CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £m	2022 £m
Revenue	1	174.2	132.9
Direct costs[1]	1	(57.6)	(46.2)
Net rental income	1	116.6	86.7
Administrative expenses	2	(21.5)	(19.3)
Trading profit		95.1	67.4
(Loss)/profit on disposal of investment properties	3(a)	(0.7)	7.8
Other income	3(b)	–	0.6
Other expenses	3(c)	(3.8)	–
Change in fair value of investment properties	10	(88.0)	68.7
Impairment of assets held for sale	10	(5.1)	–
Operating (loss)/profit		(2.5)	144.5
Finance costs	4	(34.4)	(20.5)
Exceptional finance costs	4	(0.6)	–
(Loss)/profit before tax		(37.5)	124.0
Taxation	6	(0.3)	(0.1)
(Loss)/profit for the financial year after tax		(37.8)	123.9
Basic (loss)/earnings per share	8	(19.9p)	68.5p
Diluted (loss)/earnings per share	8	(19.9p)	68.1p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £m	2022 £m
(Loss)/profit for the financial year		(37.8)	123.9
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of other investments		0.4	–
Fair value of investments recycled to retained earnings		–	2.1
Cash flow hedge – transfer to income statement		–	(0.3)
Items that will not be reclassified subsequently to profit or loss:			
Pension fund movement	24	0.9	–
Other comprehensive income in the year		1.3	1.8
Total comprehensive (loss)/income for the year		(36.5)	125.7

The notes on pages 227 to 250 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Investment properties	10	2,643.3	2,366.7
Intangible assets		2.0	1.9
Property, plant and equipment	11	4.4	2.9
Other investments	12	2.1	1.7
Deferred tax	6	–	0.3
		2,651.8	2,373.5
Current assets			
Trade and other receivables	13	45.8	23.5
Assets held for sale		123.0	65.9
Cash and cash equivalents	14	18.5	49.0
		187.3	138.4
Total assets		2,839.1	2,511.9
Current liabilities			
Trade and other payables	15	(107.8)	(85.8)
Borrowings	16(a)	(49.8)	–
		(157.6)	(85.8)
Non-current liabilities			
Borrowings	16(a)	(859.1)	(595.5)
Lease obligations	17	(34.7)	(31.0)
		(893.8)	(626.5)
Total liabilities		(1,051.4)	(712.3)
Net assets		1,787.7	1,799.6

	Notes	2023 £m	2022 £m
Shareholders' equity			
Share capital	20	191.6	181.1
Share premium	20	295.5	295.5
Investment in own shares	22	(9.9)	(9.9)
Other reserves	21	91.0	32.6
Retained earnings		1,219.5	1,300.3
Total shareholders' equity		1,787.7	1,799.6

The notes on pages 227 to 250 form part of these financial statements.

The financial statements on pages 224 to 250 were approved and authorised for issue by the Board of Directors on 6 June 2023 and signed on its behalf by:

Graham Clemett
Director

Dave Benson
Director

Company registration number – 02041612

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

		Attributable to owners of the Parent					
	Notes	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 31 March 2021		181.1	295.5	(9.6)	33.1	1,219.4	1,719.5
Profit for the financial year		–	–	–	–	123.9	123.9
Other comprehensive income for the year		–	–	–	–	1.8	1.8
Total comprehensive income		–	–	–	–	125.7	125.7
Transactions with owners:							
Purchase of own shares	22	–	–	(0.3)	–	–	(0.3)
Dividends paid	7	–	–	–	–	(44.8)	(44.8)
Share based payments	23	–	–	–	1.6	–	1.6
Recycled OCI to retained earnings	21	–	–	–	(2.1)	–	(2.1)
Balance at 31 March 2022		181.1	295.5	(9.9)	32.6	1,300.3	1,799.6
Loss for the financial year		–	–	–	–	(37.8)	(37.8)
Other comprehensive income for the year		–	–	–	0.4	0.9	1.3
Total comprehensive income		–	–	–	0.4	(36.9)	(36.5)
Transactions with owners:							
Shares issued	20	10.5	–	–	56.6	–	67.1
Dividends paid	7	–	–	–	–	(43.9)	(43.9)
Share based payments	23	–	–	–	1.4	–	1.4
Balance at 31 March 2023		191.6	295.5	(9.9)	91.0	1,219.5	1,787.7

The notes on pages 227 to 250 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Cash generated from operations	19	110.5	80.5
Interest paid		(31.7)	(22.6)
Net cash inflow from operating activities		78.8	57.9
Cash flows from investing activities			
Purchase of investment properties		(184.4)	(88.4)
Capital expenditure on investment properties		(56.2)	(29.8)
Proceeds from disposal of investment properties (net of sale costs)		7.1	117.3
Proceeds from disposal of assets held for sale (net of sale costs)		41.4	–
Purchase of intangible assets		(0.8)	(0.5)
Purchase of property, plant and equipment		(3.1)	(0.7)
Other (expenses)/income		(2.9)	4.5
Settlement of defined benefit pension scheme		(1.3)	–
Proceeds from sale of investments	3(b)/12	–	6.8
Net cash (outflow)/inflow from investing activities		(200.2)	9.2
Cash flows from financing activities			
Finance costs for new/amended borrowing facilities		(1.6)	(1.3)
Exceptional finance costs		–	(16.4)
Settlement of derivative financial instruments		–	0.7
Repayment of bank borrowings and Private Placement Notes	16(g)	(150.0)	(173.5)
Draw down of bank borrowings	16(g)	286.0	25.0
Own shares purchase (net)		–	(0.3)
Dividends paid	7	(43.5)	(43.3)
Net cash inflow/(outflow) from financing activities		90.9	(209.1)
Net decrease in cash and cash equivalents		(30.5)	(142.0)
Cash and cash equivalents at start of year	14	49.0	191.0
Cash and cash equivalents at end of year	14	18.5	49.0

The notes on pages 227 to 250 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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

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

The registered number of the Company is 02041612.

BASIS OF PREPARATION
These financial statements are presented in Sterling, which is the Company’s functional currency and the Group’s presentational currency, and have been prepared and approved by the Directors on a going concern basis, in accordance with United Kingdom adopted international accounting standards. The Company has elected to prepare its Parent Company financial statements in accordance with FRS101; these are presented on pages 251 to 254.

