

# WORKSPACE UNDERSTANDS WORK SPACE

HALF YEAR REPORT 2013



WORKSPACE®

**CONTENTS**

01	Highlights for the Six Months ended 30 September 2013
02	Operating Performance
07	Key Property Statistics
08	Consolidated Income Statement
08	Consolidated Statement of Comprehensive Income
09	Consolidated Balance Sheet
10	Consolidated Statement of Changes in Equity
11	Consolidated Statement of Cash Flows
12	Notes to the Half Year Report
23	Principal Risks and Uncertainties
24	Statement of Directors' 'Interim Financial Reporting' Responsibilities
25	Independent Review Report to Workspace Group PLC

**WHAT WE DO**

**Workspace provides business premises tailored to the needs of new and growing companies across London.**

**HOW WE DO IT**

**Workspace understands the changing needs of these companies and actively adapts and manages its buildings to create an environment for growth.**

**WHERE WE DO IT**

**Workspace owns over 100 properties in London providing 5.2 million square feet of space and is home to some 4,000 businesses employing more than 30,000 people.**

**HOW WE GENERATE VALUE**

**Workspace is growing through deep market knowledge, operational excellence and strong customer relationships.**

**Workspace is enhancing both core operational income and capital values by repositioning specific property assets.**

**Workspace provides the right properties to attract its customers and the right services to retain them and help them grow.**

# HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

## STRONG FINANCIAL PERFORMANCE

Profit before tax £100.8m for the half year  
(30 September 2012: £24.6m)

Adjusted trading profit after interest up 10% to £9.7m  
(30 September 2012: £8.8m)

Interim dividend per share increased by 10% to 3.54p  
(30 September 2012: 3.22p)

## CONTINUED MOMENTUM IN DEMAND AND PRICING

Like-for-like rent roll up 3.8% since 31 March 2013  
at £45.9m

Like-for-like rent per sq. ft. up 2.6% from 31 March 2013  
to £14.37

Like-for-like occupancy at 90.9% (31 March 2013: 89.9%)

Enquiries for space averaged 1,021 per month in the  
six months (31 March 2013: 1,037 per month)

## IMPROVING CAPITAL VALUES

Underlying property valuation up 12% (£96m) in the  
six months to £921m

Net initial yield stable at 6.8% (March 2013: 6.9%)

EPRA net asset value per share up by 16% since  
March 2013 to £4.04 (31 March 2013: £3.48)

## GOOD PROGRESS ON ASSET MANAGEMENT ACTIVITY

Completed refurbishments performing well,  
with pricing ahead of our expectations

Mixed-use planning consents achieved at three  
properties for 1,340 residential units

Deal announced in October 2013 with Grosvenor  
for the sale of 800 unit residential redevelopment  
at the Biscuit Factory, SE16

Acquisition of Verulam House, WC1 in November 2013  
for £18m, at capital value of £433 per sq. ft.

## STRONG AND FLEXIBLE FINANCIAL BASE

Successful refinancing of all borrowing facilities on an  
unsecured basis, extending average maturity of debt  
to over seven years

Loan to value ratio of 35% (31 March 2013: 40%)

£86m of available facilities and cash

## COMMENTING ON THE RESULTS, JAMIE HOPKINS, CHIEF EXECUTIVE OFFICER SAID:

“Workspace has had a productive first half of the year and this strong set of results reflects good momentum across all areas of the business.

I believe that our strategy of owning the right properties, targeting and building direct relationships with customers, as well as intensively managing our portfolio continues to deliver value for our shareholders.

Demand from new and growing businesses across London remains strong and as well as continuing to make very good progress with our refurbishment and redevelopment activity I am also very pleased to announce the purchase of Verulam House on Gray's Inn Road, WC1. This acquisition fits extremely well within our portfolio and we remain active in targeting other strategic acquisition opportunities where appropriate.”

## OPERATING PERFORMANCE

We continue to see consistent high levels of enquiries and lettings at our properties across London.

Average number per month:	Quarter Ended				
	Sept 2013	June 2013	March 2013	Dec 2012	Sept 2012
Enquiries	1,010	1,033	1,107	964	1,026
Lettings	84	74	104	79	70

Our like-for-like property portfolio, which excludes properties undergoing refurbishment or redevelopment, has seen strong growth in the six months with cash rent roll up 3.8% (£1.7m) since March 2013 and occupancy up by 1.0% to 90.9%. These numbers have been restated for the three disposals completed in the first six months and an adjustment to the space that will be retained at one of our redevelopment properties.

Like-for-like rent per sq. ft. is up 2.6% in the six months and 7.6% over the last year. Demand for space has been particularly strong at our larger business centres where we have been able to achieve an 11% increase in rent per sq. ft. over the last twelve months compared to 2% growth at our industrial properties.

Like-for-Like	Sept 2013	June 2013	March 2013	Dec 2012	Sept 2012
Properties	64	64	64	64	64
Occupancy	90.9%	90.3%	89.9%	90.2%	89.0%
Rent roll	£45.9m	£44.9m	£44.2m	£42.6m	£41.8m
Rent per sq. ft.	£14.37	£14.14	£14.00	£13.44	£13.36

We have completed refurbishments at six properties and are making good progress in letting up the new and upgraded space at pricing levels ahead of our initial expectations. A summary of progress is detailed below which shows good growth in rent roll, with the most recent two refurbishments completing in August 2013.

Completed Refurbishments	Sept 2013	June 2013	March 2013	Dec 2012	Sept 2012
Properties	6	6	6	6	6
Occupancy	82.0%	79.5%	81.9%	74.7%	65.4%
Rent roll	£5.1m	£4.7m	£4.0m	£3.6m	£3.5m
Rent per sq. ft.	£16.88	£16.33	£14.93	£15.31	£15.32

Total cash rent roll is £54.1m at September 2013 up 2.7% (£1.4m) in the half year. A summary of the movement in total cash rent roll over the six months is set out below:

Total Rent Roll	£m
At March 2013	52.7
Like-for-like growth	1.7
Increase in rent at completed refurbishments	1.1
Rent reduction at refurbishment and redevelopment projects	(0.6)
Rent lost at property sold	(0.8)
<b>At September 2013</b>	<b>54.1</b>

Our total contracted rent roll, which includes stepped rates and rent free periods, was £1.7m higher than the cash rent roll at £55.8m at September 2013. £0.9m (50%) of this should convert to cash by March 2014.

## PROFIT PERFORMANCE

Adjusted Trading Profit after Interest at £9.7m in the six months to September 2013 is up 10% on the prior year. This excludes £1.9m of exceptional finance costs associated with the refinancing of debt facilities completed in July 2013.

£m	30 September 2013	30 September 2012
Net rental income – underlying	24.3	22.4
Net rental income – disposals	0.1	0.8
BlackRock joint venture income	0.6	0.4
Administrative expenses – underlying costs	(5.0)	(4.7)
Administrative expenses – share related incentives	(1.1)	(0.8)
Net finance costs (excluding exceptional costs)	(9.2)	(9.3)
Adjusted Trading Profit after Interest	9.7	8.8

Underlying net rental income, excluding disposals is up £1.9m (8%) with growth at like-for-like properties of £2.0m offset by a net reduction of £0.1m on refurbishments and redevelopment properties.

The reduction in income of £0.7m from disposals relates to four disposals in the second half of the last financial year and three disposals in the first half of the current financial year.

Underlying administrative costs have increased by 6% (£0.3m) driven by salary and inflationary cost increases. Share related incentive costs have increased (£0.3m) due to higher vesting levels and strong share price performance.

Net finance costs have remained stable year on year. Average level of debt in the six months was £327m (September 2012: £338m) and average interest cost for the six months was 5.3% (September 2012: 5.0%).

