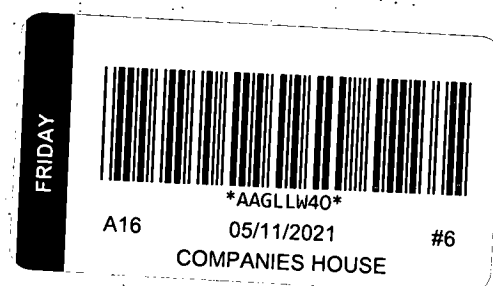


Workspace 13 Limited

Company registration number - 05834824

Annual report and financial statements

For the year ended 31 March 2021



Workspace 13 Limited

Strategic report for the year ended 31 March 2021

The directors present their Strategic report on Workspace 13 Limited (the 'Company') for the year ended 31 March 2021

Review of business and future developments

The Company reported a loss before taxation of £50.0m (2020: profit £13.2m). The loss on revaluation of investment property was £64.2m (2020: loss of £11.3m).

Net assets have decreased to £450.2m largely due to the operating loss of £49.5m and changes in intercompany loan balances.

The Company continues to improve some existing properties to enhance rental income potential: £2.3m was spent on capital improvements in the year (2020: £8.2m).

The performance of Workspace Group PLC (the "Group"), which includes the Company, is discussed in the Group's Annual Report (as per www.workspace.co.uk) which does not form part of this report.

Since March 2021, despite the Covid-19 pandemic continuing to have a significant effect on a lot of businesses, Workspace is seeing signs of recovery. With enquiries increasing towards pre-Covid levels, supporting the assessment of the Company as a going concern. Going concern is discussed in further detail in the Directors' Report.

Key performance indicators

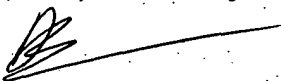
The company's KPI are valuation of property, which has decreased by £64.2m as a consequence of Covid-19, and rental income, which has decreased by £5.5m.

Risk management

The Company is part of Workspace Group PLC (the "Group"). Risk is managed on a Group basis. The Risk Committee of the Group is responsible for the Group risk management framework. This comprises identifying and evaluating the risks that the Group faces and ensuring that appropriate controls and processes are in place to manage these risks. It also comprises responsibility for the oversight of the risk management process. An important part of the Group risk management framework is to have documented policies and procedures in place.

The Directors of the Company are responsible for ensuring that the Company complies with the Group's risk management framework. Assurance as to the effectiveness of internal controls and compliance with the risk management framework provided by the Group's risk management functions. The Directors consider its risk management framework is appropriate for a company of its size and complexity.

Approved by the Board and signed on its behalf by:



D Benson
Director

16 September 2021

Workspace 13 Limited

Directors' report for the year ended 31 March 2021

The directors present their report and the audited financial statements of Workspace 13 Limited for the year ended 31 March 2021.

Principal activities

The Company's principal activity is property investment providing space to businesses in London. It is a UK incorporated and domiciled wholly owned subsidiary of Workspace Group PLC.

Workspace Group PLC and its subsidiaries are a Real Estate Investment Trust (REIT) whereby no tax is payable on the Group's property rental business (both income and capital gains).

The Company uses Workspace Management Limited as an agent to manage its activities.

Results and dividends

The Company's loss before taxation for the year to 31 March 2021 is £50.0m (2020: profit £13.2m).

The directors do not recommend a dividend for the financial year (2020: £nil).

Despite the loss for the year, the directors consider the company to be a going concern as the loss was primarily due to the devaluation in investment property which is expected to be short term as a result of the current economic climate surrounding Covid-19. Whilst there were a net current liabilities at the year end, Workspace Group PLC provides support as the parent company. The majority of the current liabilities relate to intercompany balances where repayment will not be sought to enable the Company to meet its liabilities as and when they fall due. Furthermore, there are sufficient overall net assets to help meet these current liabilities and consequently, the assessment of the Company as a going concern is considered appropriate.

Future developments

These are outlined in the Strategic report on page 1.

