

Number of shares used for calculating net assets per share:	2019 Number	2018 Number
Shares in issue at year-end	**180,385,498**	163,806,591
Less own shares held in trust at year-end	**(135,946)**	(163,874)
Dilution due to share option schemes	**1,267,169**	1,262,717
Number of shares for calculating diluted adjusted net assets per share	**181,516,721**	164,905,434

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

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

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

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

10. Investment properties

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

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

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

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

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

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

Two properties were reclassified as held for sale at year end and have been classified as current assets. These properties have exchanged for sale and will likely complete within the next 12 months. The value they have been transferred at is their year end valuation per CBRE.

Valuation

The Group's investment properties are held at fair value and were revalued at 31 March 2019 by the external valuer, CBRE Limited, a firm of independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards 2014. All the properties are revalued at period end regardless of the date of acquisition. This includes a physical inspection of all properties, at least once a year. In line with IFRS 13, all investment properties are valued on the basis of their highest and best use. For like-for-like properties their current use equates to the highest and best use. For properties undergoing refurbishment or redevelopment, most of these are currently being used for business accommodation in their current state. However, the valuation is based on the current valuation at the balance sheet date including the impact of the potential refurbishment and redevelopment as this represents the highest and best use.

The Executive Committee and the Board both conduct a detailed review of each property valuation to ensure appropriate assumptions have been applied. Meetings are held with the valuers to review and challenge the valuations, ensuring they have considered all relevant information, and rigorous reviews are performed to ensure valuations are sensible.

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

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

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

10. Investment properties continued

Valuation continued

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

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

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

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

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

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

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

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

Key unobservable inputs:

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

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

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

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £199–£294 per sq. ft. and a weighted average of £233 per sq. ft.

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

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

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

11. Property, plant and equipment

Cost or valuation	Equipment and fixtures £m
1 April 2017	6.1
Additions during the year	1.1
Balance at 31 March 2018	7.2
Additions during the year	1.5
Balance at 31 March 2019	**8.7**
Accumulated depreciation	
1 April 2017	3.2
Charge for the year	1.1
Balance at 31 March 2018	4.3
Charge for the year	1.0
Balance at 31 March 2019	**5.3**
Net book amount at 31 March 2019	**3.4**
Net book amount at 31 March 2018	2.9

12. Other Investments

The Group holds the following investment:

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

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

In accordance with IFRS 9 the valuation of the share in Excell Holdings has been adjusted to fair value, resulting in a gain of £4.0m in the financial year, recognised in the consolidated statement of other comprehensive income.

13. Trade and other receivables

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

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

The deferred consideration arising on the sale of investment properties relates to cash and overage. The overage has been fair valued by CBRE Limited using appropriate discount rates, and will be revalued on a regular basis. This is a Level 3 valuation of a financial asset, as defined by IFRS 13. The change in fair value recorded in the consolidated income statement, including both current and non-current elements, was a loss of £1.1m (31 March 2018: £0.4m profit) (note 3(c)).

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

Receivables at amortised cost:
The remaining receivables are held at amortised cost. There is no material difference between the above amounts and their fair values due to the short-term nature of the receivables. Trade receivables are impaired when there is evidence that the amounts may not be collectable under the original terms of the receivable. All the Group's trade and other receivables are denominated in Sterling.

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

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

14. Cash and cash equivalents

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

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

15. Trade and other payables

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

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

16. Borrowings

(a) Balances

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

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

(b) Net Debt

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

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

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

16. Borrowings continued
(c) Maturity

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

(d) Interest rate and repayment profile

	Principal at period end £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	–	Base+2.25%	Variable	On demand
Non-current				
Private Placement Notes:				
5.6% Senior US Dollar Notes	64.5	5.6%	Half yearly	June 2023
5.53% Senior Notes	84.0	5.53%	Half yearly	June 2023
Senior Floating Rate Notes	9.0	LIBOR+3.5%	Half yearly	June 2020
3.07% Senior Notes	80.0	3.07%	Half yearly	August 2025
3.19% Senior Notes	120.0	3.19%	Half yearly	August 2027
3.6% Senior Notes	100.0	3.6%	Half yearly	January 2029
Bank loan	140.0	LIBOR+1.65%	Monthly	June 2022
	597.5			

(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:

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

(f) Financial instruments and fair values

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

In accordance with IFRS 13 disclosure is required for financial instruments that are carried or disclosed in the financial statements at fair value. The fair values of all the Group's financial derivatives, bank loans and Private Placement Notes, have been determined by reference to market prices and discounted expected cash flows at prevailing interest rates and are Level 2 valuations. The fair value of the Retail Bond has been established from the quoted market price at 31 March 2018 and is thus a Level 1 valuation. There have been no transfers between levels in the year.