Overall profit before tax, which includes the increase in the value of our investment properties, is up £76.2m on the prior year at £100.8m.

£m	30 September 2013	30 September 2012
Adjusted trading profit after interest	9.7	8.8
Exceptional finance costs	(1.9)	-
Other income/(expenses)	(4.0)	-
Change in fair value of investment properties	94.5	16.0
Other items	2.5	(0.2)
Profit before tax	100.8	24.6

The exceptional finance costs relate to the write off of unamortised costs on bank facilities that have now been refinanced.

Other income/(expenses) includes a £3m increase in the valuation of expected overage at our redevelopments offset by a provision of £7m in relation to the Glebe proceeds sharing arrangement, as explained later in this report.

The reported EPRA earnings per share for the six months of 2.6p (September 2012: 5.9p) includes both the exceptional finance costs and other income/(expenses). Adjusted EPRA Earnings per share, which excludes these items, is up 12% to 6.6p (September 2012: 5.9p).

## DIVIDEND

An interim dividend of 3.54p per share will be paid on 4 February 2014 to shareholders who are on the register of members on 10 January 2014. This is an increase of 10% on the interim dividend paid last year of 3.22p per share in line with our progressive dividend policy. The dividend will be paid as a Property Income Distribution (PID).

## PROPERTY VALUATION

At 30 September 2013 the wholly owned portfolio was independently valued by CBRE at £921m with the underlying valuation, excluding the impact of capital expenditure and disposals, up by 12% (£96m) in the six months. A summary of the movements is set out below:

Valuation	£m
At 31 March 2013	830
Property Disposals	(8)
Capital Receipts	(12)
Capital expenditure	15
Revaluation surplus 6 months to September 2013	96
At 30 September 2013	921

A more detailed analysis of the valuation is set out in Table 1:

**TABLE 1:  
PROPERTY VALUATION**

30 Sept 2013	Core Properties	Refurbishment Properties	Redevelopment Properties	Other Properties
Number	48	8	9	18
Valuation	£557m	£125m	£188m	£51m
Revaluation Surplus	£38m	£4m	£52m	£2m
Net Initial Yield	7.1%	-	-	6.9%
Capital Value per sq. ft.	£182	-	-	£117

Core properties are those properties (reported in the like-for-like category) where we see significant opportunity for Workspace to add premium value from driving occupancy and rental income. The majority of these properties are business centres and offices in more central London locations. The uplift in valuation of £38m in the six months has been achieved primarily from the increases achieved in rental pricing and income, alongside a 0.2% tightening in net initial yield. Capital value per sq. ft. is up 7% in the six months to £182.

The valuation of refurbishment properties has increased by £4m over and above capital expenditure incurred in the six months of £11m. This includes a £3m uplift at Metal Box Factory, SE1 where the expected level of pricing (once the refurbishment has been completed) has increased.

The revaluation surplus at our redevelopment properties of £52m includes the following:

- A valuation uplift of £31m at Tower Bridge Business Complex (the "Biscuit Factory"), SE16 where we received planning permission for 800 apartments and a new 47,000 sq. ft. business centre.
- A valuation uplift of £11m at Poplar, E14 where we received planning permission for 392 apartments, a 58,000 sq. ft. business centre and 12,000 sq. ft. of light industrial workshops.
- A valuation uplift of £7m at Bow, E3 for phases 2 and 3 where we have permission for 290 apartments and 41,000 sq. ft. of commercial space.
- A valuation uplift of £2.5m for expected overage payments at The Filaments, SW18.

## OPERATING PERFORMANCE

### CONTINUED

The other properties category includes smaller more peripheral industrial properties (16 of which are reported in the like-for-like category) where we see limited scope for Workspace to add premium value. There is good demand for this asset class and the uplift in valuation reflects a 0.6% tightening in net initial yield.

During the first six months we realised £8m from the disposal of three properties in the other category at a £0.3m surplus to their March 2013 valuation. We also received £11.5m from the disposal of the first phase of the Bow, E3 redevelopment.

The total net initial yield of the portfolio as reported by CBRE at 30 September 2013 was 6.8% (31 March 2013: 6.9%) and the equivalent yield was 8.0% (31 March 2013: 8.1%).

Total Estimated Rental Value (ERV) of the overall portfolio at September 2013 is £68.9m compared to a cash rent roll of £54.1m. The ERV of the like-for-like portfolio is £51.7m, up 2.4% in the first six months (March 2013: £50.2m). This compares to like-for-like cash rent roll of £45.9m which increased by 3.8% in the first six months of the year.

#### REFURBISHMENT ACTIVITY

The refurbishment and additional floor at Exmouth House, EC1 and the first phase of refurbishment at Westminster, SE11 were completed in August 2013 at a total cost of £6m in line with budget. A summary of current and planned activity (all of which have planning consent) is set out in Table 2.

£13m of capital expenditure has been incurred to date on the refurbishments underway at the Metal Box Factory, SE1 and The Pill Box, E2 both of which are tracking to budget.

Once all of the projects underway and in design have been completed we would expect to achieve a significant increase in rent roll. Rent roll on the schemes underway and in design is £2.4m at 30 September 2013. Once these schemes are completed and have reached 90% occupancy the rent roll would be £9.7m at current estimated rents.

#### REDEVELOPMENT ACTIVITY

We have made good progress on our redevelopment projects in the period. We achieved vacant possession on the first phase of Bow, E3 redevelopment in April 2013, receiving £11.5m in cash and obtained significant mixed used planning consents at the Biscuit Factory, SE16, Faircharm, SE8 and Poplar, E14 for a total of 1,340 residential units.

On 24 October 2013 we announced the sale of the residential redevelopment at the Biscuit Factory to Grosvenor Britain and Ireland. We have now signed redevelopment agreements with residential developers at five properties. There are three further schemes with mixed use planning consents which we are currently marketing. At a further four properties we are in discussion with the local planning authorities for mixed use planning consents.

On each redevelopment scheme Workspace will receive back from the residential developer a combination of new commercial space (at no cost to Workspace), cash and overage on the residential component. A summary of the terms of the signed redevelopment agreements together with the outline details of the schemes with planning and currently at the planning stage is set out in Table 3.

At the schemes underway at current estimated rents and 90% occupancy we would expect rent roll on the new business space to be £4.6m. This compares to rent roll of £1.4m at 30 September 2013. In addition Workspace will receive £73m in cash and overage.

**TABLE 2:**  
**REFURBISHMENT ACTIVITY**

	Expected Completion	Expected Cost	Upgraded Area (sq. ft.)	New Area (sq. ft.)
<b>Underway</b>				
Metal Box Factory, SE1	H2 2014	£15m	82,000	20,000
The Pill Box, E2	H1 2014	£9m	-	42,000
		<b>£24m</b>	<b>82,000</b>	<b>62,000</b>
<b>In Design</b>				
6 properties	2014-15	£54m	30,000	180,000
<b>Total</b>		<b>£78m</b>	<b>112,000</b>	<b>242,000</b>

## CASHFLOW

The Group generates strong operating cashflow in line with trading profit. We are not seeing any deterioration in our customer payment profile with bad debts in the half year at £0.1m (September 2012: £0.1m).