The Board is required to assess the appropriateness of applying the going concern basis in the preparation of the financial statements. Macroeconomic and political issues, including the war in Ukraine, have heightened wider concerns around the UK economy meaning there is a continuing risk of an economic downturn. In this context, the Directors have fully considered the business activities and principal risks of the Company and Group. Further details of the principal risks can be found on pages 69 to 76.

In preparing the assessment of going concern, the Board has reviewed a number of different scenarios over the 12-month period from the date of signing of these financial statements. These scenarios include a severe, but realistically possible, scenario which includes the following key assumptions:
- A reduction in occupancy, reflecting weaker customer demand for office space.
- A reduction in the pricing of new lettings, resulting in a reduction in average rent per sq. ft.
- Elevated levels of counterparty risk, with bad debt significantly higher than pre-pandemic levels.
- Continued elevated levels of cost inflation.
- Further increases in SONIA rates impacting the cost of variable rate borrowings.
- Estimated rental value reduction in-line with the decline in average rent per sq. ft. and outward movement in investment yields resulting in a lower property valuation.

The appropriateness of the going concern basis is reliant on the continued availability of borrowings, sufficient liquidity and compliance with loan covenants. All borrowings require compliance with LTV and Interest Cover covenants. As at the tightest test date in the scenarios modelled, the Group could withstand a reduction in net rental income of 36% compared to the March 2023 Net Rental Income and a fall in the asset valuation of 42% compared to 31 March 2023 before these covenants are breached, assuming no mitigating actions are taken.

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

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

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

Consideration of climate change
In preparing the financial statements, the Directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure on pages 92 to 103 this year. There has been no material impact identified on the financial reporting judgements and estimates. In particular, the Directors considered the impact of climate change in respect of the following areas:
- The potential impact on the valuation of our investment properties due to transition risks;
- Going concern and viability of the Group over the next three years;
- The capital expenditure required to upgrade our assets EPC ratings and deliver our net zero targets.

Whilst there is currently minimal medium-term impact expected from climate change, the Directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation or the Group’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

NEW ACCOUNTING STANDARDS, AMENDMENTS AND GUIDANCE

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

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

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

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

IAS 12 (amended)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IAS 8 (amended)	Accounting Policies, Changes in Accounting Estimates and Errors: Definition
IAS 1 (amended) and IFRS Practice Statement 2	Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements
IFRS 17	Insurance Contracts
IFRS 9	Comparative Information
IAS 1 (amended)	Classification of Liabilities as Current or Non-Current; Non-Current Liabilities with Covenants; Deferral of Effective Date Amendment
IFRS 16 (amended)	Lease Liability in a Sale and Leaseback

SIGNIFICANT JUDGEMENTS AND CRITICAL 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 or significant estimates. The following is intended to provide an understanding of the significant estimates 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.

Critical Estimate: 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.

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 Judgement: McKay Securities acquisition

IFRS 3: Business Combinations outlines a series of steps to establish whether a company purchase is an asset acquisition or a business combination.

The Group considered whether substantially all of the fair value of the gross assets acquired were concentrated in a single asset or group of similar assets and reviewed the relevant criteria to determine whether there were substantive processes present at the point of acquisition.

Following this review, the Group concluded that the transaction should be treated as an asset acquisition, refer to note 10. Accordingly, no goodwill or additional deferred tax relating to pre-acquisition valuation gains arises.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

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 2023. 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. A list of subsidiaries has been disclosed in note 27.

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 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 leases are subsequently carried at fair value plus an adjustment for the carrying amount of the 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 outstanding finance balance. The interest element of the finance cost is charged to the consolidated income statement.

Properties are treated as acquired at the point which the Group assumes the significant risks an1wards of ownership and are treated as disposed when they 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. Capitalised borrowing costs 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 redevelopment expenditure. Interest is capitalised from the date of commencement of the redevelopment activity until the date when all the activities necessary to prepare the asset for its intended use are substantially 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 the property has been actively marketed for a buyer, supported by either the exchange of a contract or agreement of terms with a buyer by the balance sheet date and it is highly probable that its carrying amount will 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 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 calculated as the consideration receivable (net of costs) less the latest valuation (net book value) and is shown in other 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 in the period when all relevant criteria in IFRS 15 are met under the five-step model.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

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 income/expense.

Acquisitions
An acquisition is recognised when the risks and rewards of ownership have transferred, usually on completion of the transaction. The acquisition method measures assets based on their cost, which is allocated to the property assets on a fair value basis, and includes directly related acquisition costs. Business combinations are accounted for using the acquisition method. Any discount received or acquisition-related costs are recognised in the consolidated income statement.

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 programmes and websites are capitalised. These costs are amortised over the asset's estimated useful life of five years on a straight-line basis.

Costs associated with maintaining computer software programmes including Software as a Service (SaaS) are recognised as an expense as they fall due.

Property, plant and equipment
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 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 ten 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.

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 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 based on the expected credit loss, which uses a lifetime expected loss allowance for all trade receivables based on the individual occupier's circumstance. 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 expense.

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 is represented by cash in hand, restricted cash in the form of tenants' deposit deeds and deposits held on call with banks and money market funds. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

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. As at 31 March 2023, the Group considers that it has only one operating segment, being a single portfolio of commercial property providing business accommodation for rent in and around London.

Revenue recognition
Revenue comprises rental income, service charges and other sums receivable from the Group's investment properties. Other sums comprise insurance charges as an agent (in line with IFRS 15), 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. In accordance with IFRS 16, rental income from 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. 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 Company.

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 modelling techniques. In valuing equity-settled transactions, assessment is made of any vesting conditions to categorise these into market performance conditions, non-market performance conditions and service conditions.

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

As part of the McKay Securities PLC acquisition in May 2022 the Group took over all responsibilities in relation to the existing McKay defined benefit pension scheme. Subsequent to this, the Group entered into a pension buy-out transaction whereby an insurance company took on all current and future liabilities of this defined benefit pension scheme, along with related assets.

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 are relevant to the financial year.