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

16. Borrowings continued
(g) Financial instruments by category

Assets	2019 £m	2018 £m
a) Assets at value through profit or loss		
Deferred consideration (overage)	**2.9**	0.9
	2.9	0.9
b) Loans and receivables		
Cash and cash equivalents	**26.7**	18.0
Trade and other receivables excluding prepayments[1]	**5.7**	15.1
	32.4	33.1
c) Assets at value through other comprehensive income		
Other investments	**9.8**	3.2
	9.8	3.2
Total	**45.1**	37.2

Liabilities	2019 £m	2018 £m
Other financial liabilities at amortised cost		
Borrowings (excluding finance leases)	**607.4**	534.7
Finance lease liabilities	**15.8**	16.1
Trade and other payables excluding non-financial liabilities[2]	**65.0**	63.0
	688.2	613.8

1. Trade and other receivables exclude prepayments of £5.1m (2018: £6.4m) and non-cash deferred consideration of £2.9m (2018: £0.9m).
2. Trade and other payables exclude other tax and social security of £0.4m (2018: £4.4m), and deferred income of £11.6m (2018: £8.5m).

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

Minimum lease payments under finance leases fall due as follows:

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

(i) Changes in liabilities from financing activities

	Bank loans and borrowings £m	Finance lease liabilities £m	Derivatives used for hedging-assets £m
Balance at 1 April	534.7	16.1	2.5
Changes from financing cash flows:			
Proceeds from bank borrowings and Private Placement Notes	410.0	–	–
Repayment of bank borrowings and Retail Bond	(343.5)	–	–
Finance costs for new/amended borrowing facilities	(0.7)	–	–
Settlement of derivative financial instruments	–	–	(0.2)
Total changes from cash flows	65.8	–	(0.2)
Changes in fair value of derivative financial instruments	–	–	7.6
Foreign exchange differences	5.4	–	0.2
Amortisation of issue costs of borrowing	1.5	–	–
Changes in finance leases	–	(0.3)	–
Interest payable/(receivable)	22.2	0.9	–
Interest paid/(received)	(22.2)	(0.9)	–
Total other changes	6.9	(0.3)	7.8
Balance at 31 March 2019	**607.4**	**15.8**	**10.1**

17. Financial risk management objectives and policy

The Group has identified exposure to the following financial risks:
- Market risk.
- Credit risk.
- Liquidity risk.
- Capital risk management.

The policies for managing each of these risks and the principal effects of these policies on the results for the year are summarised below:

(a) Market risk

Market risk is the risk that changes in market conditions will affect the Group's interest rates. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group finances its operations through a mixture of retained profits and borrowings. The Group borrows at both fixed and floating rates of interest and then uses interest rate and cross currency swaps and caps to generate the desired interest and risk profile. The Group has entered into a cross currency swap to ensure the US Dollar liability streams generated from the US Dollar private placement notes are fully hedged into Sterling for the life of the transaction. At 31 March 2019 75% (2018: 77%) of Group borrowings were fixed or fixed through the use of interest rate and cross currency swaps.

All transactions entered into are approved by the Board and are in accordance with the Group's treasury policy. The Board also monitors variances on interest rates to budget and forecast rates to ensure that the risk relating to interest rates is being sufficiently safeguarded against. Based upon year end variable rate loan balances, a reasonably possible interest rate movement of +/-0.5% would have increased and decreased net interest payable by £0.7m (2018: £0.6m).

Interest cover covenants in relation to Group borrowings is a ratio of 2.0x and the Group targets a minimum cover of 2.5x. As at 31 March 2019 interest cover was 5.2x. Interest cover is calculated as net rental income divided by finance costs (excluding exceptional finance costs).

(b) Credit risk

The Group's main financial assets are cash and cash equivalents, deposits with banks and financial institutions and trade and other receivables.

Credit risk is the risk of financial loss if a tenant or a counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to this risk principally relates to the receivables from tenants, deferred consideration on the sale of investment property and cash and cash equivalent balances held with counterparties.

