Report on the Group financial statements

Our opinion

In our opinion, Workspace Group PLC's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 March 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

Workspace Group PLC's financial statements comprise:

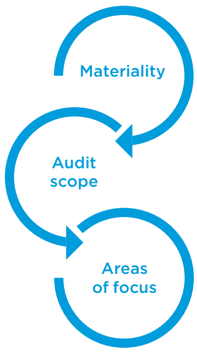
- the Consolidated Balance Sheet as at 31 March 2015;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview



- Overall Group materiality: £13.4m, which represents 1% of total assets.
- Specific materiality of £2.0m used for certain income statement line items, being a percentage of the profit before tax excluding changes in fair value of investment properties and net finance costs.

- The Group team carried out an audit of the complete financial information of all the components within the Group, the consolidation and of the Group's share of the profit and net assets of the joint ventures.

- Valuation of investment properties due to materiality and the level of judgement involved.
- Accounting for the Glebe Proceeds Share Agreement (PSA) due to its technical complexity and the judgements involved.
- Compliance with REIT regime due to the impact of the tax exempt status on the Group's business and the financial statements.
- Investments in joint ventures due to the application of IFRS 11 for the first time in the current year.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Valuation of investment properties	
Refer to page 77 (Audit Committee Report), pages 122 to 124 (Notes to the financial statements – Note 10) and page 113 (Significant judgements, key assumptions and estimates). We focused on this area due to the magnitude of the investment property balance and because the assumptions used in determining the fair value of the investment properties involve significant judgements and estimates. The Group's investment properties were valued at £1,408.9m as at 31 March 2015 and the revaluation gain of £318.0m is included within 'Change in fair value of investment properties' in the Consolidated Income Statement. The property valuations are carried out by third party valuers in accordance with the RICS Valuation – Professional Standards and Workspace's Group accounting policies which incorporate the requirements of International Accounting Standard 40, Investment property. The Group's property portfolio consists of office and industrial properties located in London and includes: – Properties held at investment value: These are existing properties that are currently let and generate rental income. They are valued using the income capitalisation method as explained in note 10. – Properties held at development value: These are properties currently being refurbished, under development or identified for future development. They have a different risk and investment profile to the properties held at investment value and are valued using the residual value method as explained in note 10. The most significant judgements affecting all the valuations include yields and estimated rental value ("ERV") growth (as described in note 10 of the financial statements). For properties held at development value, other assumptions including costs to complete, property specific factors and the likelihood of achieving planning consent are also factored into the valuation. Where available, the valuations take into account evidence of market transactions for properties and locations comparable to those of the Group.	In order to assess the accuracy of the valuation of the property portfolio as at 31 March 2015 and to identify those properties which needed further investigation, we undertook an analysis of each property valuation and compared the yield adopted and movement in capital value over the year with expected market benchmarks. We evaluated the underlying valuation methodology and assumptions used by the valuer and met with the Group's Development Director to understand property specific factors. The external valuer used by the Group is CB Richard Ellis (CBRE). We assessed the competence, capabilities and objectivity of CBRE and verified its qualifications. We also discussed the scope of its work and reviewed the terms of its engagements. We found no unusual terms or fee arrangements that might affect its objectivity. We met with CBRE to discuss and challenge the valuation process, key assumptions and the rationale behind the more significant movements since 1 April 2014. Where relevant, we were able to corroborate the explanations for yields and ERV movements with comparable property transactions and market benchmarks. We found that yield rates and ERVs were predominantly consistent with comparable benchmarking information for the locations of the assets and assumptions appropriately reflected available comparable market transactions. Where assumptions did not fall within our expected range, we assessed whether additional evidence presented in arriving at the final valuation was appropriate, and, whether this was robustly challenged by the external independent valuers. We were satisfied that variances were predominantly due to property specific factors such as new lettings at higher rents, increased average rents or capital improvements to the properties. In addition, we were able to obtain evidence to support the valuation from the results of the following procedures which did not identify any material misstatements. We: – checked the accuracy of the underlying lease and occupancy data used by CBRE in their valuation of the portfolio by tracing the data back to the Workspace accounting records and signed leases on a sample basis; – for the properties held at development value, evaluated the underlying assumptions around the gross development value, construction costs and property specific factors within the development appraisals by comparing them to available market information and underlying project plans; – agreed the acquisitions and disposals in the year to the underlying agreements, cash payments and receipts and title deeds; – agreed a sample of capital expenditure items to invoices and cash to check that they had been correctly capitalised; and – visited selected properties within the portfolio over the course of the year. CBRE also valued the share of proceeds of any future sale of the residential developments from a number of historical property disposals ("overages"). Based on the timing and likelihood of receipt, these are classified within investment properties or receivables. We agreed the arrangements to the signed sales contracts; verified the assumptions underpinning the valuation to supporting documentation; and agreed the classification of the amounts within investment properties or receivables based on the timing and likelihood of receipt.
Accounting for the Glebe Proceeds Share Agreement (PSA)	
Refer to page 77 (Audit Committee Report), pages 133 to 134 (Notes to the financial statements – Notes 19 and 20) and page 113 (Significant judgements, key assumptions and estimates). On 22 December 2014, Workspace terminated the Glebe PSA following a payment of £30m to the joint venture's former lenders, resulting in the non-controlling interest (NCI) being extinguished. At the point of settlement, Workspace had profit attributable to the NCI of £20m in accordance with the accounting policies on pages 116. We focused on the Glebe PSA because the accounting treatment of the NCI up to the date of settlement was complex and judgemental, and because we needed to check that the termination itself was accounted for appropriately, including whether adequate disclosure had been made in the Annual Report. In the prior year, the accounting treatment had been the subject of scrutiny by the Financial Reporting Council (FRC) (refer to page 134). During the current year, their enquiries were concluded on the basis of the adjustments and disclosures made in the Interim Statement.	In the current year, we tested the application of the accounting policy up to the termination date by confirming that properties where there was a legal or constructive obligation to sell had been identified in determining the amount attributable to NCI. We also checked that the amounts had been included at an appropriate fair value by reference to the CBRE valuation or other corroborative evidence and checked that the amount recognised as NCI up to the date of termination had been calculated in accordance with the accounting policy. We obtained and read the termination agreement and, having agreed the cash settlement to bank statements, we were satisfied that the settlement had been appropriately accounted for by reference to applicable accounting standards. Additionally, we checked, and were satisfied with, the disclosures in relation to the recognition of NCI up to the date of termination and of the subsequent termination of the agreement.
Compliance with the REIT regime	
Refer to page 77 (Audit Committee Report) and page 113 (Significant judgements, key assumptions and estimates). Workspace converted to a Real Estate Investment Trust (REIT) in 2007. The UK REIT regime grants companies tax exempt status provided they meet the specific requirements within the regime. We focused on this because the rules are complex and the tax exempt status has a significant impact on the Group's business and the financial statements.	We confirmed our understanding of management's approach to ensuring compliance with the REIT regime requirements. We obtained management's calculations and supporting documentation, checking the accuracy by verifying the inputs, calculation and application of the rules. We note that the Group is currently in discussions with HMRC regarding the application of the REIT criteria to certain aspects of the Group's business. We discussed this with management and their tax advisors and, based on the evidence we obtained, we are satisfied that the Group's view of the matter (which is set out in the Audit Committee Report) is reasonable.