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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

1. ANALYSIS OF NET RENTAL INCOME AND SEGMENTAL INFORMATION

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

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

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

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

2. OPERATING (LOSS)/PROFIT

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

	2023 £m	2022 £m
Depreciation[1] (note 11)	1.6	1.8
Staff costs (including share based costs)[1] (note 5)	25.3	19.6
Repairs and maintenance expenditure on investment properties	5.4	2.0
Trade receivables impairment (note 13)	1.1	1.5
Amortisation of intangibles	0.7	0.9
Audit fees payable to the Company's Auditor	0.4	0.3

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

Auditor's remuneration: services provided by the Company's Auditor and its associates	2023 £000	2022 £000
Audit fees:		
Audit of Parent Company and consolidated financial statements	330	245
Audit of subsidiary financial statements	40	35
	370	280
Fees for other services:		
Audit-related assurance services[1]	70	55
Total fees payable to Auditor	440	335

1. Audit-related assurance services consist of £56k for half year review (2022: £40k); and £14k for Green Bond use of Proceeds Assurance (2022: £15k).

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

3(a). (LOSS)/PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES AND ASSETS HELD FOR SALE

	2023 £m	2022 £m
Proceeds from sale of investment properties (net of sale costs)	7.0	117.3
Proceeds from sale of assets held for sale (net of sale costs)	52.1	–
Book value at time of sale	(59.8)	(109.5)
(Loss)/profit on disposal	(0.7)	7.8

3(b). OTHER INCOME

	2023 £m	2022 £m
Sale of investment	–	0.6
	–	0.6

In the prior year, the Group disposed of the investment in Lovespace Ltd, resulting in a gain of £0.6m in the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

3(c). OTHER EXPENSES

	2023 £m	2022 £m
Change in fair value of deferred consideration	(0.1)	–
Other expenses	(3.7)	–
	(3.8)	–

The value of deferred consideration (cash and overage) from the sale of investment properties has been revalued by CBRE Limited at 31 March 2023 and 31 March 2022. This resulted in a reduction in the fair value of deferred consideration of £0.1m at 31 March 2023 (31 March 2022: £nil). The amounts receivable are included in the consolidated balance sheet under current trade and other receivables (note 13).

Other expenses include exceptional one-off costs relating to the acquisition and integration of McKay Securities Limited (formerly McKay Securities PLC) (£1.9m), including the cost of buying out the McKay Securities Limited defined benefit pension scheme (see note 24) and the implementation costs to date of replacing our finance and property system (£1.8m). These costs are outside the Group's normal trading activities.

4. FINANCE COSTS

	2023 £m	2022 £m
Interest payable on bank loans and overdrafts	(11.9)	(1.4)
Interest payable on other borrowings	(19.0)	(16.7)
Amortisation of issue costs of borrowings	(2.0)	(1.1)
Interest payable on leases	(1.9)	(1.7)
Interest capitalised on property refurbishments (note 10)	0.2	0.4
Interest receivable	0.2	–
Finance costs	(34.4)	(20.5)
Exceptional finance costs	(0.6)	–
Total finance costs	(35.0)	(20.5)

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

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

5. EMPLOYEES AND DIRECTORS

Staff costs for the Group during the year were:	2023 £m	2022 £m
Wages and salaries	23.3	17.4
Social security costs	3.8	2.0
Other pension costs (note 24)	1.0	0.8
Equity-settled share based costs (note 23)	1.4	1.6
	29.5	21.8
Less costs capitalised	(4.2)	(2.2)
	25.3	19.6

The monthly average number of people employed during the year was:	2023 Number	2022 Number
Head office staff (including Directors)	154	124
Estates and property management staff	137	125
	291	249

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 178 to 211. These form part of the financial statements.

Total Directors' emoluments for the financial year were £3.0m (2022: £2.3m), comprising of £2.2m (2022: £2.2m) of Directors' remuneration, £0.7m (2022: £nil) gain on exercise of share options and £0.1m (2022: £0.1m) of cash contributions in lieu of pension in respect of two Directors (2022: two).

6. TAXATION

	2023 £m	2022 £m
Current tax:		
UK corporation tax	–	–
Adjustments to tax in respect of previous periods	–	–
	–	–
Deferred tax:		
On origination and reversal of temporary differences	0.3	0.1
	0.3	0.1
Total taxation charge	0.3	0.1

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

6. TAXATION CONTINUED

The tax on the Group's profit for the year differs from the standard applicable corporation tax rate in the UK of 19% (2022: 19%). The differences are explained below:

	2023 £m	2022 £m
(Loss)/profit before taxation	(37.5)	124.0
Tax at standard rate of corporation tax in the UK of 19% (2022: 19%)	(7.1)	23.6
Effects of:		
REIT exempt income	(12.1)	(11.3)
Changes in fair value not subject to tax as a REIT	17.7	(13.1)
Share based payment adjustments	(0.3)	0.4
Unrecognised losses carried forward	1.8	0.4
Other non-taxable expenses	0.3	0.1
Total taxation charge	0.3	0.1

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

An increase in the rate of corporation tax was enacted on 24 May 2021 and, from 1 April 2023, the corporation tax rate will increase to 25%. This will increase the Company's future current tax charge accordingly.

The Group currently has an unrecognised asset in relation to tax losses from the non-REIT business carried forward of £7.4m (2022: £7.3m) calculated at a corporation tax rate of 25% (2022: 25%).

	2023 £m	2022 £m
Deferred tax assets:		
– Deferred tax to be recovered within 12 months	–	0.4
Deferred tax liabilities:		
– Deferred tax liabilities to be realised within 12 months	–	(0.1)
Deferred tax assets (net)	–	0.3

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
At 1 April 2021	0.1
Credited to income statement	–
At 31 March 2022	0.1
Credited to income statement	(0.1)
At 31 March 2023	–

Deferred tax assets	Expenses (share based payment) £m
At 31 March 2021	(0.5)
Charged to income statement	0.1
At 31 March 2022	(0.4)
Charged to income statement	0.4
At 31 March 2023	–

7. DIVIDENDS

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

8. EARNINGS PER SHARE

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

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

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

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

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

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

9. NET ASSETS PER SHARE AND TOTAL ACCOUNTING RETURN

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

EPRA Net Asset Value Metrics

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

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

Total accounting return

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

10. INVESTMENT PROPERTIES

	2023 £m	2022 £m
Balance at 1 April	2,366.7	2,349.9
Purchase of investment properties	426.6	88.4
Capital expenditure	55.8	30.0
Change in value of lease obligations	3.7	4.7
Capitalised interest on refurbishments (note 4)	0.2	0.4
Disposals during the year	(5.5)	(109.5)
Change in fair value of investment properties	(88.0)	68.7
Less: Classified as assets held for sale	(116.2)	(65.9)
Balance at 31 March	2,643.3	2,366.7

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

Investment properties include buildings with a carrying amount of £321.9m (2022: £315.4m) for which there are lease obligations of £34.7m (2022: £31.0m). Investment property lease commitment details are shown in note 17.