Net debt has reduced by £3m in the six months to September 2013 to £324m. A summary of the movements in cashflow are set out below:

	£m
Net cash from operations	11
Dividends paid	(10)
Capital expenditure	(14)
Property disposals	8
Capital Receipts	13
Settlement and re-couponsing of financial derivatives	(9)
Release of secured bank facility accounts	7
Refinancing costs	(3)
Net decrease in debt	3
Net debt at 31 March 2013	(327)
<b>Net debt at 30 September 2013</b>	<b>(324)</b>

## FINANCING

We completed the refinancing of our debt facilities in July 2013. This has achieved the following:

- A diversification of our sources of funding, moving away from a reliance on the bank debt market which now only represents some 20% of our drawn debt facilities compared to 100% at September 2012.
- All facilities are now provided on an unsecured basis, giving us significant flexibility in effectively managing the property portfolio and allowing us to react quickly to asset management opportunities.
- An extended maturity profile, the weighted average maturity is now over seven years with no facilities maturing before June 2018.
- Stability of our interest rate cost over the medium term, some 70% of our facilities are now hedged or at fixed rates for five years and 40% for ten years.

Details of the facilities at 30 September 2013 are set out below:

	Facilities	Maturity
Private Placement notes	£157.5m	June 2020/23
UK Fund	£45.0m	June 2022/23
Retail Bond	£57.5m	October 2019
Bank debt-term	£50.0m	June 2018
Bank debt-revolver	£100.0m	June 2018
	<b>£410.0m</b>	
Drawn debt (net of £5m of cash deposits)	£324m	
Loan to Value	35%	(March 2013: 40%)
Available undrawn facilities and cash	£86m	(March 2013: £55m)

The Private Placement notes comprise \$100m dollar (£64.5m) ten year notes, £84m of sterling ten year notes and £9m of seven year sterling floating rate notes. The US dollar notes have been fully hedged against sterling for ten years. The overall interest rate on the £148.5m ten year fixed rate notes is 5.6%

The UK Fund has provided a ten year floating rate facility which amortises by 50% (£22.5m) at the end of year nine.

A seven year Retail Bond (listed on ORB) was issued in October 2012 and carries a coupon of 6.0%.

The five year bank facilities are provided by three UK clearing banks (RBS, HSBC and Santander) at a floating rate over LIBOR.

The bank term facilities of £50m and UK Fund Facility of £45m are hedged at a rate of 1.9% for five years to June 2018. The remaining interest hedges relating to previous bank facilities were terminated in July 2013 at a cost of £9m.

**TABLE 3:  
REDEVELOPMENT ACTIVITY**

	Expected Completion	Residential Units	Commercial Area (sq. ft.)	Cash	Other
<b>Underway</b>					
The Filaments, SW18	H2 2014	209	53,000	-	Overage
Screenworks, N5	H1 2014	72	61,000	£4.8m	Overage
Grand Union, W10	H2 2015	145	60,000	£5.9m	Overage
Bow (Phase 1), E3	H2 2015	267	10,000	£11.5m	Overage
The Biscuit Factory, SE16	2017	800	47,000	£51.0m	Overage
		<b>1,493</b>	<b>231,000</b>		
<b>With Planning</b>					
3 schemes		830	163,000		
<b>At Planning Stage</b>					
4 schemes		702	90,000		
		<b>3,025</b>	<b>484,000</b>		

## OPERATING PERFORMANCE

### CONTINUED

The all-in running cost of our new debt facilities, based on the drawn debt at 30 September 2013 is 5.3% with 93% of the drawn debt hedged or at fixed rates. The overall interest rate will reduce as we draw down on our unhedged revolver debt facilities on which we currently incur non-utilisation fees.

#### NET ASSETS

Net assets increased by £89m to £589m over the six months, the main component of this increase being the underlying increase in the property valuation of £96m. EPRA net assets per share are £4.04 (March 2013: £3.48), an increase of 16% in the six months.

EPRA net assets per share	£
At 31 March 2013	3.48
Property valuation surplus	0.64
Trading profit	0.07
Dividends paid in half year	(0.07)
Glebe proceeds share provision	(0.05)
Other	(0.03)
<b>At 30 September 2013</b>	<b>4.04</b>

#### ACQUISITIONS

In November 2013 Verulam House on Gray's Inn Road, WC1 was acquired for £18.1m, at a capital value of £433 per sq. ft. This prominent office building offers 42,000 sq. ft. of net lettable space and will complement our existing cluster of buildings in this attractive mid-town location, where we are seeing strong customer demand for space.

#### GLEBE PROCEEDS SHARE

Workspace entered into a proceeds sharing arrangement as part of acquiring full control of the former Glebe joint venture in December 2009. The proceeds share provides for the former lenders to the Glebe JV to share in net proceeds from disposals of properties within the JV once Workspace has received back its priority return which at 30 September 2013 stands at £92m. For net cash proceeds up to £170m the former lenders share is 50%, from £170m to £200m it is 30% and nil thereafter. The maximum payable under this agreement is £48m. All disposals are at the option of Workspace.

The valuation of the Glebe portfolio has increased by £35m over the six months to £199m at 30 September 2013. The majority of the increase has come from the uplift in valuation of the Biscuit Factory, SE16 where we obtained a residential planning consent in May 2013. In addition, we received £12m in cash from the first stage of the redevelopment at Bow, E3 in April 2013.

The portfolio comprises a mix of properties, some that have residential redevelopment potential and others, primarily business centres, that we have no current intentions to sell. The valuation at 30 September 2013 of the properties that have been designated for residential redevelopment and where we consider it probable that they will be sold for cash in due course is £100m. Total estimated proceeds, including the cash from disposals of £12m, would therefore be £112m (March 2013: £83m).

The significant increase in estimated expected proceeds from disposals gives rise to a potential liability under the proceeds share arrangement. Net proceeds after deducting allowable sales costs are now estimated at £106m (March 2013: £79m). The excess of net proceeds over the priority return to Workspace of £92m is shared between Workspace and the former lenders to the JV in accordance with the proceeds share agreement. We have accordingly made a provision of £7m for this potential liability at the half year, representing 50% of the surplus in excess of £92m.

#### BLACKROCK JV

We have a 20.1% interest in a joint venture with BlackRock in which we have invested £18m to date (maximum commitment £20m). This is a five year fund to March 2016 with the option, with both parties consent, for two one year extensions.

The BlackRock JV has continued to perform well with rent roll at £6.5m up 3.3% (excluding disposals) in the six months and occupancy at 88.5%. The property valuation has increased by £3.6m (excluding capex and disposals) in the six months to £96m.

Cam Road, Stratford was sold in April 2013 for £7.6m, a £0.6m uplift on valuation and in October 2013 Rudolph Place, SW8 was sold for £4.9m, £0.9m higher than valuation. The intention is to reinvest the proceeds from these disposals in further acquisitions.



## KEY PROPERTY STATISTICS

	Quarter ended 30 Sept 2013	Quarter ended 30 June 2013*	Quarter ended 31 March 2013	Quarter ended 31 Dec 2012	Quarter ended 30 Sept 2012
<b>Workspace Group Portfolio</b>					
Property valuation	£921m	-	£830m	£799m	£781m
Number of estates	83	84	86	90	90
Lettable floorspace (million sq. ft.)†	4.6	4.6	4.7	4.8	4.8
Number of lettable units	4,539	4,543	4,626	4,607	4,639
ERV	£68.9m	-	£67.4m	£66.7m	£65.3m
Cash rent roll of occupied units	£54.1m	£53.1m	£52.7m	£51.0m	£50.5m
Average annual rent per sq. ft.	£13.58	£13.26	£12.98	£12.33	£12.30
Overall occupancy	86.8%	86.9%	87.0%	87.0%	84.6%
Like-for-like lettable floor space (million sq. ft.)	3.5	3.5	3.5	3.5	3.5
Like-for-like cash rent roll	£45.9m	£44.9m	£44.2m	£42.6m	£41.8m
Like-for-like average annual rent per sq. ft.	£14.37	£14.14	£14.00	£13.44	£13.36
Like-for-like occupancy	90.9%	90.3%	89.9%	90.2%	89.0%
<b>BlackRock Workspace Property Trust</b>					
Property valuation	£96m	£92m	£96m	£94m	£77m
Number of estates	15	15	16	16	13
Lettable floorspace (million sq. ft.)†	0.5	0.5	0.5	0.5	0.5
ERV	£8.3m	£8.4m	£8.4m	£8.4m	£6.9m
Cash rent roll of occupied units	£6.5m	£6.3m	£7.0m	£7.0m	£5.3m
Average rent per sq. ft.	£14.48	£13.96	£14.20	£14.47	£13.07
Overall occupancy	88.5%	88.0%	90.4%	88.4%	89.3%

† Excludes storage space

\* From March 2013, we have moved to a bi-annual valuation of the Workspace Group property portfolio and as such no valuation was reported for June 2013. BlackRock Workspace Property Trust properties continue to be valued on a monthly basis.

## CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited 6 months ended 30 September		Audited Year ended 31 March
		2013 £m	2012 £m	2013 £m
Revenue	2	35.7	34.3	69.5
Direct costs	2	(11.3)	(11.1)	(22.4)
<b>Net rental income</b>	2	<b>24.4</b>	23.2	47.1
Administrative expenses		(6.1)	(5.5)	(11.0)
		<b>18.3</b>	17.7	36.1
Profit/(loss) on disposal of investment properties	3(a)	0.1	0.3	(2.2)
Other income/(expenses)	3(b)	(4.0)	-	-
Change in fair value of investment properties	9	94.5	16.0	59.0
<b>Operating profit</b>		<b>108.9</b>	34.0	92.9
Finance income	4	0.1	0.1	0.2
Finance costs	4	(9.3)	(9.4)	(19.5)
Exceptional finance costs	4	(1.9)	-	-
Total finance costs	4	(11.2)	(9.4)	(19.5)
Change in fair value of derivative financial instruments	4	1.2	(0.7)	1.1
Gains from share in joint ventures	10	1.8	0.6	1.7
<b>Profit before tax</b>		<b>100.8</b>	24.6	76.4
Taxation	5	-	-	-
<b>Profit for the period after tax and attributable to owners of the parent</b>		<b>100.8</b>	24.6	76.4
Basic earnings per share (pence)	7	70.0p	16.9p	53.3p
Diluted earnings per share (pence)	7	68.4p	16.6p	52.1p
EPRA earnings per share (pence)	7	2.6p	5.9p	12.2p

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 30 September		Audited Year ended 31 March
	2013 £m	2012 £m	2013 £m
Profit for the financial period	100.8	24.6	76.4
Items that may be classified subsequently to profit or loss:			
Change in fair value of derivative financial instruments	(3.4)	-	-
<b>Total comprehensive income attributable to equity shareholders</b>	<b>97.4</b>	24.6	76.4

# CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 September 2013 £m	Audited 31 March 2013 £m	Unaudited 30 September 2012 £m
<b>Non-current assets</b>				
Investment properties	9	915.4	825.9	774.0
Intangible assets		0.5	0.5	0.4
Property, plant and equipment		2.0	1.7	1.5
Investment in joint ventures	10	21.9	20.7	17.0
Trade and other receivables	11	9.1	6.1	6.1
		<b>948.9</b>	854.9	799.0
<b>Current assets</b>				
Trade and other receivables	11	7.1	13.0	15.8
Cash and cash equivalents	13(b)	6.5	11.8	21.2
Corporation tax asset		0.5	0.8	0.7
		<b>14.1</b>	25.6	37.7
<b>Total assets</b>		<b>963.0</b>	880.5	836.7
<b>Current liabilities</b>				
Bank overdraft	12	-	-	(0.3)
Derivative financial instruments	12(e)	-	(11.1)	(14.9)
Trade and other payables		(33.4)	(31.3)	(29.9)
		<b>(33.4)</b>	(42.4)	(45.1)
<b>Non-current liabilities</b>				
Borrowings	12	(326.2)	(337.7)	(338.0)
Derivative financial instruments	12(d) & (e)	(7.0)	-	-
Other non-current liabilities		-	-	(0.9)
Provisions for liabilities and charges	14 & 15	(7.0)	-	-
		<b>(340.2)</b>	(337.7)	(338.9)
<b>Total liabilities</b>		<b>(373.6)</b>	(380.1)	(384.0)
<b>Net assets</b>		<b>589.4</b>	500.4	452.7
<b>Shareholders' equity</b>				
Ordinary shares		145.3	144.9	144.8
Share premium		58.5	58.8	58.9
Investment in own shares		(8.9)	(8.9)	(8.7)
Other reserves		12.7	15.3	14.6
Retained earnings		381.8	290.3	243.1
<b>Total shareholders' equity</b>		<b>589.4</b>	500.4	452.7
EPRA net asset value per share	8	£4.04	£3.48	£3.19

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Parent					Total £m
	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	
<b>Unaudited 6 months ended 30 September 2013</b>						
Balance at 1 April 2013	144.9	58.8	(8.9)	15.3	290.3	500.4
Profit for the period	-	-	-	-	100.8	100.8
Change in fair value of derivatives	-	-	-	(3.4)	-	(3.4)
Total comprehensive income	-	-	-	(3.4)	100.8	97.4
Transactions with owners:						
Share issues (options exercised)	0.4	(0.3)	-	-	-	0.1
Dividends paid (note 6)	-	-	-	-	(9.3)	(9.3)
Share based payments	-	-	-	0.8	-	0.8
<b>Balance at 30 September 2013</b>	<b>145.3</b>	<b>58.5</b>	<b>(8.9)</b>	<b>12.7</b>	<b>381.8</b>	<b>589.4</b>
<b>Unaudited 6 months ended 30 September 2012</b>						
Balance at 1 April 2012	144.1	59.2	(8.7)	13.9	226.9	435.4
Profit for the period	-	-	-	-	24.6	24.6
Total comprehensive income	-	-	-	-	24.6	24.6
Transactions with owners:						
Share Issues (options exercised)	0.7	(0.3)	-	-	-	0.4
Dividends paid (note 6)	-	-	-	-	(8.4)	(8.4)
Share based payments	-	-	-	0.7	-	0.7
Balance at 30 September 2012	144.8	58.9	(8.7)	14.6	243.1	452.7
<b>Audited 12 months ended 31 March 2013</b>						
Balance at 1 April 2012	144.1	59.2	(8.7)	13.9	226.9	435.4
Profit for the year	-	-	-	-	76.4	76.4
Total comprehensive income	-	-	-	-	76.4	76.4
Transactions with owners:						
Share issues (options exercised)	0.8	(0.4)	-	-	-	0.4
Own shares purchase	-	-	(0.2)	-	-	(0.2)
Dividends paid (note 6)	-	-	-	-	(13.0)	(13.0)
Share based payments	-	-	-	1.4	-	1.4
Balance at 31 March 2013	144.9	58.8	(8.9)	15.3	290.3	500.4