Directors

The following directors served during the financial year and up to the date of signing these financial statements:

G C Clemett
D N Benson
A R Boag
C J Pieroni (Resigned 17 December 2020)
J Robson

Financial risk management

The directors of Workspace Group PLC manage the Group's financial risk and financial instruments on a Group basis. Disclosures relating to the Group's financial instruments can be found in notes 16 and 17 of the Group's Annual Report. The Company itself has limited exposure to risks arising from financial instruments, having no external borrowings, financial investments or trade debtors at the year end.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

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

Workspace 13 Limited

Directors' report for the year ended 31 March 2021 (continued)

Statement of directors' responsibilities (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Directors' indemnities

As permitted by the Parent Company's Articles of Association, the directors have the benefit of an indemnity provision which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

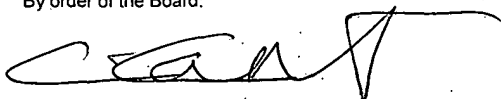
Statement of Disclosure of information to auditors

In accordance with section 418 of the Companies Act 2006, the directors who held office at the date of approval of this report confirm that, so far as they are aware there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditors

For the year ended 31 March 2021, KPMG LLP were reappointed as auditor of Workspace Group PLC and its subsidiaries, including Workspace 13 Limited.

By order of the Board:



C Carfora
Company secretary
16 September 2021

Workspace 13 Limited

Independent auditor's report to the members of Workspace 13 Limited

Opinion

We have audited the financial statements of Workspace 13 Limited ("the company") for the year ended 31 March 2021 which comprise the Profit and Loss account and other comprehensive income, Balance Sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the directors of whether they are aware of fraud and of the Company's high-level policies and procedures to prevent and detect fraud;
- Reading Board minutes;
- Considering remuneration incentive schemes and performance targets for management.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as investment property valuations. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's income primarily arises from operating lease contracts with fixed, or highly predictable, periodic payments and fixed rental incomes.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We also performed procedures including:

- assessing significant accounting estimates for bias.

Our procedures to detect fraud in the investment property valuations included:

- the use of our specialist valuers to challenge the methods used in the valuation;
- obtaining both confirmatory and non-confirmatory evidence to assess of the key inputs into the valuations.

Workspace 13 Limited

Independent auditor's report to the members of Workspace 13 Limited (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: landlord and tenant legislation, property laws and building legislation and anti-bribery, recognising the nature of the Company's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Workspace 13 Limited

Independent auditor's report to the members of Workspace 13 Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 2-3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Richard Kelly (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
16 September 2021

Workspace 13 Limited

Profit and loss account and other comprehensive income for the year ended 31 March 2021

	Note	Year ended 31 March 2021	Year ended 31 March 2020
		£	£
Turnover	2	30,239,804	36,680,585
Cost of sales		(10,741,698)	(7,291,119)
Gross profit	2	19,498,106	29,389,466
Administrative expenses		(4,792,770)	(5,185,783)
Loss on revaluation of investment property	8	(64,201,156)	(11,268,586)
Other operating income	3(a)	14,000	-
Other operating expense	3(b)	-	(98,744)
Profit on disposal of investment properties	3(c)	-	102,689
Operating (loss)/profit		(49,481,820)	12,939,042
Interest receivable and similar income	4	47,995	787,984
Interest payable and similar expenses	5	(518,231)	(482,775)
(Loss)/profit before taxation	6	(49,952,056)	13,244,251
Tax on loss/profit	7	(31,223)	(486,724)
(Loss)/profit for the financial year and total comprehensive income		(49,983,279)	12,757,527

All amounts above relate to continuing operations.

The notes on pages 10 to 16 form part of these financial statements.

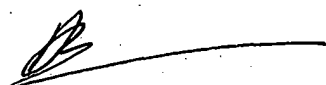
Workspace 13 Limited

Balance sheet as at 31 March 2021

	Note	2021 £	2020 £
Fixed assets			
Investment properties	8	509,815,459	469,717,032
Tangible fixed assets	9	807,286	1,052,314
		510,622,745	470,769,346
Current assets			
Debtors	10	3,323,058	47,276,354
Creditors: amounts falling due within one year	11(a)	(56,044,016)	(8,328,313)
Net current (liabilities)/assets		(52,720,958)	38,948,041
Total assets less current liabilities		457,901,787	509,717,387
Creditors: amounts falling due after more than one year	11(b)	(7,664,331)	(9,496,652)
Net assets		450,237,456	500,220,735
Capital and reserves			
Called up share capital	12	138,769,653	138,769,653
Redeemable preference shares	13	79,417,061	79,417,061
Profit and loss account		232,050,742	282,034,021
Total shareholders' funds		450,237,456	500,220,735

The notes on pages 10 to 16 form part of these financial statements.