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

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

Valuation

The Group's investment properties are held at fair value and were revalued at 31 March 2023 by the external valuer, CBRE Limited, a firm of independent qualified valuers, in accordance with the Royal Institution of Chartered Surveyors Valuation – Global Standards. All the properties are revalued at period end regardless of the date of acquisition. In line with IFRS 13, all investment properties are valued on the basis of their highest and best use. For like-for-like properties, their current use equates to the highest and best use. For properties undergoing refurbishment or redevelopment, most of these are still being used for business accommodation in their current state. However, the valuation at the balance sheet date includes the impact of the potential refurbishment and redevelopment as this represents the highest and best use.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

10. INVESTMENT PROPERTIES CONTINUED

Valuation continued

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

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

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

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

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

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

As noted in the significant judgements and critical 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 years.

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

The following table summarises the valuation techniques and inputs used in the determination of the property valuation at 31 March 2023.

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	1,886.9	A	£21-£79	£48	5.0%-7.7%	6.2%
Completed projects	264.8	A	£24-£51	£34	5.8%-6.8%	6.5%
Refurbishments	171.9	A/B	£21-£53	£35	4.5%-6.7%	5.8%
Redevelopments	25.4	A/B	£16-£35	£28	4.8%-6.9%	5.5%
Acquisitions	268.4	A	£13-£70	£34	5.2%-10.8%	7.4%
Less : tenant incentives	(8.8)	N/A	–	–	–	–
Head leases	34.7	N/A	–	–	–	–
Total	2,643.3					

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

10. INVESTMENT PROPERTIES CONTINUED
Valuation continued

A key unobservable input for redevelopments at planning stage and refurbishments is developer's profit. The range is 10%–16% with a weighted average of 13%.

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £262–£448 per sq. ft. and a weighted average of £356 per sq. ft.

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

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

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+189/-189	-76/+83
Completed projects	+27/-27	-10/+11
Refurbishments	+23/-23	-10/+11
Redevelopments	+6/-6	-3/+3
Acquisitions	+27/-27	-9/+9

The following table summarises the valuation techniques and inputs used in the determination of the property valuation at 31 March 2022.

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	1,865.1	A	£20-£66	£42	4.1%-7.3%	5.5%
Completed projects	185.6	A	£21-£44	£28	4.9%-6.4%	5.6%
Refurbishments	161.3	A/B	£18-34	£25	3.6%-6.4%	5.3%
Redevelopments	35.3	A/B	£13-25	£16	4.5%-6.5%	6.0%
Acquisitions	88.4	A	£33-£53	£40	4.9%-5.8%	5.4%
Head leases	31.0	N/A	–	–	–	–
Total	2,366.7					

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 13%–19% with a weighted average of 14%.

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £213–£280 per sq. ft. and a weighted average of £250 per sq. ft.

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

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

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+186/-186	-82/+90
Completed projects	+19/-19	-8/+9
Refurbishments	+17/-17	-8/+9
Redevelopments	+4/-4	-1/+1
Acquisitions	+9/-9	-4/+4

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

11. PROPERTY, PLANT AND EQUIPMENT

Cost or valuation	Equipment and fixtures £m
1 April 2021	10.6
Additions during the year	0.7
Disposals during the year	(1.8)
Balance at 31 March 2022	9.5
Additions during the year	3.3
Disposals during the year	(0.3)
Balance at 31 March 2023	12.5

Accumulated depreciation	
1 April 2021	6.6
Charge for the year	1.8
Disposals during the year	(1.8)
Balance at 31 March 2022	6.6
Charge for the year	1.6
Disposals during the year	(0.1)
Balance at 31 March 2023	8.1

Net book amount at 31 March 2023	4.4
Net book amount at 31 March 2022	2.9

12. OTHER INVESTMENTS

The Group holds the following investments:

	2023 £m	2022 £m
2.8% of share capital of Wavenet Limited	2.1	1.7
	2.1	1.7

In the prior year, Wavenet Limited purchased the entire share capital in Excell Holdings Limited. As a result, the Group received cash of £6.2m and acquired 2.8% of share capital in Wavenet Limited.

In accordance with IFRS 9 the shares in Wavenet Limited have been valued at fair value, resulting in £0.4m movement in the financial year (2022: no movement), recognised in the consolidated statement of comprehensive income.

In addition, included within other income (note 3(b)) in the prior year is £0.6m for the sale of investment in Lovespace Ltd which was previously written off.

13. TRADE AND OTHER RECEIVABLES

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

Receivables at fair value

Included within deferred consideration on sale of investment properties is £0.5m (2022: £0.6m) of overage which is held at fair value through profit and loss. As the amounts receivable are expected within the following 12 months they have been classified as current receivables.

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

	2023 £m	2022 £m
Deferred consideration on sale of investment properties:		
Balance at 1 April	0.6	5.1
Cash received	–	(4.5)
Additions	10.7	–
Change in fair value	(0.1)	–
Balance at 31 March	11.2	0.6

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

13. TRADE AND OTHER RECEIVABLES CONTINUED

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

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

14. CASH AND CASH EQUIVALENTS

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

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

15. TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Trade payables	15.4	13.2
Other tax and social security payable	15.9	3.8
Tenants' deposit deeds (note 14)	6.5	6.7
Tenants' deposits	30.5	26.5
Accrued expenses	26.1	27.4
Deferred income – rent and service charges	13.4	8.2
	107.8	85.8

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

16. BORROWINGS

(a) Balances

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

(b) Net debt

	2023 £m	2022 £m
Borrowings per (a) above	908.9	595.5
Adjust for:		
Cost of raising finance	5.1	4.5
	914.0	600.0
Cash at bank and in hand (note 14)	(12.0)	(42.3)
Net debt	902.0	557.7

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

16. BORROWINGS CONTINUED
(c) Maturity

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

(d) Interest rate and repayment profile

	Principal at period end £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	–	Base + 2.25%	Variable	On demand
Bank Loan	50.0	SONIA + 1.75%[1]	Monthly	September 2023
Non-current				
Private Placement Notes:				
3.07% Senior Notes	80.0	3.07%	Half yearly	August 2025
3.19% Senior Notes	120.0	3.19%	Half yearly	August 2027
3.6% Senior Notes	100.0	3.60%	Half yearly	January 2029
Bank Loan	123.0	SONIA + 1.77%[2]	Monthly	December 2025
Bank Loan	76.0	SONIA + 1.80%[2]	Monthly	April 2025
Other Loan (Secured)	65.0	4.02%	Monthly	May 2030
Green Bond	300.0	2.25%	Yearly	March 2028
	914.0			