The Group's exposure to credit risk in relation to receivables from tenants is influenced mainly by the characteristics of individual tenants occupying its rental properties. The Group has around 4,900 lettable units with overall occupancy of 85% at 64 properties. The largest 10 single tenants generate around 15% of net rent roll. As such, the credit risk attributable to individual tenants is low.

The Group's credit risk in relation to tenants is further managed by requiring that tenants provide a deposit equivalent to three months' rent on inception of lease as security against default. Total tenant deposits held are £30.6m (2018: £28.1m). The Group monitors aged debt balances and any potential bad debts every week, the information being reported to the Executive Committee every month as part of the performance monitoring process. The Group's debt recovery is consistently high and as such is deemed a low risk area.

17. Financial risk management objectives and policy continued

(b) Credit risk continued

Deferred consideration (cash and overage) on the sale of investment properties is contractual and valued regularly by the external valuer based on current and future market factors. Cash and cash equivalents and financial derivatives are held with major UK high street banks or building societies and strict counterparty limits are operated on deposits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019 £m	2018 £m
Cash and cash equivalents (note 14)	**26.7**	13.9
Trade receivables – current (note 13)	**4.3**	3.2
Deferred consideration – current (note 13)	**2.9**	7.0
	33.9	24.1

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to target a minimum headroom on loan facilities of £50m, so as to enable it to have sufficient funds to meet financial obligations as they fall due. This is performed via a variety of methods including daily cash flow review and forecasting, monthly monitoring of the maturity profile of debt and the regular revision of borrowing facilities in relation to the Group's requirements and strategy. The Board reviews compliance with loan covenants which include agreed interest cover and loan to value ratios, alongside review of available headroom on loan facilities.

To ensure it can effectively manage its liquidity risk, the Group has an overdraft facility of £2m (2018: £2m) and a revolving loan facility of £250m (2018: £250m). At 31 March 2019 headroom excluding overdraft and cash was £110m (31 March 2018: £134m).

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities, derivative financial instruments and trade and other payables existing at the balance sheet date. Contracted cash flows are based upon the loan balances and applicable interest rates payable on these at each year end.

31 March 2019	**Carrying* amount £m**	**Due within 1 year £m**	**Due between 1 and 2 years £m**	**Due between 2 and 3 years £m**	**Due 3 years and beyond £m**	**Total contracted cash flows £m**
Financial liabilities						
Bank loans	**140.0**	**3.3**	**3.3**	**3.3**	**140.6**	**150.5**
Private Placement Notes	**457.5**	**18.5**	**27.3**	**18.2**	**518.9**	**582.9**
Finance lease liabilities	**15.8**	**1.0**	**1.0**	**1.0**	**94.9**	**97.9**
Trade and other payables†	**65.0**	**65.0**	**–**	**–**	**–**	**65.0**
	678.3	**87.8**	**31.6**	**22.5**	**754.4**	**896.3**

31 March 2018	Carrying* amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial liabilities						
Bank loans	116.0	2.5	2.5	2.5	118.9	126.4
6% Retail Bond	57.5	3.5	59.4	–	–	66.4
Private Placement Notes	357.5	14.9	14.9	23.7	400.6	454.1
Finance lease liabilities	16.1	1.0	1.0	1.0	97.2	100.2
Trade and other payables†	62.6	62.6	–	–	–	62.6
	609.7	84.5	77.8	27.2	616.7	809.7

† Trade and other payables exclude other tax and social security of £0.4m (2018: £4.4m) and deferred income of £11.6m (2018: £8.5m).
* Excludes unamortised borrowing costs.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and monitor an appropriate mix of debt and equity financing.

Equity comprises issued share capital, reserves and retained earnings as disclosed in the Consolidated statement of changes in equity. Debt comprises term loan facilities, revolving loan facilities from banks, private placement notes less cash at bank and in hand.

The foreign currency risk on the US Dollar Private Placement Notes is fully hedged through a cross currency swap.

At 31 March 2019 Group equity was £1,982.0m (2018: £1,712.9m) and Group net debt (debt less cash at bank and in hand) was £580.2m (2018: £517.1m). Group gearing at 31 March 2019 was 29% (2018: 30%).

The Group's borrowings are all unsecured. The loan to value covenant applicable to these borrowings is 60% and compliance is being met comfortably. Loan to value at 31 March 2019 was 22%. This is calculated using the total CBRE investment property valuation (as per note 10) and the current net debt (as per note 16b). Our target is to maintain loan to value below 30%. This may from time-to-time be exceeded up to a maximum of 40% as steps are taken to reduce loan to value to below 30%.