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Unaudited 6 months ended 30 September		Audited Year ended 31 March
		2013 £m	2012 £m	2013 £m
<b>Cash flows from operating activities</b>				
Cash generated from operations	13(a)	18.4	17.9	38.6
Interest received		0.1	0.3	0.3
Interest paid		(8.2)	(9.0)	(16.6)
Tax refunded/(paid)		0.3	(0.1)	(0.2)
Net cash inflow from operating activities		10.6	9.1	22.1
<b>Cash flows from investing activities</b>				
Capital expenditure on investment properties		(13.4)	(11.4)	(27.3)
Proceeds from disposal of investment properties (net of sale costs)		20.6	8.7	16.7
Purchase of intangible assets		(0.1)	(0.2)	(0.3)
Purchase of property, plant and equipment		(0.4)	(0.3)	(1.0)
Investment in joint ventures	10	-	(4.6)	(7.7)
Movement in short-term funding balances with joint ventures		(0.4)	(0.5)	-
Distributions received from joint ventures	10	0.6	0.4	0.9
Net cash inflow/(outflow) from investing activities		6.9	(7.9)	(18.7)
<b>Cash flows from financing activities</b>				
Proceeds from issue of ordinary share capital		0.1	0.4	0.4
Finance costs for new/amended borrowing facilities		(3.5)	-	(1.1)
Settlement and re-couponsing of derivative financial instruments		(8.5)	-	(2.1)
Repayment of bank borrowings		(280.0)	-	(68.0)
Drawdown of bank borrowings		69.0	-	10.0
Drawdown of other borrowings		202.5	-	57.5
Payment of priority fee		-	-	(0.9)
Inflow/(outflow) on bank facility rental income accounts		7.4	1.2	(0.7)
Own shares purchase		-	-	(0.2)
Dividends paid	6	(9.8)	(8.4)	(13.0)
Net cash outflow from financing activities		(22.8)	(6.8)	(18.1)
<b>Net decrease in cash, cash equivalents and bank overdrafts</b>		<b>(5.3)</b>	<b>(5.6)</b>	<b>(14.7)</b>
Cash, cash equivalents and bank overdrafts at start of period	13(b)	11.8	26.5	26.5
<b>Cash, cash equivalents and bank overdrafts at end of period</b>	13(b)	<b>6.5</b>	<b>20.9</b>	<b>11.8</b>

# NOTES TO THE HALF YEAR REPORT FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The half year report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS34 'Interim Financial Reporting' as adopted by the European Union. The half year report should be read in conjunction with the annual financial statements for the year ended 31 March 2013, which have been prepared in accordance with IFRSs as adopted by the European Union.

The condensed financial statements in the half year report are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year to 31 March 2013, which were prepared under IFRS have been delivered to the Registrar of Companies. The auditors' opinion on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement made under Section 498 of the Companies Act 2006.

The Group's financial performance does not suffer materially from seasonal fluctuations. There have been no changes in estimates of amounts reported in prior periods which have a material impact on the current half year period.

The directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason the half year report is prepared on a going concern basis.

This report was approved by the Board on 11 November 2013.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2013, as described in those annual financial statements, except as described below:

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings.

### New and amendments to accounting standards:

The following new standards, amendments and interpretations are mandatory for the first time for years beginning after 1 April 2013:

Standard or interpretation	Content
Amendment: IAS 1	Financial statement presentation regarding other comprehensive income
Amendment: IAS34	Interim financial reporting
Amendment: IAS 12	Income taxes on deferred tax
IFRS 13	Fair value measurement
Amendment: IFRS 7	Financial instruments: disclosures, on offsetting financial assets and liabilities
Amendments	Annual improvements 2011

IFRS 13 'Fair Value Measurement' – This standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The guidance includes enhanced disclosure requirements which are similar to those in IFRS 7, 'Financial instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones. These disclosures are included in the interim statement.

Amendment: IAS 1 – This amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. This has no significant impact to the Group.

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

## 2. ANALYSIS OF NET RENTAL INCOME AND SEGMENTAL INFORMATION

	6 months ended 30 September						Year ended 31 March		
	2013			2012			2013		
	Revenue £m	Direct costs £m	Net rental income £m	Revenue £m	Direct costs £m	Net rental income £m	Revenue £m	Direct costs £m	Net rental income £m
Rental income	26.7	(0.1)	26.6	25.4	(0.1)	25.3	51.4	(0.2)	51.2
Service charges	7.0	(8.0)	(1.0)	7.0	(7.8)	(0.8)	14.1	(16.0)	(1.9)
Empty rates and other non-recoverables	0.2	(1.7)	(1.5)	0.2	(2.0)	(1.8)	0.4	(3.4)	(3.0)
Services, fees, commissions and sundry income	1.8	(1.5)	0.3	1.7	(1.2)	0.5	3.6	(2.8)	0.8
	<b>35.7</b>	<b>(11.3)</b>	<b>24.4</b>	<b>34.3</b>	<b>(11.1)</b>	<b>23.2</b>	<b>69.5</b>	<b>(22.4)</b>	<b>47.1</b>

Discrete financial information is provided to the Executive Committee on a property by property basis, including rental income and direct costs and valuation gains and losses. All of the properties within the portfolio are geographically close to each other and have similar economic features and risks and all information provided to the Executive Committee is aggregated and reviewed in total as one portfolio. As a result, management have determined that the Group operates a single operating segment providing business accommodation for rent in London, which is continuing.

### 3(A). PROFIT/(LOSS) ON DISPOSAL OF INVESTMENT PROPERTIES

	6 months ended 30 September		Year ended 31 March
	2013 £m	2012 £m	2013 £m
Proceeds from sale of investment properties (net of sales costs)	19.1	14.9	19.6
Book value at time of sale	(19.0)	(14.5)	(21.7)
	0.1	0.4	(2.1)
Unrealised profit on sale of properties to joint ventures	-	(0.1)	(0.1)
Pre-tax profit/(loss) on sale	0.1	0.3	(2.2)

### 3(B). OTHER INCOME/(EXPENSES)

	6 months ended 30 September		Year ended 31 March
	2013 £m	2012 £m	2013 £m
<b>Other income</b>			
Change in fair value of deferred consideration	3.0	-	-
<b>Other expenses</b>			
Provision for proceeds share arrangement (notes 14 & 15)	(7.0)	-	-
Other income/(expenses)	(4.0)	-	-

The value of deferred consideration (overage) from the sale of investment properties has been re-valued by CBRE Limited at 30 September 2013. The receivable is included in the Consolidated Balance Sheet under non-current trade and other receivables (see note 11). The provision in relation to the proceeds share arrangement is detailed in note 15.

**NOTES TO THE HALF YEAR REPORT  
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013  
CONTINUED**

**4. FINANCE INCOME AND COSTS**

	6 months ended 30 September		Year ended 31 March 2013
	2013 £m	2012 £m	2013 £m
Interest income on bank deposits	0.1	0.1	0.2
<b>Finance income</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>
Interest payable on bank loans and overdrafts	(4.3)	(9.0)	(16.3)
Interest payable on other borrowings	(4.6)	-	(1.6)
Amortisation of issue costs of borrowings	(0.7)	(0.6)	(2.0)
Interest payable on finance leases	(0.1)	(0.1)	(0.2)
Interest capitalised on property refurbishments	0.4	0.3	0.6
Foreign exchange gains on financing activities	2.8	-	-
Cash flow hedge, transfer from equity	(2.8)	-	-
Finance costs-underlying	(9.3)	(9.4)	(19.5)
Issue costs written off on re-financing	(1.9)	-	-
<b>Total finance costs</b>	<b>(11.2)</b>	<b>(9.4)</b>	<b>(19.5)</b>
Change in fair value of financial instruments through the income statement (note 12(e))	1.2	(0.7)	1.1
<b>Net finance costs</b>	<b>(9.9)</b>	<b>(10.0)</b>	<b>(18.2)</b>

**5. TAXATION**

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's other income is subject to corporation tax. No tax charge has arisen on this other income for the half year (30 September 2012: £nil).