The financial statements on pages 7 to 16 were approved by the Board on 16 September 2021 and signed on its behalf by:



D Benson
Director

Workspace 13 Limited

Company registration number - 05834824

Workspace 13 Limited

Statement of changes in equity for the year ended 31 March 2021

	Called up share capital £	Redeemable preference shares £	Profit and loss account £	Total shareholders' funds £
Balance at 31 March 2019	138,769,653	79,417,061	269,276,494	487,463,208
Profit for the financial year and total comprehensive income	-	-	12,757,527	12,757,527
Balance at 31 March 2020	138,769,653	79,417,061	282,034,021	500,220,735
Loss for the financial year and total comprehensive income	-	-	(49,983,279)	(49,983,279)
Balance at 31 March 2021	138,769,653	79,417,061	232,050,742	450,237,456

The notes on pages 10 to 16 form part of these financial statements.

Workspace 13 Limited

Notes to the financial statements for the year ended 31 March 2021

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention, as modified by the revaluation of investment properties that are measured at revalued amounts or fair values at the end of each reporting period (see note (e) below), and in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006.

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

- a) The requirements of IAS 7 to provide a Statement of cash flows and related notes for the year;
- b) The requirements of IAS 1 to provide a statement of compliance with IFRS;
- c) The requirements of IAS 1 to disclose information on the management of capital;
- d) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRS's that have been issued but are not yet effective;
- e) The requirements of paragraph 17 and 18a of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- f) The requirements of IFRS 7 on financial instruments disclosures; and
- g) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.
- h) The requirement to disclose comparative information for Property Plant and Equipment and Investment Properties.

The above disclosure exemptions are allowed because equivalent disclosures are included in the Group consolidated financial statements of Workspace Group PLC into which the Company is consolidated.

Payments and receipts relating to the Company are made on its behalf by its fellow subsidiary, Workspace Management Limited. The ensuing trade debtor or trade creditor thus rests within the statutory financial statements of Workspace Management Limited, and not the Company. The asset/liability relating to the income/expenditure is reflected in the financial statements of the Company through intercompany balances with Workspace Management Limited.

In accordance with IFRS 15 Revenue Recognition, accruals, deferred income, prepayments and accrued income are reflected in the subsidiary to which they relate and not in the management company that acts as agent.

The future capital commitments of the company will be funded by Workspace Group.

The principal accounting policies, which have been applied consistently throughout the financial year, are set out below:

(b) Significant judgements, key assumptions and estimates

The preparation of financial statements in conformity with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006 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.

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

Investment property valuation

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

Details of the valuation methodology and key assumptions are given in note 10 of the Group consolidated financial statements. Management consider the significant assumptions to the valuation of investment properties to be estimated rental values and market based yields.

The Company also has some rights to receive future overage payments in respect of previous property disposals or part disposals. The value of the overage is considered as part of the external property valuation.

The principal accounting policies, which have been applied consistently throughout the financial year, are set out below:

Workspace 13 Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

1 Accounting policies (continued)

(c) Going concern

The extended impact of the Covid-19 pandemic on the operations of the Group has been a key consideration when assessing the appropriateness of applying the going concern basis in the preparation of the financial statements. There is still some uncertainty as to how the economy will recover and whether there will be any long term impact on the demand for office space. We have therefore modelled a number of different scenarios considering a period of 12 months from the date of signing of these financial statements. These scenarios include a severe, but realistically possible, scenario which includes the following key assumptions:

- A gradual recovery period of two years from summer 2021 to return to 90% occupancy.
- New lettings continue to be below the average price per sq. ft. of vacating customers until like-for-like occupancy levels reach 90%.
- Continued higher levels of counterparty risk, with bad debt significantly higher than pre-pandemic levels.
- A further two months of Government restrictions on public movement in the winter of 2021 ("lockdown").