18. Notes to cash flow statement

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

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

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

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

19. Share capital and share premium

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

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

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

	Share Capital		Share Premium	
	2019 £m	2018 £m	2019 £m	2018 £m
Balance at 1 April	**163.8**	163.2	**135.3**	135.4
Issue of shares	**16.6**	0.6	**159.8**	(0.1)
Balance at 31 March	**180.4**	163.8	**295.1**	135.3

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 2017	–	14.0	8.7	(4.0)	18.7
Share based payments	–	1.7	–	–	1.7
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	–	(1.0)	(1.0)
Balance at 31 March 2018	–	15.7	8.7	(5.0)	19.4
Share based payments	–	1.9	–	–	1.9
Change in fair value of other investments (note 12)	4.0	–	–	–	4.0
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	–	2.1	2.1
Balance at 31 March 2019	**4.0**	**17.6**	**8.7**	**(2.9)**	**27.4**

21. Investment in own shares

The Company has an Employee Share Ownership Trust ('ESOT') and a trust for the Share Incentive Plan ('SIP'). Shares are purchased in the market for distribution at a later date in accordance with the terms of the various share schemes. The shares are held by independent trustees. At 31 March 2019 the number of shares held by the ESOT totalled 75,226 (2018: 75,226).

The SIP is governed by HMRC rules (note 22). At 31 March 2019 the number of shares held for the SIP totalled 60,720 (2018: 76,123).

	2019 £m	2018 £m
Balance at 1 April	**9.3**	8.9
Shares purchased for the Trusts	**–**	0.4
Balance at 31 March	**9.3**	9.3

22. Share based payments

The Group operates a number of share schemes:

(a) Long term equity incentive plan ('LTIP')

The LTIP scheme is a performance award scheme whereby shares are issued against Group performance measures which are assessed over the three-year vesting period.

For the 2017 and 2018 schemes these were:
- Relative TSR.
- Total Property Return compared to the IPD benchmark.

For the 2016 scheme these were relative TSR, absolute TSR and relative NAV.

The shares are issued at nil consideration provided the performance conditions are met.

Under the 2018 LTIP scheme 425,089 performance shares were awarded in June 2018 to Directors and Senior Management (2017 LTIP scheme: 495,009).

Details of the movements for the LTIP scheme during the year were as follows:

	LTIP
	Number
At 1 April 2017	1,393,895
Granted	473,947
Exercised	(495,009)
Lapsed	(72,488)
At 31 March 2018	1,300,345
Granted	425,089
Exercised	(234,161)
Lapsed	(144,264)
At 31 March 2019	**1,347,009**

For the 2015 LTIP Scheme, which vested in June 2018, the average closing share price at the date of exercise of shares exercised during the year was £10.81 (2015: £9.07).

A binomial model was used to determine the fair value of the LTIP grant for the Absolute TSR and Relative TSR elements of the 2016 LTIP scheme and Relative TSR for the 2017 and 2018 schemes.

Assumptions used in the model were as follows:

	2018 LTIP	2017 LTIP	2016 LTIP
Share price at grant	**1100p**	890p	828p
Exercise price	**Nil**	Nil	Nil
Average expected life (years)	**3**	3	3
Risk free rate	**1%**	1%	1%
Expected dividend yield	**3%**	3%	2%
Average share price volatility	**29%**	29%	28%
Fair value per option – Absolute TSR element	**n/a**	n/a	316p
Fair value per option – Relative TSR element	**397p**	333p	306p

The Total Property Return compared to the IPD benchmark is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 1100 pence. At each balance sheet date, the Directors will assess the likelihood of meeting the conditions under this element of the scheme. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity. The assessment at year end was that up to 60% of the Total Return element will vest.

The expected Workspace share price volatility was determined by taking account of the daily share price movement over a three-year period. The respective FTSE 250 Real Estate share price volatility and correlations were also determined over the same period. The average expected term to exercise used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions and historical experience.

The risk free rate has been determined from market yield curves for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant. The expected dividend yield was determined by calculating the present value of expected future dividend payments to expiry.

22. Share based payments continued

(b) Employee share option schemes

The Group operates a Save As You Earn ('SAYE') share option scheme. Grants under the SAYE scheme are normally exercisable after three or five years' saving. In accordance with UK practice, the majority of options under the SAYE schemes are granted at a price 20% below the market price ruling at the date of grant.