**6. DIVIDENDS PAID**

	Payment Date	Per share	6 months ended 30 September		Year ended 31 March 2013
			2013 £m	2012 £m	2013 £m
For the year ended 31 March 2012:					
Final dividend	August 2012	5.86p	-	8.4	8.4
For the year ended 31 March 2013:					
Interim dividend	February 2013	3.22p	-	-	4.6
Final dividend	August 2013	6.45p	9.3	-	-
			9.3	8.4	13.0
Timing difference on payment of withholding tax			0.5	-	-
Dividends cash paid			9.8	8.4	13.0

The directors intend to pay an interim dividend in respect of the financial year ended 31 March 2014 of 3.54p per Ordinary Share which will absorb an estimated £5.1m of shareholders' equity. It will be paid on 4 February 2014 to shareholders who are on the register of members on 10 January 2014. It is intended that the full amount of this dividend will be paid as a REIT Property Income Distribution (PID) net of withholding tax where appropriate.



## 7. EARNINGS PER SHARE

	6 months ended 30 September		Year ended 31 March 2013
	2013 £m	2012 £m	2013 £m
<b>Earnings used for calculating earnings per share:</b>			
Basic and diluted earnings	100.8	24.6	76.4
Change in fair value of investment property	(94.5)	(16.0)	(59.0)
(Profit)/loss on disposal of investment properties	(0.1)	(0.3)	2.2
Movement in fair value of derivative financial instruments	(1.2)	0.7	(1.1)
Group's share of EPRA adjustments of joint venture	(1.2)	(0.2)	(0.6)
EPRA adjusted earnings	3.8	8.8	17.9

Earnings have been adjusted and calculated on a diluted basis to derive an earnings per share measure as defined by the European Public Real Estate Association (EPRA).

	6 months ended 30 September		Year ended 31 March 2013
	2013 Number	2012 Number	2013 Number
<b>Number of shares used for calculating earnings per share:</b>			
Weighted average number of shares (excluding own shares held in trust)	144,062,366	145,476,761	143,404,929
Dilution due to share option schemes	3,326,847	2,862,452	3,351,045
Weighted average number of shares for diluted earnings per share	147,389,213	148,339,213	146,755,974

	6 months ended 30 September		Year ended 31 March 2013
	2013	2012	2013
<b>In pence:</b>			
Basic earnings per share	70.0p	16.9p	53.3p
Diluted earnings per share	68.4p	16.6p	52.1p
EPRA earnings per share	2.6p	5.9p	12.2p

## 8. NET ASSETS PER SHARE

	30 September 2013	31 March 2013	30 September 2012
	£m	£m	£m
<b>Net assets used for calculating net assets per share:</b>			
Net assets at end of period (basic)	589.4	500.4	452.7
Derivative financial instruments at fair value	7.0	11.1	14.9
EPRA net assets	596.4	511.5	467.6

	30 September 2013	31 March 2013	30 September 2012
	Number	Number	Number
<b>Number of shares used for calculating net assets per share:</b>			
Shares in issue at period end	145,319,600	144,936,155	144,817,939
Less own shares held in trust	(762,787)	(1,270,602)	(1,218,802)
Number of shares for calculating basic net assets per share	144,556,813	143,665,553	143,599,137
Dilution due to share option schemes	3,120,145	3,448,522	2,848,808
Number of shares for calculating diluted adjusted net assets per share	147,676,958	147,114,075	146,447,945

	30 September 2013	31 March 2013	30 September 2012
	£3.04	£3.48	£3.19
EPRA net assets per share	£4.04	£3.48	£3.19

Net assets have been adjusted and calculated on a diluted basis to derive a net asset per share measure as defined by the European Public Real Estate Association (EPRA).

**NOTES TO THE HALF YEAR REPORT**  
**FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013**  
CONTINUED

**9. INVESTMENT PROPERTIES**

	30 September 2013 £m	31 March 2013 £m	30 September 2012 £m
Balance at beginning of period	825.9	759.3	759.3
Capital expenditure	13.6	28.7	12.9
Capitalised interest on refurbishments (note 4)	0.4	0.6	0.3
Disposals during the period (note 3(a))	(19.0)	(21.7)	(14.5)
Change in fair value of investment property	94.5	59.0	16.0
Balance at end of period	915.4	825.9	774.0

**VALUATION**

The Group's investment properties were revalued at 30 September 2013 by the external valuer, CBRE Limited, a firm of independent qualified valuers. The valuation is on the basis of market value by reference to recent market evidence of transactions for similar properties and is undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation - Professional Standards 2012.

These are Level 3 valuations as defined by IFRS 13 (see note 12(e)).

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

	30 September 2013 £m	31 March 2013 £m	30 September 2012 £m
Total per CBRE Limited valuation report	921.0	829.9	781.3
Deferred consideration on sale of property	(9.1)	(7.5)	(10.8)
Head leases treated as finance leases under IAS 17	3.5	3.5	3.5
Total per balance sheet	915.4	825.9	774.0

**10. JOINT VENTURES**

The Group's investment in joint ventures represents:

	30 September 2013 £m	31 March 2013 £m	30 September 2012 £m
Balance at beginning of period	20.7	12.3	12.3
Cash investment	-	7.7	4.6
Unrealised surplus on sale of properties to joint ventures	-	(0.1)	(0.1)
Share of gains	1.8	1.7	0.6
Distributions received	(0.6)	(0.9)	(0.4)
Balance at end of period	21.9	20.7	17.0

The Group has the following joint ventures:

	Partner	Established	Ownership
BlackRock Workspace Property Trust	BlackRock UK Property Fund	February 2011	20.1%
Enterprise House Investments LLP	Polar Properties Ltd	April 2012	50%

BlackRock Workspace Property Trust is a Jersey property unit trust established in February 2011 whose aim is to build a fund of up to £100m of office and industrial property in and around London. The Group holds a 20.1% interest but is property manager with significant delegated powers including responsibility for asset management and recommending acquisitions and disposals. As a result there is shared control and so the joint venture has been equity accounted for in the consolidated financial statements.

Enterprise House Investments LLP has been established to obtain mixed use planning consent and redevelop Enterprise House, Hayes, UB3 for new residential and commercial space. The Group sold this property to the joint venture in April 2012.

## 11. TRADE AND OTHER RECEIVABLES

	30 September 2013 £m	31 March 2013 £m	30 September 2012 £m
<b>Non-current trade and other receivables</b>			
Deferred consideration on sale of investment property	9.1	6.1	6.1

The non-current receivable relates to deferred consideration arising on the sale of investment properties. The value of this receivable has been fair valued by CBRE Limited on the basis of market value as at 30 September 2013, 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 (see note 12(e)). The change in fair value recorded in the income statement was a profit of £3.0m (30 September 2012: £nil) (see note 3(b)).

<b>Current trade and other receivables</b>	£m	£m	£m
Trade receivables	3.0	2.5	2.4
Less provision for impairment of receivables	(0.5)	(0.4)	(0.6)
Trade receivables - net	2.5	2.1	1.8
Prepayments and accrued income	4.6	2.1	3.9
Bank facility rental income accounts	-	7.4	5.4
Deferred consideration on sale of investment property	-	1.4	4.7
	7.1	13.0	15.8

## 12. BORROWINGS

### (A) BALANCES

	30 September 2013 £m	31 March 2013 £m	30 September 2012 £m
<b>Current</b>			
Bank loans and overdrafts due within one year or on demand (secured)	-	-	0.3
	-	-	0.3
<b>Non-current</b>			
Bank loans (secured)	-	277.8	334.5
Bank loans (unsecured)	67.0	-	-
6% Retail Bond (unsecured)	56.5	56.4	-
5.6% Senior US Dollar Notes 2023 (unsecured)	62.2	-	-
5.53% Senior Notes 2023 (unsecured)	83.7	-	-
Senior Floating Rate Notes 2020 (unsecured)	9.0	-	-
Other term loan (unsecured)	44.3	-	-
Finance lease obligations	3.5	3.5	3.5
	326.2	337.7	338.0
<b>Total borrowings</b>	<b>326.2</b>	<b>337.7</b>	<b>338.3</b>

On 1 July 2013 the Group refinanced £325m of secured bank debt provided by the RBS and Bayern Clubs. This bank debt was replaced by £352.5m of unsecured debt provided by the issue of £157.5m private placement notes, £45m provided by a UK Fund and £150m of new bank debt.