Area of focus	How our audit addressed the area of focus
Investments in joint ventures *Refer to pages 125 to 126 (Notes to the financial statements – Note 12(a)) and page 115 (Significant accounting policies).* We focused on this area because 31 March 2015 is the first year that IFRS 11 'Joint Arrangements' is applicable for the Consolidated Financial Statements. IFRS 11 requires that joint arrangements are classified as either joint operations or joint ventures. In the case of joint operations, the parties have rights and obligations relating to the assets and liabilities relating to the arrangement and should account for their own rights and obligations. In the case of joint ventures, the parties have rights to the net assets of the arrangement and should equity account. There was particular judgement to be applied in the case of BlackRock Workspace Property Trust JV (BWPT), where Workspace owns 20.1% of the arrangement. Management concluded that, based on their day to day operation and the contractual arrangements in place, all the Group's arrangements, including BWPT, are joint ventures and should be equity accounted in the Consolidated Financial Statements.	We obtained and read the documentation and contracts governing the structure of the joint arrangements, the relevant Board minutes and other supporting documents. This provided sufficient evidence to confirm that Workspace has shared control over the key strategic and operational decisions, meaning that it was appropriate for the joint arrangements to be equity accounted for as joint ventures. We are also satisfied that sufficient and appropriate disclosures in accordance with IFRS 11 are included in the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Workspace Group PLC provides commercial property to let throughout London. The Group financial statements are a consolidation of the eight trading entities, two investment holding companies, one service company, the Parent Company entity and the Group's three joint ventures.

Except for the joint ventures, where we focused our work on the share of profits and net assets (including investment properties) that are recognised in the Group financial statements, all entities were identified as requiring an audit of their complete financial information, either due to their size or their risk characteristics and all the audit work was performed by the Group audit team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£13.4m (2014: £11.2m)
How we determined it	1% of total assets
Rationale for benchmark applied	The key driver of the business and determinant of the Group's value is direct property investments. Due to this, the key area of focus in the audit is the valuation of investment properties. On this basis, consistent with last year, we set an overall Group materiality based on total assets.
Specific materiality	£2.0m (2014: £1.9m)
How we determined it	As a percentage of profit before tax excluding changes in fair value of investment properties and net finance costs.
Rationale for benchmark applied	A number of key performance indicators of the Group are driven by income statement items and we therefore applied, consistent with last year, a lower specific materiality to audit net rental income, finance costs, administrative expenses and the related working capital balances.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2m (2014: £0.2m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Report of the Directors, set out on page 100 to 104, in relation to going concern. We have nothing to report having performed our review.

As noted in the Report of the Directors, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion	
In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.	