Details of the movements for the SAYE schemes during the year were as follows:

	SAYE	
Options outstanding	Number	Weighted exercise price
At 1 April 2017	305,211	£4.85
Options granted	89,488	£7.09
Options exercised	(111,517)	£2.37
Options lapsed	(18,059)	£5.85
At 31 March 2018	265,123	£5.82
Options granted	40,547	£8.60
Options exercised	(24,684)	£5.69
Options lapsed	(23,532)	£6.06
At 31 March 2019	**257,454**	**£6.25**

The average closing share price at the date of exercise for the SAYE options exercised (for the three-year 2015 and the five-year 2013 schemes) during the year was £9.70 (2018: £8.84).

The fair value has been calculated using the Black-Scholes model. Inputs to the model are summarised as follows:

	2019 SAYE 3 year	**2019 SAYE 5 year**	2018 SAYE 3 year	2018 SAYE 5 year
Weighted average share price at grant	**1075p**	**1075p**	851p	851p
Exercise price	**860p**	**860p**	709p	709p
Expected volatility	**29%**	**29%**	28%	28%
Average expected life (years)	**3**	**5**	3	5
Risk free rate	**1%**	**1%**	1%	1%
Expected dividend yield	**3%**	**3%**	2%	2%
Possibility of ceasing employment before vesting	**25%**	**25%**	25%	25%

The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is based on the present value of expected future dividend payments to expiry.

Fair values per share of these options were:

	2019		2018	
	Grant date	**Fair value of award**	Grant date	Fair value of award
SAYE – three year	**24 July 2018**	**303p**	26 July 2017	204p
SAYE – five year	**24 July 2018**	**342p**	26 July 2017	225p

(c) Share incentive plan ('SIP')

All staff were granted £1,000 worth of shares in both March 2013 and September 2015 and £2,000 in August 2017. These shares are held in trust under an HMRC approved SIP. The shares can be exercised following three years of employment but must be held for a further two years in order to qualify for tax advantages. No new shares were granted in the year (2018: 46,968). 15,463 (2018: 12,179) shares were exercised in the year and 4,853 (2018: 6,102) shares lapsed.

(d) Year end summary

At 31 March 2019 in total there were 1,665,183 (2018: 1,649,658) share awards/options exercisable on the Company's ordinary share capital. These are analysed below:

Date of grant	Exercise price	Ordinary shares Number	Vested and exercisable	Exercisable between	
LTIP					
26 June 2016	–	455,785	–	26.06.2019	–
26 June 2017	–	466,135	–	26.06.2020	–
26 June 2018	–	425,089	–	26.06.2021	–
SAYE					
25 July 2014 – five year	£4.59	392	–	01.09.2019	01.03.2020
25 July 2015 – five year	£7.27	247	–	01.09.2020	01.03.2021
25 July 2015 – three year	£7.27	371	–	01.09.2018	01.03.2020
20 July 2016 – three year	£5.18	142,487	–	01.09.2019	01.03.2020
20 July 2016 – five year	£5.18	347	–	01.09.2021	01.03.2022
26 July 2017 – three year	£7.08	74,098	–	01.09.2020	01.03.2021
26 July 2017 – five year	£7.08	762	–	01.09.2022	01.03.2023
26 July 2018 – three year	£8.60	37,949	–	01.09.2021	01.03.2022
26 July 2018 – five year	£8.60	801	–	01.09.2023	01.03.2024
SIP					
18 September 2015	–	19,331	19,331	18.09.2018	18.09.2020
10 August 2017		41,389	–	10.08.2020	10.08.2022
Total		**1,665,183**	**19,331**		

The share awards/options outstanding at 31 March 2019 had a weighted average remaining contractual life of: LTIP – 1.2 years (2018: 1.2 years), SAYE – 1.7 years (2018: 1.7 years), SIP – 1.6 years (2018: 1.6 years).

(e) Cash-settled share based payments

National Insurance payments due on the exercise of non-approved ESOS options and shares from the LTIP are considered cash-settled share based payments.

The estimated fair value of the National Insurance cash-settled share based payments have been calculated using the Black-Scholes model. At each balance sheet date the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement.

(f) Share based payment charges

The Group recognised a total charge in relation to share based payments as follows:

	2019 £m	2018 £m
Equity settled share based payments	**1.9**	1.7
Cash-settled share based payments	**0.3**	0.6
	2.2	2.3

The total liability at the end of the year in respect of cash-settled share based schemes was £0.8m (2017: £0.8m).