**NOTES TO THE HALF YEAR REPORT**  
**FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013**  
CONTINUED

**12. BORROWINGS continued**  
**(B) NET DEBT**

	<b>30 September 2013 £m</b>	31 March 2013 £m	30 September 2012 £m
Borrowings per (a) above	<b>326.2</b>	337.7	338.3
Adjust for:			
Finance leases	<b>(3.5)</b>	(3.5)	(3.5)
Cost of raising finance	<b>4.2</b>	3.3	3.5
Foreign exchange gains and hedge adjustment	<b>2.1</b>	-	-
	<b>329.0</b>	337.5	338.3
Cash at bank and in hand (note 13(b))	<b>(4.8)</b>	(10.1)	(19.4)
Net debt	<b>324.2</b>	327.4	318.9

At 30 September 2013 the Group had £81m of undrawn bank facilities and £4.8m of cash.

**(C) MATURITY**

	<b>30 September 2013 £m</b>	31 March 2013 £m	30 September 2012 £m
Repayable in less than one year	-	-	0.3
Repayable between two years and three years	-	280.0	338.0
Repayable between four years and five years	<b>69.0</b>	-	-
Repayable in five years or more	<b>260.0</b>	57.5	-
	<b>329.0</b>	337.5	338.3
Less cost of raising finance	<b>(4.2)</b>	(3.3)	(3.5)
Foreign exchange gains and hedge adjustment	<b>(2.1)</b>	-	-
	<b>322.7</b>	334.2	334.8
<b>Finance leases</b>			
Repayable in five years or more	<b>3.5</b>	3.5	3.5
	<b>326.2</b>	337.7	338.3

**(D) DERIVATIVE FINANCIAL INSTRUMENTS**

The following interest rate derivatives are held:

	Amount hedged	Rate payable (or cap strike rate) %	Term/expiry
Interest rate swap	£95m	1.87%	July 2018
Interest rate cap	£7m	5.00%	June 2015
Cash flow hedge – cross currency swap	\$100m/£64.5m	5.66%	July 2023

The interest rate swap/cap are treated as financial instruments at fair value with changes in value dealt with in the income statement during each reporting period.

The Group has entered into a cross currency swap to ensure the US dollar liability streams generated from the US dollar Notes are fully hedged into sterling for the life of the transaction. Through entering into the cross currency swap the Group has created a synthetic sterling fixed rate liability totalling £64.5m. This swap has been designated as a cash flow hedge.

## (E) FAIR VALUES OF FINANCIAL INSTRUMENTS

	30 September		31 March		30 September	
	2013 Book value £m	2013 Fair value £m	2013 Book value £m	2013 Fair value £m	2012 Book value £m	2012 Fair value £m
<b>Financial liabilities not at fair value through profit or loss</b>						
Bank overdraft	-	-	-	-	0.3	0.3
Bank loans	67.0	67.0	277.8	277.8	334.5	334.5
6% Retail Bond	56.5	59.8	56.4	59.0	-	-
Loan notes	154.9	154.9	-	-	-	-
Other term loan	44.3	44.3	-	-	-	-
Finance Lease obligations	3.5	3.5	3.5	3.5	3.5	3.5
	<b>326.2</b>	<b>329.5</b>	<b>337.7</b>	<b>340.3</b>	<b>338.3</b>	<b>338.3</b>

The fair value of the Retail Bond has been established from the quoted market price at the Balance Sheet date and is thus a Level 1 valuation as defined by IFRS 13 (see below).

<b>Financial liabilities at fair value through profit or loss</b>						
Derivative financial instruments	1.4	1.4	11.1	11.1	14.9	14.9
<b>Financial liabilities at fair value through equity</b>						
Derivative financial instruments - Cash flow hedge	5.6	5.6	-	-	-	-
	<b>7.0</b>	<b>7.0</b>	<b>11.1</b>	<b>11.1</b>	<b>14.9</b>	<b>14.9</b>

In accordance with IFRS 13 disclosure is required for financial instruments that are carried in the financial statements at fair value. The fair values of all the Group's financial derivatives have been determined by reference to market prices and discounted expected cash flows at prevailing interest rates and are Level 2 valuations.

The different levels of valuation hierarchy as defined by IFRS 13 are set out below:

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.

The total change in fair value of derivative financial instruments recorded in the income statement was a profit of £1.2m (30 September 2012: loss of £0.7m). This is net of £8.5m (30 September 2012: £nil) paid in the period to settle/re-coupon some instruments.

The total change in fair value of derivative financial instruments recorded in other comprehensive income was a loss of £3.4m (30 September 2012: £nil).

**NOTES TO THE HALF YEAR REPORT**  
**FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013**  
CONTINUED

**13(A). CASH GENERATED FROM OPERATIONS**

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

	6 months ended 30 September		Year ended 31 March
	2013 £m	2012 £m	2013 £m
Profit before tax	100.8	24.6	76.4
Depreciation	0.2	0.1	0.4
Amortisation of intangibles	0.1	0.1	0.1
(Profit)/loss on disposal of investment properties	(0.1)	(0.3)	2.2
Other (income)/expenses	4.0	-	-
Change in fair value of investment property	(94.5)	(16.0)	(59.0)
Equity settled share based payments	0.8	0.7	1.4
Change in fair value of financial instruments	(1.2)	0.7	(1.1)
Finance income	(0.1)	(0.1)	(0.2)
Finance expense	11.2	9.4	19.5
Gains from share in joint ventures	(1.8)	(0.6)	(1.7)
Changes in working capital:			
(Increase) in trade and other receivables	(2.8)	(2.0)	(0.5)
Increase in trade and other payables	1.8	1.3	1.1
Cash generated from operations	18.4	17.9	38.6

**13(B). RECONCILIATION OF CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS**

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

	30 September 2013 £m	31 March 2013 £m	30 September 2012 £m
Cash at bank and in hand	4.8	10.1	19.4
Restricted cash – tenants' deposit deeds	1.7	1.7	1.8
	6.5	11.8	21.2
Bank overdrafts	-	-	(0.3)
	6.5	11.8	20.9

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

	£m
Balance at 1 April 2013	-
Provision for proceeds share arrangement (note 3 (b))	7.0
Balance at 30 September 2013	7.0

See note 15 for details of this provision.

## 15. CONTINGENT LIABILITY

In December 2009 Workspace acquired full control of its former Workspace Glebe joint venture. The purchase was satisfied by a cash payment of £15m and a debt facility of £68m provided by the former lenders to the joint venture, with further amounts potentially payable under a proceeds share arrangement.

The proceeds share provides for the former lenders to Workspace Glebe to share in net cash proceeds from disposals from the Glebe property portfolio once Workspace has received its priority return. The priority return at 30 September 2013 is £92m. For proceeds up to £170m the lenders' share is 50%, from £170m up to £200m it is 30% and nil thereafter. The maximum payable under this proceeds share is £48m. All disposals are at the option of Workspace and there are no time limits.

The total valuation of the Glebe portfolio at 30 September 2013 was £199m (March 2013: £164m). While a number of the assets have residential redevelopment potential a substantial part of the portfolio is comprised of investment properties that Workspace has no current plans to sell. The current value of the properties that have redevelopment potential and management consider probable to be sold for cash is £100m. Total proceeds including cash received to date from disposals of £12m would therefore be £112m (March 2013: £83m) It is estimated that net proceeds that would be realised is £106m and so the Company has provided for a £7m liability at 30 September 2013 (see note 14). The contingent liability in the unlikely scenario that all the remaining properties in the Glebe portfolio were sold would be £41m (31 March 2013: £32m).