Despite the loss for the year, the directors consider the company to be a going concern as the loss is primarily due to the devaluation in investment properties which is expected to be short term as a result of the current economic climate surrounding Covid-19. Whilst there is a net current liabilities position at the year end, Workspace Group PLC provide support as the parent company. The majority of the current liabilities relate to intercompany balances and Workspace Group PLC has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for at least one year after these financial statements are signed. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due or at least one year after these financial statements are signed and therefore have prepared the financial statements on a going concern basis.

(d) Turnover and cost of sales

Turnover comprises rental income and other sums receivable from occupiers of investment properties (including service charges, insurance charges and other recoveries and any premia associated with tenancies) and sundry income. Turnover is recognised on an accruals basis. Rental income is recognised on a straight line basis over the lease term. Service charges and other sums receivable are recognised by reference to the stage of completion of the relevant service or transaction at the reporting date.

Income received in advance of the reporting date is held as deferred income under creditors where it relates to future periods.

Cost of sales comprises ground rents payable and other property outgoings directly attributable to investment properties.

(e) Investment properties

Investment properties are revalued annually on the basis of open market value by independent valuers. Any changes in market value of investment properties are taken to the profit and loss account for the year. No depreciation is provided.

Investment property acquisitions are not recognised until the contract is unconditional. The associated purchase costs are capitalised.

Existing investment property which undergoes redevelopment for continued future use as investment property remains in investment property. Property that is being constructed or developed for future use as investment property, but has not previously been classified as such, is classified as other tangible fixed assets and initially recognised at cost until construction or development is complete, at which time it is reclassified as investment property at fair value.

Assets 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. The corresponding rental obligations, net of finance charges, are included in current and non current borrowings. Each lease payment is allocated between liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the profit and loss account.

Group borrowing costs capitalised in the case of existing properties undergoing redevelopment, are calculated by reference to the actual interest rate payable on borrowings for development purposes or, as regards developments financed out of general funds, by reference to the average rate paid on funding the assets employed by the Company.

Profit or loss from the sale of investment property is recognised when the significant risks and returns have been transferred to the buyer. This is generally taken upon completion of the sale or in the case of a part disposal, the part 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 returns of this part have been transferred to the buyer). The profit or loss arising on the sale of investment properties is taken as the consideration receivable (net of sale costs) less the net book value on sale and is recognised in the profit and loss account.

Consideration can take the form of cash, new commercial space 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). Consideration (including overage) is measured at the fair value of the consideration received/receivable. Commercial property to be received is fair valued and included in investment property. Overage is only recognised once an agreement has been signed with a residential developer. Where any aspect of the consideration is conditional, the revenue associated with that conditional item is fair valued and included as deferred consideration. The carrying value of overage is assessed at each period end and changes in fair value are taken to the profit and loss account. Future cash consideration is recognised in debtors and classified as current or non-current depending on the agreed payment terms.

(f) Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of the assets, less their residual values, over their expected useful lives using the straight line basis.

Depreciation is provided on equipment and fixtures on a straight line basis over their useful lives of 4-10 years.

(g) Trade and other debtors

Trade and other debtors 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 occupiers' circumstance. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

(h) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

On the disposal of an investment property the element of tax relating to the profit in the year is charged to the profit and loss account.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Workspace 13 Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

1 Accounting policies (continued)

(i) Redeemable Preference Shares

Redeemable Preference Shares are issued between group companies. They carry a coupon rate of 0.001% and do not have any voting rights. The shares have no redemption date but can be redeemed in full or part at anytime and at the option of the Company and are therefore held within equity.

(j) Leases

The Company has applied IFRS 16. At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of rental payments as per the lease agreement signed with the lessor. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Tangible fixed assets' and lease liabilities in 'Creditors: amounts falling due within one year' and 'Creditors: Amounts falling due after more than one year' in the statement of financial position.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2 Turnover and gross profit

	Year ended 31 March 2021		Year ended 31 March 2020	
	Turnover £	Gross profit/(loss) £	Turnover £	Gross profit/(loss) £
Rental income	25,272,017	21,336,179	30,821,489	30,725,648
Service charges	4,836,028	(645,366)	5,660,802	(766,510)
Fees, other recoveries less non recoverable costs	131,759	(1,192,707)	198,294	(569,672)
	30,239,804	19,498,106	36,680,585	29,389,466

The Company operates a single business segment which is continuing and occurs wholly in the United Kingdom.