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

(e) Financial instruments and fair values

	2023 Book value £m	2023 Fair value £m	2022 Book value £m	2022 Fair value £m
Financial liabilities held at amortised cost				
Bank loans	247.0	247.0	(2.1)	(2.1)
Other loans	63.9	63.5	–	–
Private Placement Notes	299.6	287.8	299.5	301.8
Lease obligations	34.7	34.7	31.0	31.0
Green Bond	298.4	224.0	298.1	282.8
	943.6	857.0	626.5	613.5
Financial assets at fair value through other comprehensive income				
Other investments	2.1	2.1	1.7	1.7
	2.1	2.1	1.7	1.7
Financial assets at fair value through profit or loss				
Deferred consideration (overage)	11.2	11.2	0.6	0.6
	11.2	11.2	0.6	0.6

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

16. BORROWINGS CONTINUED
(f) Financial instruments by category

Assets	2023 £m	2022 £m
a) Assets at fair value through profit or loss		
Deferred consideration (overage)	0.5	0.6
	0.5	0.6
b) Loans and receivables		
Cash and cash equivalents	18.5	49.0
Trade and other receivables excluding prepayments[1]	31.7	8.4
	50.2	57.4
c) Assets at value through other comprehensive income		
Other investments	2.1	1.7
	2.1	1.7
Total	52.8	59.7

Liabilities	2023 £m	2022 £m
Other financial liabilities at amortised cost		
Borrowings	908.9	595.5
Lease liabilities	34.7	31.0
Trade and other payables excluding non-financial liabilities[2]	78.5	73.8
	1,022.1	700.3

1. Trade and other receivables exclude prepayments of £13.6m (2022: £14.5m) and non-cash deferred consideration of £0.5m (2022: £0.6m).
2. Trade and other payables exclude other tax and social security of £15.9m (2022: £3.8m), corporation tax of £nil (2022: £nil) and deferred income of £13.4m (2022: £8.2m).

(g) Changes in liabilities from financing activities

	Bank loans and borrowings £m	Lease liabilities £m
Balance at 1 April 2022	595.5	31.0
Changes from financing cash flows:		
Proceeds from bank borrowings	286.0	–
Repayment of bank borrowings	(150.0)	–
Finance costs for new/amended borrowing facilities	(1.6)	–
Finance costs assumed on asset acquisition	(1.6)	–
Total changes from cash flows	132.8	–
Exceptional finance costs	0.6	–
Amortisation of issue costs of borrowing	2.0	–
Debt assumed on asset acquisition	178.0	–
Changes in leases	–	3.7
Total other changes	180.6	3.7
Balance at 31 March 2023	908.9	34.7

	Bank loans and borrowings £m	Lease liabilities £m	Derivatives used for hedging-assets £m
Balance at 1 April 2021	752.8	26.3	8.7
Changes from financing cash flows:			
Proceeds from bank borrowings	25.0	–	–
Repayment of bank borrowings and Private Placement Notes	(173.5)	–	–
Finance costs for new/amended borrowing facilities	(1.3)		
Repayment of derivatives	–	–	(0.7)
Total changes from cash flows	(149.8)	–	(0.7)
Foreign exchange differences	(8.6)	–	(8.0)
Amortisation of issue costs of borrowing	1.1	–	–
Changes in leases	–	4.7	–
Total other changes	(7.5)	4.7	(8.0)
Balance at 31 March 2022	595.5	31.0	–

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

17. LEASE OBLIGATIONS

Lease liabilities are in respect of leased investment property.

Minimum lease payments under leases fall due as follows:

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

Following the adoption of IFRS 16, lease obligations are shown separately on the face of the balance sheet. The balance represents a non-current liability as the payment shown within one year of £2.1m (2022: £1.9m) is offset by future finance charges on leases of £2.1m (2022: £1.9m). All lease obligations are long leaseholds, therefore, the majority of the obligations fall beyond fifteen years.

18. 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. At 31 March 2023, 73% (2022: 100%) of Group borrowings were fixed.

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. As at year end, a reasonably possible interest rate movement of +/-1.0% would have increased or decreased net interest payable by £2.5m (2022: £nil).

The interest cover covenant 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 2023 interest cover was 3.8x. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY CONTINUED

(b) Credit risk continued

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 4,910 lettable units at 86 properties with overall occupancy of 81.5%. The largest 10 single tenants generate around 10.3% 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 mitigated 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 £37.0m (2022: £33.2m). 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.

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 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:

	2023 £m	2022 £m
Cash and cash equivalents (note 14)	18.5	49.0
Trade receivables – current (note 13)	12.3	6.7
Deferred consideration – current (note 13)	11.2	0.6
	42.0	56.3

The Group's assessment of expected credit losses involves estimation given its forward-looking nature. Assumptions used in the forward-looking assessment are continually reviewed to take into account likely rent deferrals.

(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 £50.0m, so as 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 manage its liquidity effectively, the Group has an overdraft facility of £2.0m (2022: £2.0m), two revolving loan facilities totalling £335.0m (2022: one facility of £200.0m) and an acquisition loan facility of £50.0m (2022: £200.0m). At 31 March 2023 headroom excluding overdraft and cash was £136.0m (31 March 2022: £400.0m).

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 2023	Carrying[2] 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						
Private Placement Notes	300.0	9.9	9.9	88.3	234.5	342.6
Green Bond	300.0	6.8	6.8	6.8	312.9	333.3
Other loans	65.0	2.6	2.6	2.6	75.4	83.2
Lease liabilities	34.7	2.1	2.1	2.1	204.0	210.3
Trade and other payables[1]	78.5	78.5	–	–	–	78.5
	778.2	99.9	21.4	99.8	826.8	1,047.9

31 March 2022	Carrying[2] 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						
Private Placement Notes	300.0	9.9	9.9	9.9	322.6	352.3
Green Bond	300.0	6.8	6.8	6.8	319.5	339.9
Lease liabilities	31.0	1.9	1.9	1.9	187.8	193.5
Trade and other payables[1]	73.8	73.8	–	–	–	73.8
	704.8	92.4	18.6	18.6	829.9	959.5

1. Trade and other payables exclude other tax and social security of £15.9m (2022: £3.8m), corporation tax of £nil (2022: £nil) and deferred income of £13.4m (2022: £8.2m).
2. Excludes unamortised borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
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18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY CONTINUED

(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 the Green Bond, Revolving Credit Facilities from banks, Private Placement Notes less cash at bank and in hand.