23. Related party transactions

	2019 £m	2018 £m
Transactions for the year ended 31 March:		
Repayment/(payment) of loans to joint ventures	**0.1**	(0.1)
Income distributions received from joint ventures	**–**	0.3
Balances with joint ventures at 31 March:		
Amounts receivable from joint venture	**–**	0.1

Key management for the purposes of related party disclosure under IAS 24 are taken to be the Executive Board Directors, the Non-Board Executive Directors and the Non-Executive Directors. Key management compensation is set out below:

Key management compensation:	2019 £m	2018 £m
Short-term employee benefits	**4.1**	3.8
Share based payments	**1.3**	1.2
	5.4	5.0

24. Capital commitments

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

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

25. Subsidiary and other related undertakings

The Company's subsidiary and other related undertakings at 31 March 2019, and up to the date of signing the financial statements, are listed below.

Except where indicated otherwise, the Company owns 100% of the ordinary share capital of the following subsidiary undertakings incorporated and operating in the UK, all of which are consolidated in the Group's financial statements.

UK subsidiaries

The registered address of all UK subsidiaries is Canterbury Court, Kennington Park, 1-3 Brixton Road, London SW9 6DE.

Name	Nature of business
Workspace 12 Limited	Property Investment
Workspace 13 Limited	Property Investment
Workspace 14 Limited	Property Investment
Workspace Glebe Limited	Dormant
Glebe Three Limited	Property Investment
LI Property Services Limited	Insurance Agents
Workspace Management Limited	Property Management
Workspace 1 Limited*	Dormant
Workspace 10 Limited	Dormant
Workspace 11 Limited	Dormant
Workspace 15 Limited	Dormant
Workspace Holdings Limited	Dormant
Anyspacedirect.co.uk Limited	Dormant
Workspace Newco 1 Limited	Holding Company
Workspace Newco 2 Limited	Dormant

* 100% of the ordinary share capital of these subsidiaries is held by other Group companies.

Non-UK subsidiaries

Name	Country of incorporation	Registered address	Nature of business
Workspace 16 (Jersey) Limited	Jersey	Gaspé House, 66-72 The Esplanade, St Helier, Jersey JE2 3QT	Dormant
Workspace 17 (Jersey) Limited	Jersey	44 Esplanade, St Helier, Jersey JE4 9WQ	Holding Company
Workspace Salisbury Limited*	Jersey	44 Esplanade, St Helier, Jersey JE4 9WQ	Property Investment
Centro Property Limited*	Guernsey	Martello Court, Admiral Park, St Peter Port, Guernsey GY1 3HB	Dormant

* 100% of the ordinary share capital of these subsidiaries is held by other Group companies.

26. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for this scheme in the year was £0.8m (2018: £0.8m) representing contributions payable by the Group to the fund and is charged through operating profit.

The Group's commitment with regard to pension contributions, consistent with the prior year, ranges from 6% to 16.5% of an employee's salary. The pension scheme is open to every employee in accordance with the new Government auto-enrolment rules. The number of employees, including Directors, in the scheme at the year end was 202 (2018: 199).

27. Operating leases

As a lessee, the following future minimum lease payments are due under non-cancellable operating leases:

Motor vehicles and office equipment:	**2019 £m**	2018 £m
Due within one year	**0.1**	0.1
Due between two and five years	**0.1**	0.1
	0.2	0.2

As a lessor, the Group has determined that all tenant leases are operating leases within the meaning of IAS 17. The majority of the Group's tenant leases are granted with a rolling three to six-month tenant break clause, however the recent property acquisitions in the financial year have included customer leases which are much longer, with fewer break clauses. The future minimum non-cancellable rental receipts under operating leases granted to tenants are shown below.

Land and buildings:	**2019 £m**	2018 £m
Within one year	**68.9**	69.1
Between two and five years	**35.2**	49.0
Beyond five years	**19.5**	24.8
	123.6	142.9

28. Post balance sheet events

There are no post balance sheet events to report.