Workspace 13 Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

3(a) Other operating income

	Year ended 31 March 2021	Year ended 31 March 2020
	£	£
Other income	14,000	-
	<u>14,000</u>	<u>-</u>

3(b) Other operating expense

	Year ended 31 March 2021	Year ended 31 March 2020
	£	£
Deferred consideration on sale of investment property	-	98,744
	<u>-</u>	<u>98,744</u>

Deferred consideration comprises an estimate of the overage (share of profit) and cash to be received from developers. This is held on the balance sheet within debtors.

3(c) Profit on disposal of investment properties

	Year ended 31 March 2021	Year ended 31 March 2020
	£	£
Sale proceeds (net of costs)	-	15,475,458
Carrying value of investment properties on sale to third parties (note 8)	-	(15,372,769)
	<u>-</u>	<u>102,689</u>

The Company made no disposals during the year (2020: one disposal for gross consideration of £15.9m and £15.5m net of sales costs).

4 Interest receivable and similar income

	Year ended 31 March 2021	Year ended 31 March 2020
	£	£
Interest receivable from parent company	47,995	787,984
	<u>47,995</u>	<u>787,984</u>

Interest receivable on the loan with the parent company is on an arm's length basis at an average rate of 3.7% (2020: 3.7%). All other Group balances are interest free.

5 Interest payable and similar expenses

	Year ended 31 March 2021	Year ended 31 March 2020
	£	£
Dividend paid on redeemable preference shares	794	794
Interest payable on leases	517,437	481,981
	<u>518,231</u>	<u>482,775</u>

Interest payable on the loan with the parent company is on an arm's length basis at an average rate of 3.7% (2020: 3.7%). All other Group balances are interest free.

6 (Loss)/profit before taxation

	Year ended 31 March 2021	Year ended 31 March 2020
	£	£
(Loss)/profit before taxation is stated after charging:		
Lease rentals – land and buildings	472,030	896,457
Depreciation	260,168	226,207

Administrative expenses mainly comprise management fees payable to Workspace Management Limited.

Auditor's remuneration (audit services only) has been borne by a fellow subsidiary. This amounted to £2,780 (2020: £2,780).

The emoluments of the directors are paid by other Group companies which makes no recharge to the Company. The directors are also directors of the other Group companies and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the other Group companies.

The Company has no employees (2020: none).

Workspace 13 Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

7 Tax on (loss)/profit

	Year ended 31 March 2021	Year ended 31 March 2020
	£	£
Current tax:		
UK corporation tax on (loss)/profit for the financial year	25,405	415,956
Adjustments in respect of prior years	5,818	70,768
Tax on (loss)/profit	31,223	486,724

The tax assessed for the year is higher (2020: lower) than the standard rate of corporation tax in the UK - 19% (2020: 19%). The differences are explained below:

	Year ended 31 March 2021	Year ended 31 March 2020
	£	£
(Loss)/profit before taxation	(49,952,056)	13,244,251
(Loss)/profit at standard rate of corporation tax in the UK of 19% (2020: 19%)	(9,490,891)	2,516,408
Income not taxable as a REIT	(2,681,924)	(4,241,483)
Changes in fair value not subject to tax as a REIT	12,198,220	2,141,031
Adjustments in respect of prior years	5,818	70,768
Total taxation charge	31,223	486,724

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. An increase to the rate of corporation tax has been enacted and, from 1 April 2023, the corporation tax rate should increase to 25%. This will increase the company's future current tax charge accordingly.

8 Investment properties

	Freehold £	Long Leasehold £	Total £
Balance at 1 April 2020	369,975,000	99,742,032	469,717,032
Capital Expenditure	1,286,817	1,073,803	2,360,620
Transfer in	-	103,783,640	103,783,640
Decrease in headlease	-	(1,844,677)	(1,844,677)
Loss on revaluation of investment property	(39,711,817)	(24,489,339)	(64,201,156)
Balance at 31 March 2021	331,550,000	178,265,459	509,815,459

Historic cost of investment properties held at year end was £373,386,743 (2020: £269,087,160).

There was no capitalised interest in the year (2020: nil). Total capitalised interest included in investment properties at 31 March 2021 is £802,809 (2020: £802,809).

Investment properties include buildings under leases of which the carrying amount is £7.7m (2020: £9.5m).