At 31 March 2023, Group equity was £1,787.7m (2022: £1,799.6m) and Group net debt (debt less cash at bank and in hand) was £902.0m (2022: £557.7m). Group gearing at 31 March 2023 was 50% (2022: 31%).

The Group's borrowings are all unsecured apart from £65.0m. The loan to value covenant applicable to these borrowings is 60% and compliance is being met comfortably. Loan to value at 31 March 2023 was 33%. This is calculated using the total CBRE investment property valuation (as per note 10) and the current net debt (as per note 16(b)). 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%.

19. NOTES TO CASH FLOW STATEMENT

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

	2023 £m	2022 £m
(Loss)/profit before tax	(37.5)	124.0
Depreciation	1.6	1.8
Amortisation of intangibles	0.7	0.9
Letting fees amortisation	0.5	–
Loss/(profit) on disposal of investment properties	0.7	(7.8)
Other expenses/(income) (note 3c)	3.8	(0.6)
Net loss/(profit) from change in fair value of investment property	88.0	(68.7)
Impairment of assets held for sale	5.1	–
Equity-settled share based payments	1.4	1.6
Finance costs	34.4	20.5
Exceptional finance costs	0.6	–
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(6.4)	1.4
Increase in trade and other payables	17.6	7.4
Cash generated from operations	110.5	80.5

For the purposes of the cash flow statement, cash and cash equivalents include restricted cash – tenants' deposit deeds (note 14).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

20. SHARE CAPITAL AND SHARE PREMIUM

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

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

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

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

21. OTHER RESERVES

	Other investment reserve £m	Equity-settled share based payments £m	Merger reserve £m	Total £m
Balance at 1 April 2021	2.1	22.3	8.7	33.1
Share based payments	–	1.6	–	1.6
Issue of shares	–	–	–	–
Recycled to retained earnings	(2.1)	–	–	(2.1)
Balance at 31 March 2022	–	23.9	8.7	32.6
Share based payments	–	1.4	–	1.4
Issue of shares (note 20)	–	–	56.6	56.6
Change in fair value	0.4	–	–	0.4
Balance at 31 March 2023	0.4	25.3	65.3	91.0

In the prior year, the Group sold its investment in Excell Holdings Limited realising a gain recognised in previous periods which has been recycled to retained earnings.

22. 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 2023, the number of shares held by the ESOT totalled 75,226 (2022: 75,226).

The SIP is governed by HMRC rules (note 23). At 31 March 2023, the number of shares held for the SIP totalled 77,324 (2022: 86,887).

	2023 £m	2022 £m
Balance at 1 April	9.9	9.6
Shares purchased for the trusts	–	0.3
Balance at 31 March	9.9	9.9

23. SHARE BASED PAYMENTS

The Group operates a number of share schemes:

(a) Long Term 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.

The performance measures are:
- Relative TSR
- Total Property Return compared to the IPD benchmark

The shares are issued at nil cost to the individuals provided the performance conditions are met.

Under the 2022 LTIP scheme, 848,199 performance shares were awarded in June 2022 to Directors and Senior Management (2021 LTIP scheme: 495,474 were awarded in June 2021 and 25,781 in November 2021).

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

	LTIP Number
At 1 April 2021	1,366,292
Granted	521,255
Exercised	–
Lapsed	(500,681)
At 31 March 2022	1,386,866
Granted	848,199
Exercised	–
Lapsed	(470,877)
At 31 March 2023	1,764,188

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

23. SHARE BASED PAYMENTS CONTINUED
(a) Long Term Incentive Plan ('LTIP') continued
The 2019 LTIP scheme was due to vest in June 2022 but did not, therefore, no shares were exercised during the year. The average closing share price at the date of exercise of shares exercised during the year was therefore £nil (2018 LTIP scheme: £nil).

A binomial model was used to determine the fair value of the LTIP grant for the Relative TSR element of the schemes.

Assumptions used in the model were as follows:

	2022 LTIP	November 2021 LTIP	June 2021 LTIP	2020 LTIP	2019 LTIP
Share price at grant	642p	841p	842p	706p	862p
Exercise price	Nil	Nil	Nil	Nil	Nil
Average expected life (years)	3	3	3	3	3
Risk-free rate	1.96%	0.49%	0.16%	0.61%	0.52%
Average share price volatility	41.5%	42.6%	39.5%	35%	21%
Correlation	46%	47%	45%	46%	49%
TSR starting factor	0.85	1.14	1.11	0.65	0.92
Fair value per option – Relative TSR element	333p	446p	475p	207p	322p

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 642p for the 2022 LTIP Scheme in June. 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 for the 2022 LTIP Scheme was that 75% of the Total Property Return element will vest (LTIP 2021: 50%, LTIP 2020: 100%).

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. Assessment is made of any vesting conditions to categorise these into market performance conditions, non-market performance conditions and service conditions to value equity-settled transactions.

The risk-free rate has been determined from market yield curves for government zero-coupon bonds with outstanding terms equal to the average expected term to exercise for each relevant grant.

(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 2021	363,849	£5.60
Options granted	46,554	£6.70
Options exercised	(11,665)	£7.44
Options lapsed	(71,357)	£5.78
At 31 March 2022	327,381	£5.65
Options granted	132,890	£5.59
Options exercised	–	–
Options lapsed	(173,364)	£5.75
At 31 March 2023	286,907	£5.56

The average closing share price at the date of exercise for the SAYE options exercised (for the three-year 2019 and the five-year 2017 schemes) during the year was not applicable because no shares were exercised (2022: £8.69).