## 16. RELATED PARTY TRANSACTIONS

Transactions during the period between the Group and its joint ventures are set out below:

	6 months ended 30 September		Year ended 31 March
	2013 £m	2012 £m	2013 £m
Net investment into joint ventures	-	4.6	7.7
Sale of property to joint ventures	-	-	3.2
Fee income and recharges to joint ventures	0.4	0.4	0.9
Distributions received from joint ventures	0.6	0.4	0.9

  

	30 September 2013 £m	31 March 2013 £m	30 September 2012 £m
Amounts payable to joint ventures	(0.1)	(0.5)	-

There are no other material related party transactions to disclose since the last Annual Report.

## 17. CAPITAL COMMITMENTS

At the period end the estimated amounts of contractual commitments for future capital expenditure not provided for were £12.6m (31 March 2013: £19.9m).

# NOTES TO THE HALF YEAR REPORT

## FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013

### CONTINUED

#### **18. POST BALANCE SHEET EVENTS**

In October 2013 the Group agreed the sale of part of Tower Bridge Business Complex (the Biscuit Factory) to Grosvenor Britain and Ireland. The consideration comprises £51m in cash, payable on a phased basis and the delivery of a new 47,000 sq. ft. commercial building (at no cost to Workspace).

In November 2013 the Group exchanged contracts for the acquisition of Verulam House, Gray's Inn Road, WC1 at a cost of £18.1m.

#### **19. HALF YEAR REPORT**

Copies of this statement will be dispatched to shareholders on 15 November 2013 and will be available from the Group's registered office at Chester House, Kennington Park, 1-3 Brixton Road, London, SW9 6DE and on the Group's website [www.workspace.co.uk](http://www.workspace.co.uk) from 10.00am on 12 November 2013.

#### **20. GLOSSARY OF TERMS**

A full glossary of terms used within this report is included in the Group's Annual Report and Accounts 2013, available on the Group's website [www.workspace.co.uk](http://www.workspace.co.uk).



## PRINCIPAL RISKS AND UNCERTAINTIES

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium-term performance and the factors which mitigate these risks, have not materially changed from those set out in the Group's 2013 Annual Report and are reproduced below. The Board are satisfied that we continue to operate within our risk profile.

Risk Area	Detail	Mitigating Activities
<b>Financing</b>	Reduced availability and cost of bank financing resulting in inability to meet business plans or satisfy liabilities.	<ul style="list-style-type: none"> <li>- Funding requirements for business plans reviewed regularly and options for alternative sources of funding monitored.</li> <li>- Diversified range of funding relationships maintained, refinancing strategy reviewed regularly.</li> <li>- Interest rate hedging policy in place to minimise exposure to short and medium term rate fluctuations.</li> </ul>
<b>Property Valuation</b>	Value of our properties declining as a result of macroeconomic environment, external market, or internal management factors.	<ul style="list-style-type: none"> <li>- Investment market mood monitoring.</li> <li>- Market yields and pricing of property transactions monitored closely across the London market.</li> <li>- Alternative use opportunities pursued across the portfolio and planning consent progressed.</li> <li>- Sufficient headroom on Loan to Value banking covenants is maintained and reviewed.</li> </ul>
<b>Occupancy</b>	Demand by businesses for our space declining as a result of social, economic or competitive factors.	<ul style="list-style-type: none"> <li>- Weekly monitoring of occupancy levels, demand, pricing and reasons for customers vacating at each property and exit interviews conducted.</li> <li>- On-site staff maintain regular contact with customers and local monitoring of competitors offering space.</li> <li>- Extensive marketing using the Workspace brand.</li> <li>- Flexibility offered on deals by dedicated in-house marketing and letting teams.</li> </ul>
<b>London</b>	Changes in the political, infrastructure and environmental dynamics of London lead to reduced demand for space from businesses.	<ul style="list-style-type: none"> <li>- Regular monitoring of the London economy, research reports and the commissioning of relevant research.</li> <li>- Regular meetings with the GLA and London Boroughs.</li> </ul>
<b>Development</b>	Impact to underlying income and capital performance due to: <ul style="list-style-type: none"> <li>- Adverse planning rulings</li> <li>- Construction cost and timing overrun</li> <li>- Lack of demand for developments.</li> </ul>	<ul style="list-style-type: none"> <li>- Understanding of planning environment and use of appropriate advisers.</li> <li>- Detailed development analysis and appraisal undertaken, sensitivity and risk scenarios considered.</li> <li>- Board level discussion and approval prior to project commitment.</li> <li>- Contract structuring to reduce/eliminate construction risk.</li> </ul>
<b>Investment</b>	Underperformance due to inappropriate strategy of: <ul style="list-style-type: none"> <li>- Timing of disposal decisions</li> <li>- Acquisitions timing</li> <li>- Non-achievement of expected returns.</li> </ul>	<ul style="list-style-type: none"> <li>- Regular monitoring of asset performance and positioning of portfolio.</li> <li>- Acquisition due diligence appraisal and business plans analysis.</li> <li>- Regular monitoring of acquisition performance against target returns.</li> </ul>
<b>Transactional</b>	Joint ventures or other ventures with third parties do not deliver the expected return.	<ul style="list-style-type: none"> <li>- Regular review of performance of joint ventures against business plans throughout term.</li> </ul>
<b>Regulatory</b>	Failure to meet regulatory requirements leading to fines or penalties or the introduction of new requirements that inhibit activity.	<ul style="list-style-type: none"> <li>- REIT conditions monitored and tested on a regular basis and reported to the Board.</li> <li>- Close working relationship maintained with appropriate authorities and all relevant issues openly disclosed.</li> <li>- Advisers engaged to support best practice operation.</li> </ul>
<b>Business Interruption</b>	Major external events result in Workspace being unable to carry out its business for a sustained period.	<ul style="list-style-type: none"> <li>- Continual monitoring of security threats.</li> <li>- Business Continuity plans and procedures in place and regularly tested.</li> </ul>
<b>Reputational</b>	Failure to meet customer and external stakeholder expectations.	<ul style="list-style-type: none"> <li>- Regular communication with stakeholders and the investment community.</li> <li>- Customer surveys undertaken and results acted upon.</li> <li>- Staff training and mystery shopper initiatives undertaken.</li> </ul>

## STATEMENT OF DIRECTORS' 'INTERIM FINANCIAL REPORTING' RESPONSIBILITIES

The directors confirm that this consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The directors of Workspace Group PLC are listed in the Workspace Group PLC Annual Report for 31 March 2013. A list of current directors is maintained on the Workspace Group website: [www.workspace.co.uk](http://www.workspace.co.uk)

On behalf of the Board

**J HOPKINS**  
**CHIEF EXECUTIVE OFFICER**  
11 November 2013

**G CLEMETT**  
**CHIEF FINANCIAL OFFICER**  
11 November 2013

# INDEPENDENT REVIEW REPORT TO WORKSPACE GROUP PLC

## INTRODUCTION

We have been engaged by the company to review the condensed set of financial statements in the half year report for the six months ended 30 September 2013, which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes. We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## DIRECTORS' RESPONSIBILITIES

The half year report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half year report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

## OUR RESPONSIBILITY

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year report for the six months ended 30 September 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## PRICEWATERHOUSECOOPERS LLP CHARTERED ACCOUNTANTS

London  
11 November 2013

- a) The maintenance and integrity of the Workspace Group PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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