Workspace 13 Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

9 Tangible fixed assets

	Equipment and fixtures £
Cost	
Balance at 1 April 2020	2,000,695
Additions	235,717
Balance at 31 March 2021	2,236,412
Accumulated depreciation	
Balance at 1 April 2020	948,381
Reclassification of accumulated depreciation	220,577
Charge for the year	260,168
Disposals	
Balance at 31 March 2021	1,429,126
Net book value at 31 March 2021	807,286
Net book value at 31 March 2020	1,052,314

10 Debtors

	2021 £	2020 £
Due within one year:		
Amounts owed by Group undertakings (ultimate parent company)	-	30,479,796
Amounts owed by Group undertakings (fellow subsidiaries)	332,292	14,934,166
Rent deferral	543,795	
Prepayments and accrued income	2,446,971	1,862,392
	3,323,058	47,276,354

Amounts owed by subsidiaries are interest free, unsecured and repayable on demand. Amounts owed to the ultimate parent company are loans and are subject to interest at an average rate of 3.7% (2020: 3.7%) and are repayable on demand. All other amounts are interest free.

11 Creditors

a) Creditors: amounts falling due within one year

	2021 £	2020 £
Amounts owed to Group undertakings (ultimate parent company)	51,391,251	-
Amounts owed to Group undertakings (fellow subsidiaries)	223,578	3,561,905
Lease obligations (note 11(c))	1,129	13,485
Corporation tax payable	25,405	415,956
Accruals	2,637,153	2,564,380
Deferred income - rent and service charges	1,765,500	1,772,587
	56,044,016	8,328,313

Amounts owed to Group undertakings are unsecured and repayable on demand. Amounts owed to the ultimate parent company are loans and are subject to interest at an average rate of 3.7% (2020: 3.7%). All other amounts are interest free.

Workspace 13 Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

11 Creditors (continued)

b) Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Lease obligations (note 11(c))	7,664,331	9,496,652

c) Leases

Lease liabilities are in respect of leased investment property.	2021	2020
	£	£
Leases repayable within one year	1,129	13,485
Leases repayable in two years or more	7,664,331	9,496,652
Minimum lease payments under leases fall due as follows:		
Within one year	518,520	582,940
Between two and five years	2,074,078	2,331,760
Beyond five years	45,111,201	83,737,985
	47,703,799	86,652,685
Future finance charges on leases	(40,038,339)	(77,142,548)
Present value of lease liabilities	7,665,460	9,510,137

12 Called up share capital

	2021	2020
	£	£
Allotted and fully paid:		
138,769,653 (2020: 138,769,653) ordinary shares of £1 each	138,769,653	138,769,653

13 Redeemable preference shares

	2021	2020
	£	£
Allotted and fully paid:		
79,417,061 (2020: 79,417,061) redeemable preference shares of £1 each	79,417,061	79,417,061

The redeemable preference shares carry a coupon rate of 0.001% and do not have any voting rights. The shares have no redemption date but can be redeemed in full or part at any time at the option of the Company and are therefore held within equity.

14 Capital commitments

The Company had capital commitments contracted as at 31 March 2021 of £1,355,215 (2020: £72,906).

15 Ultimate parent company

The ultimate and immediate parent company and ultimate controlling party is Workspace Group PLC a company incorporated in the UK and registered in England and Wales which heads the smallest and largest group to consolidate these financial statements. The Registered Office of the ultimate parent company is the same as that of the Company which is Canterbury Court, Kennington Park, 1-3 Brixton Road, London, SW9 6DE. Copies of the consolidated financial statements which are reported under IFRS ("International Financial Reporting Standards") and incorporate the results of the Company may be obtained from our website (www.workspace.co.uk).

16 Related party transactions

The Company has taken advantage of the disclosure exemption under FRS 101 not to disclose related transactions between wholly owned group undertakings, which would otherwise qualify as related parties (IAS 24 Related Party Disclosures). The Company had no other transactions with related parties during either year.

17 Leases

The majority of customer leases are granted on rolling six month break clauses. The future minimum non-cancellable rental receipts under leases granted to customers are shown below:

Land and Buildings:	2021	2020
	£	£
Within one year	12,964,828	15,861,575
Between two and five years	2,737,792	4,104,990
Beyond five years	54,562	382,094
	15,757,182	20,348,659