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

	2023 SAYE 3 year	2023 SAYE 5 year	2022 SAYE 3 year	2022 SAYE 5 year
Weighted average share price at grant	559p	559p	846p	846p
Exercise price	508p	508p	670p	670p
Expected volatility	41%	34%	38%	35%
Average expected life (years)	3	5	3	5
Risk free rate	2%	2%	0%	0%
Expected dividend yield	4%	4%	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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

23. SHARE BASED PAYMENTS CONTINUED
(b) Employee share option schemes continued
Fair values per share of these options were:

	2023		2022	
	Grant date	Fair value of award	Grant date	Fair value of award
SAYE – three year	27 July 2022	144p	23 July 2021	261p
SAYE – five year	27 July 2022	136p	23 July 2021	261p

(c) Share Incentive Plan ('SIP')
All staff were granted £1,000 worth of shares in September 2015, £2,000 in August 2017, £2,000 in September 2019 and £2,000 in September 2021. 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 shares were granted in the year (2022: 52,170), 15,259 (2022: 6,124) shares were exercised in the year and 9,619 (2022: 9,587) shares lapsed.

(d) Year-end summary
At 31 March 2023, in total there were 2,111,777 (2022: 1,850,331) 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					
18 June 2020	–	519,141	–	18.06.2023	–
18 June 2021	–	469,238	–	18.06.2024	–
24 June 2022	–	775,810	–	24.06.2025	–
SAYE					
26 July 2018 – five year	£8.60	–	–	01.09.2023	01.03.2024
25 July 2019 – five year	£7.02	–	–	01.09.2024	01.03.2025
27 July 2020 – three year	£5.31	135,193	–	01.09.2023	01.03.2024
27 July 2020 – five year	£5.31	7,116	–	01.09.2025	01.03.2026
23 July 2021 – three year	£6.70	27,813	–	01.09.2024	01.03.2025
23 July 2021 – five year	£6.70	894	–	01.09.2026	01.03.2027
27 July 2022 – three year	£5.59	96,230	–	01.09.2025	01.03.2026
27 July 2022 – five year	£5.59	19,661	–	01.09.2027	01.03.2028
SIP					
5 September 2019[1]	–	21,436	21,436	05.09.2022	–
29 September 2021[1]	–	39,245	–	29.09.2024	–
Total		2,111,777	21,436		

1. The number of ordinary shares in the SIP scheme does not include 16,643 unallocated shares.

The share awards/options outstanding at 31 March 2023 had a weighted average remaining contractual life of: LTIP – 1.4 years (2022: 1.3 years), SAYE – 1.5 years (2022: 1.4 years), SIP – 1.0 year (2022: 1.1 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 share price at the balance sheet date. 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:

	2023 £m	2022 £m
Equity-settled share based payments	1.4	1.6
Cash-settled share based payments	–	–
	1.4	1.6

The total liability at the end of the year in respect of cash-settled share based schemes was £0.3m (2022: £0.4m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
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24. PENSIONS
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 £1.0m (2022: £0.8m) representing contributions payable by the Group to the fund and is charged through trading profit.

The Group's commitment with regard to pension contributions, consistent with the prior year, ranges from 6.0% to 16.5% of an employee's salary. The pension scheme is open to every employee in accordance with the Government auto-enrolment rules. The number of employees, including Directors, in the scheme at the year end was 261 (2022: 238).

As part of the McKay Securities Limited (formerly McKay Securities PLC) acquisition in May 2022 the Group became liable for the existing McKay defined benefit pension scheme. Subsequent to this, on 12 October 2022, the Group entered into a pension buy-out transaction whereby an insurance company took on all current and future liabilities of the scheme in exchange for the assets of the scheme, valued at £5.4m at that date, and a cash contribution from the Company of £1.3m. The scheme had a deficit of £0.3m at the half year with the excess settlement charge of £0.9m included within other expenses in the consolidated statement of comprehensive income. The scheme is currently being wound up with completion expected within the next few months.

25. RELATED PARTY TRANSACTIONS
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:	2023 £m	2022 £m
Short-term employee benefits	5.7	4.7
Total	5.7	4.7

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

	2023 £m	2022 £m
Investment property construction	34.4	4.6

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

27. SUBSIDIARY AND OTHER RELATED UNDERTAKINGS
The Company's subsidiary and other related undertakings at 31 March 2023, 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	Company Number	Nature of business
Workspace 12 Limited	05764838	Property Investment
Workspace 13 Limited	05834824	Property Investment
Workspace 14 Limited	05834831	Property Investment
Omnibus Workspace Limited[1,3]	01444827	Non-trading
United Workspace Limited[1,3]	01749661	Non-trading
Busworks Limited[1,3]	04108036	Holding Company
Workspace Glebe Limited[3]	05834811	Non-trading
Glebe Three Limited[3]	05830231	Non-trading
LI Property Services Limited[3]	02134039	Insurance Agents
Workspace Management Limited	02841232	Property Management
Workspace 1 Limited	03726272	Dormant
Workspace 10 Limited	02985018	Dormant
Workspace 11 Limited	05764848	Dormant
Workspace 15 Limited	05834840	Dormant
Workspace Holdings Limited[3]	03729646	Non-trading
Anyspacedirect.co.uk Limited[3]	07117982	Non-trading
Workspace Newco 1 Limited	10195676	Dormant
Workspace Newco 2 Limited	10195681	Dormant
McKay Securities Limited[2]	00421479	Property Investment
Baldwin House Limited[2,3]	00692181	Non-trading
Workspace Projects (KP) Limited	14186009	Property Investment

1. 100% of the ordinary share capital of this subsidiary is held by other Group companies.
2. McKay Securities Limited (formerly McKay Securities PLC) and Baldwin House Limited were acquired on 6 May 2022.
3. The following subsidiary undertakings are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as Workspace Group PLC has guaranteed the subsidiary companies under Section 479C of the Act.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

27. SUBSIDIARY AND OTHER RELATED UNDERTAKINGS CONTINUED
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	Non-trading
Workspace 17 (Jersey) Limited	Jersey	44 Esplanade, St Helier, Jersey JE4 9WQ	Holding Company
Workspace Salisbury Limited[1]	Jersey	44 Esplanade, St Helier, Jersey JE4 9WQ	Property Investment
Centro Property Limited[1]	Guernsey	Martello Court, Admiral Park, St Peter Port, Guernsey GY1 3HB	Non-trading
Stamfordham Road (IOM) Limited[1]	Isle of Man	33-37 Athol Street, Douglas, Isle of Man, IM1 1LB	Non-trading

1. 100% of the ordinary share capital of these subsidiaries is held by other Group companies.

28. LEASES
The majority of the Group's tenant leases are granted with a rolling three to six-month tenant break clause, although property acquisitions have included customer leases which are much longer, with fewer break clauses. The future minimum rental income under leases granted to tenants are shown below.