Parent Company balance sheet

As at 31 March 2019

	Notes	2019 £m	2018 £m
Fixed assets			
Investments	C	**798.4**	795.5
Derivative financial instruments	F	**10.1**	2.5
		808.5	798.0
Current assets			
Debtors: amounts falling due within one year	D	**720.1**	564.4
Cash and cash equivalents		**0.2**	0.2
		720.3	564.6
Total assets		**1,528.8**	1,362.6
Current liabilities			
Creditors: amounts falling due within one year	E	**(110.7)**	(140.1)
Creditors: amounts falling due after more than one year			
Borrowings	F	**(607.4)**	(534.7)
Total liabilities		**(718.1)**	(674.8)
Net assets		**810.7**	687.8
Capital and reserves			
Share capital		**180.4**	163.8
Share premium		**295.1**	135.3
Investment in own shares		**(9.3)**	(9.3)
Other reserves	G	**23.4**	19.4
Retained earnings		**321.1**	378.6
Total shareholders' equity		**810.7**	687.8

The notes on pages 203 to 205 form part of these financial statements.

The financial statements on pages 201 to 205 were approved by the Board of Directors on 4 June 2019 and signed on its behalf by:

G Clemett
Director
Workspace Group PLC
Registered number 2041612

Parent Company statement of changes in equity

For the year ended 31 March 2019

	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 2017	163.2	135.4	(8.9)	18.7	292.8	601.2
Profit for the year	–	–	–	–	123.6	123.6
Other comprehensive income for the year	–	–	–	(1.0)	–	(1.0)
Total comprehensive income	–	–	–	(1.0)	123.6	122.6
Transactions with owners:						
Share issues	0.6	(0.1)	–	–	–	0.5
Dividends paid	–	–	–	–	(37.8)	(37.8)
Own shares	–	–	(0.4)	–	–	–
Share based payments	–	–	–	1.7	–	1.7
Balance at 31 March 2018	163.8	135.3	(9.3)	19.4	378.6	687.8
(Loss)/Profit for the year	**–**	**–**	**–**	**–**	**(4.9)**	**(4.9)**
Other comprehensive income for the year	**–**	**–**	**–**	**2.1**	**–**	**2.1**
Total comprehensive income	**–**	**–**	**–**	**2.1**	**(4.9)**	**(2.8)**
Transactions with owners:						
Share issues	**16.6**	**159.8**	**–**	**–**	**–**	**176.4**
Dividends paid	**–**	**–**	**–**	**–**	**(52.6)**	**(52.6)**
Share based payments	**–**	**–**	**–**	**1.9**	**–**	**1.9**
Balance at 31 March 2019	**180.4**	**295.1**	**(9.3)**	**23.4**	**321.1**	**810.7**

The notes on pages 203 to 205 form part of these financial statements.

Notes to the Parent Company financial statements

A. Accounting policies
Although the Group Consolidated financial statements are prepared under IFRS as adopted by the EU, the Workspace Group PLC Company financial statements are prepared under Financial Reporting Standard 101 ('FRS 101') 'Reduced Disclosure Framework'.

Basis of accounting
The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. The financial statements are presented in Sterling.

In preparing the financial statements the Company has taken advantage of the following disclosure exemptions conferred by FRS 101:

a) The requirements of IAS 7 to provide a Statement of cash flows and related notes for the year;

b) The requirements of IAS 1 to provide a statement of compliance with IFRS;

c) The requirements of IAS 1 to disclose information on the management of capital;

d) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRS's that have been issued but are not yet effective;

e) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

f) The requirements of IFRS 7 on financial instruments disclosures; and

g) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

The above disclosure exemptions are allowed because equivalent disclosures are included in the Group Consolidated financial statements.

Significant Accounting Policies
i. Investments
Investments are carried in the Company's balance sheet at cost less impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Impairment and reversal of impairment is taken to the profit and loss account.

ii. Share based payment and investment in own shares
Incentives are provided to employees under share option schemes. The Company has established an Employee Share Ownership Trust ('ESOT') to satisfy part of its obligation to provide shares when Group employees exercise their options. The Company provides funding to the ESOT to purchase these shares.

The Company has also established an employee Share Incentive Plan ('SIP') which is governed by HMRC rules.

The Company itself has no employees. When the Company grants share options to Group employees as part of their remuneration, the expense of the share options is reflected in a subsidiary undertaking, Workspace Management Limited. The Company recognises this as an investment in subsidiary undertakings with a corresponding increase to equity.