Land and buildings:	2023 £m	2022 £m
Within one year	85.0	61.1
Between one and two years	28.4	15.9
Between two and three years	16.3	9.6
Between three and four years	9.5	6.5
Between four and five years	8.0	4.4
Beyond five years	18.4	13.3
	165.6	110.8

29. POST BALANCE SHEET EVENTS
On 16 May 2023 the Group announced the exchange for sale of five light industrial and logistics properties in the South East of England for a total consideration of £82.0m. The sale price is in line with the 31 March 2023 valuation and is at a net initial yield of 4.5%.

PARENT COMPANY BALANCE SHEET
AS AT 31 MARCH 2023

	Notes	2023 £m	2022 £m
Fixed assets			
Investments	C	1,313.2	929.8
		1,313.2	929.8
Current assets			
Debtors: amounts falling due within one year	D	534.1	439.1
Cash and cash equivalents		7.0	34.3
		541.1	473.4
Total assets		1,854.3	1,403.2
Current liabilities			
Creditors: amounts falling due within one year	E	(255.2)	(168.9)
Borrowings	F	(50.0)	–
		(305.2)	(168.9)
Creditors: amounts falling due after more than one year			
Borrowings	F	(719.4)	(595.5)
Total liabilities		(1,024.6)	(764.4)
Net assets		829.7	638.8
Capital and reserves			
Share capital		191.6	181.1
Share premium		295.6	295.6
Investment in own shares		(9.9)	(9.9)
Other reserves	G	90.6	32.6
Retained earnings[1]		261.8	139.4
Total shareholders' equity		829.7	638.8

1. Retained earnings for the Company include profit for the year of £166.3m (2022: £7.5m loss).

The notes on pages 252 to 254 form part of these financial statements.

The financial statements on pages 251 to 254 were approved by the Board of Directors on 6 June 2023 and signed on its behalf by:

Graham Clemett
Director

Dave Benson
Director

Workspace Group PLC
Registered number 02041612

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 31 March 2021	181.1	295.6	(9.6)	31.0	191.7	689.8
Loss for the year	–	–	–	–	(7.5)	(7.5)
Total comprehensive loss	–	–	–	–	(7.5)	(7.5)
Transactions with owners:						
Dividends paid	–	–	–	–	(44.8)	(44.8)
Own shares	–	–	(0.3)	–	–	(0.3)
Share based payments	–	–	–	1.6	–	1.6
Balance at 31 March 2022	181.1	295.6	(9.9)	32.6	139.4	638.8
Profit for the year	–	–	–	–	166.3	166.3
Total comprehensive income	–	–	–	–	166.3	166.3
Transactions with owners:						
Shares issued	10.5	–	–	56.6	–	67.1
Dividends paid	–	–	–	–	(43.9)	(43.9)
Share based payments	–	–	–	1.4	–	1.4
Balance at 31 March 2023	191.6	295.6	(9.9)	90.6	261.8	829.7

The notes on pages 252 to 254 form part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

A. ACCOUNTING POLICIES
These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101').

Basis of accounting
The financial statements are prepared and approved by the Directors on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The financial statements are presented in Sterling.

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 IFRSs 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.

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's consolidated financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

A. ACCOUNTING POLICIES CONTINUED
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 23 of the Group's 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.

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 are relevant to the financial year.

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 profit attributable to shareholders, before dividend payments, is £166.3m (2022: £7.5m loss). £179.5m were received in the year from subsidiary undertakings (2022: nil).

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

C. INVESTMENTS

	Investment in subsidiary undertakings £m
Cost	
Balance at 31 March 2022	1,064.1
Additions in the year	383.4
Balance at 31 March 2023	1,447.5
Impairment	
Balance at 31 March 2022 and 31 March 2023	134.3
Net book value at 31 March 2023	1,313.2
Net book value at 31 March 2022	929.8

An impairment test has performed at the year end by comparing the carrying amount of 100% of investments with the relevant subsidiary financial information to identify whether their net assets, being an approximation of their recoverable amount, are in excess of their carrying amount.

D. DEBTORS

Amounts falling due within one year	2023 £m	2022 £m
Amounts owed by Group undertakings	533.5	438.0
Corporation tax asset	0.6	1.1
	534.1	439.1

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

At the balance sheet date, there is no expectation of any material credit losses on accounts owed by Group undertakings.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023 CONTINUED

E. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £m	2022 £m
Amounts owed to Group undertakings	250.8	165.0
Withholding tax	1.9	1.5
Accruals and deferred income	2.5	2.4
	255.2	168.9

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

F. BORROWINGS

Borrowings and financial instruments	Interest rate	Repayable	2023 £m	2022 £m
Creditors: amounts falling due within one year				
Bank overdraft due within one year or on demand	Base + 2.25%	On demand	–	–
Bank Loan	SONIA + 1.75%[1]	September 2023	50.0	–
Creditors: amounts falling due after more than one year				
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	3.60%	January 2029	100.0	100.0
Bank Loan	SONIA + 1.77%[2]	December 2025	123.0	–
Green Bond	2.25%	March 2028	300.0	300.0
Total borrowings			773.0	600.0
Less cost of raising finance			(3.6)	(4.5)
Foreign exchange differences			–	–
Net borrowings			769.4	595.5

1. This is an average over the life of the debt. The margin increases from 1.5% to 2.0% over the facility availability period.
2. The base margin is dependent upon the LTV as reported in the client certificate, which is submitted twice a year. The maximum margin is 2.15%. The base margin can be adjusted further by up to 4.5bps dependent upon achievement of three ESG-linked metrics.

All the above borrowings are unsecured.

Maturity analysis of borrowings:	2023 £m	2022 £m
Repayable within one year	50.0	–
Repayable between one and two years	–	–
Repayable between two and three years	203.0	–
Repayable between three and four years	–	80.0
Repayable between four and five years	420.0	80.0
Repayable in five years or more	100.0	440.0
	773.0	600.0

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 20 to 23 on pages 246 to 248 and in the statement of changes in equity.

Other reserves:	Equity-settled share based payments £m	Merger reserve £m	Total £m
Balance at 31 March 2021	22.3	8.7	31.0
Share based payments	1.6	–	1.6
Balance at 31 March 2022	23.9	8.7	32.6
Share based payments	1.4	–	1.4
Issue of shares	–	56.6	56.6
Balance at 31 March 2023	25.3	65.3	90.6