The disclosure requirements for share based payments are met in note 22 of the Group Consolidated financial statements.

iii. Borrowings
Details of borrowings are described in note F to the Parent Company financial statements. Costs associated with the raising of finance are capitalised, amortised over the life of the instrument and charged as part of interest costs.

iv. Derivative financial instruments and hedge accounting
The accounting policy for derivative financial instruments and hedge accounting are the same as those for the Group and are set out on page 174. Disclosure requirements are provided in note 16 to the Consolidated financial statements.

v. Foreign currency translation
The accounting policy for foreign currency translation is the same as that for the Group and is set out on page 174.

Taxation
Current income tax is tax payable on the taxable income for the year and any prior year adjustment, and is calculated using tax rates that have been substantively enacted by the balance sheet date.

Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Dividend distributions
Final dividend distributions to the Company's Shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved, while interim dividends are recognised when paid.

B. Profit for the year
As permitted by the exemption in Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The loss attributable to Shareholders, before dividend payments, dealt with in the financial statements of the Company was £4.9m (2018: profit of £123.6m). No dividends were received in the year from subsidiary undertakings (2017: £130m).

Dividend payments are disclosed in note 7 to the Consolidated financial statements.

C. Investments

	Investment in subsidiary undertakings £m
Cost	
Balance at 31 March 2018	929.8
Additions in the year	2.9
Balance at 31 March 2019	932.7

Impairment	
Balance at 31 March 2018 and 31 March 2019	134.3

Net book value at 31 March 2019	**798.4**
Net book value at 31 March 2018	795.5

Other investments represented 8% of the share capital of Mailstorage Ltd, a company incorporated in the UK. The Company wrote off this investment during the prior year.

D. Debtors

Amounts falling due within one year	**2019 £m**	2018 £m
Amounts owed by Group undertakings	**719.1**	562.0
Corporation tax asset	**1.0**	2.4
	720.1	564.4

Amounts owed by Group undertakings are unsecured and repayable on demand. Interest is charged to Group undertakings.

E. Creditors: amounts falling due within one year

	2019 £m	2018 £m
Amounts owed to Group undertakings	**104.7**	133.8
Taxation and social security	**1.9**	1.4
Accruals and deferred income	**4.1**	4.9
	110.7	140.1

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest is paid to Group undertakings.

F. Creditors: amounts falling due after more than one year

Borrowings and financial instruments	Interest rate	Repayable	**2019 £m**	2018 £m
Bank loan	LIBOR+1.65%	June 2022	**140.0**	116.0
5.6% Senior US Dollar Notes 2023	5.6%	June 2023	**64.5**	64.5
5.53% Senior Notes 2023	5.53%	June 2023	**84.0**	84.0
Senior Floating Rate Notes 2020	LIBOR+3.5%	June 2020	**9.0**	9.0
3.07% Senior Notes	3.07%	August 2025	**80.0**	80.0
3.19% Senior Notes	3.19%	August 2027	**120.0**	120.0
3.6% Senior Notes	3.6%	January 2029	**100.0**	100.0
6% Retail Bond	6.0%	October 2019	**–**	57.5
Total borrowings			**597.5**	531.0
Less cost of raising finance			**(2.6)**	(3.4)
Foreign exchange differences			**12.5**	7.1
Net borrowings			**607.4**	534.7

All the above borrowings are unsecured.

Maturity analysis of borrowings:	**2019 £m**	2018 £m
Repayable between one and two years	**9.0**	57.5
Repayable between two and three years	**–**	9.0
Repayable between three and four years	**140.0**	–
Repayable between four and five years	**148.5**	116.0
Repayable in five years or more	**300.0**	348.5
	597.5	531.0

The following derivative financial instruments are held:

	Amount	Rate payable (%)	Term/ expiry	**2019 £m**	2018 £m
Cash flow hedge – cross currency swap	$100m/£64.5m	5.66%	June 2023	**10.1**	2.5

G. Capital and reserves

Movements and notes applicable to share capital, share premium account, investment in own shares, other reserves and share based payment reserve are shown in notes 19 to 22 on pages 194 to 197 and in the Statement of changes in equity.

Other reserves:	Equity settled share based payments £m	Merger Reserve £m	Hedging Reserve £m	Total £m
Balance at 31 March 2017	14.0	8.7	(4.0)	18.7
Share based payments	1.7	–	–	1.7
Change in fair value of derivative financial instruments	–	–	(1.0)	(1.0)
Balance at 31 March 2018	15.7	8.7	(5.0)	19.4
Share based payments	1.9	–	–	1.9
Change in fair value of derivative financial instruments	–	–	2.1	2.1
Balance at 31 March 2019	**17.6**	**8.7**	**(2.9)**	**23.4**