ISAs (UK & Ireland) reporting	
Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
– information in the Annual Report and Accounts is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report arising from this responsibility.
– the statement given by the Directors on page 104, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report and Accounts taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
– the section of the Annual Report and Accounts on page 76, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company's compliance with 10 provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 104, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Parent Company financial statements of Workspace Group PLC for the year ended 31 March 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.

Sonia Copeland
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 June 2015

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	**2015 £m**	2014 £m
Revenue	1	**83.6**	73.6
Direct costs	1	**(25.9)**	(23.3)
Net rental income	1	**57.7**	50.3
Administrative expenses	2	**(13.8)**	(12.4)
Trading profit excluding share of joint ventures		**43.9**	37.9
Profit on disposal of investment properties	3(a)	**0.3**	1.6
Other income	3(b)	**10.1**	4.2
Change in fair value of investment properties	10	**318.0**	221.9
Operating profit	2	**372.3**	265.6
Finance income	4	**0.1**	0.1
Finance costs	4	**(18.6)**	(18.6)
Exceptional finance costs	4	**-**	(1.9)
Total finance costs		**(18.6)**	(20.5)
Change in fair value of derivative financial instruments	4	**(2.2)**	2.2
Gains from share in joint ventures	12(a)	**8.4**	5.1
Profit before tax		**360.0**	252.5
Taxation	6	**(0.1)**	(0.1)
Profit for the year after tax		**359.9**	252.4
Attributable to:			
– Owners of the parent		**350.9**	241.4
– Non-controlling interests	20	**9.0**	11.0
		359.9	252.4
Basic earnings per share (pence)	8	**231.4p**	166.8p
Diluted earnings per share (pence)	8	**227.4p**	163.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	**2015 £m**	2014 £m
Profit for the financial year		**359.9**	252.4
Items that may be classified subsequently to profit or loss:			
Change in fair value of derivative financial instruments (cash flow hedge)	16(f)	**(0.3)**	(2.9)
Total comprehensive income for the year		**359.6**	249.5
Attributable to:			
– Owners of the parent		**350.6**	238.5
– Non-controlling interests	20	**9.0**	11.0
		359.6	249.5

The notes on pages 113 to 140 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2015

	Notes	**2015 £m**	2014 £m
Non-current assets			
Investment properties	10	**1,408.9**	1,068.3
Intangible assets		**0.4**	0.4
Property, plant and equipment	11	**2.0**	2.0
Investment in joint ventures	12(a)	**28.6**	23.1
Other investments	12(b)	**1.0**	–
Trade and other receivables	13	**8.7**	11.2
Derivative financial instruments	16(f)	**0.3**	–
		1,449.9	1,105.0
Current assets			
Trade and other receivables	13	**18.9**	7.1
Cash and cash equivalents	14	**42.6**	3.7
Corporation tax asset		**–**	0.3
Assets held for sale	10	**0.3**	–
		61.8	11.1
Total assets		**1,511.7**	1,116.1
Current liabilities			
Trade and other payables	15	**(45.4)**	(36.0)
		(45.4)	(36.0)
Non-current liabilities			
Borrowings	16(a)	**(317.4)**	(335.8)
Derivative financial instruments	16(e) & (f)	**(2.6)**	(7.2)
Other non-current liabilities	19	**–**	(11.0)
		(320.0)	(354.0)
Total liabilities		**(365.4)**	(390.0)
Net assets		**1,146.3**	726.1
Shareholders' equity			
Share capital	21	**161.1**	145.6
Share premium	21	**136.8**	58.2
Investment in own shares	23	**(8.8)**	(8.9)
Other reserves	22	**15.7**	14.0
Retained earnings		**841.5**	517.2
Total shareholders' equity		**1,146.3**	726.1
Non-controlling interests	20	**–**	–
Total equity		**1,146.3**	726.1
EPRA net asset value per share	9	**£7.03**	£4.96

The notes on pages 113 to 140 form part of these financial statements.

The financial statements on pages 109 to 140 were approved and authorised for issue by the Board of Directors on 2 June 2015 and signed on its behalf by:

J Hopkins
G Clemett
Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

		Attributable to owners of the Parent							
	Notes	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total Share-holders' Equity £m	Non-controlling interests £m	Total Equity £m
Balance at 31 March 2013		144.9	58.8	(8.9)	15.3	290.3	500.4	–	500.4
Profit for the year		–	–	–	–	241.4	241.4	11.0	252.4
Change in fair value of derivatives	22	–	–	–	(2.9)	–	(2.9)	–	(2.9)
Total comprehensive income		–	–	–	(2.9)	241.4	238.5	11.0	249.5
Transactions with owners:									
Share issues	21	0.7	(0.6)	–	–	–	0.1	–	0.1
Dividends paid	7	–	–	–	–	(14.5)	(14.5)	–	(14.5)
Distributions	19 & 20	–	–	–	–	–	–	(11.0)	(11.0)
Share based payments	24	–	–	–	1.6	–	1.6	–	1.6
Balance at 31 March 2014		145.6	58.2	(8.9)	14.0	517.2	726.1	–	726.1
Profit for the year		**-**	**-**	**-**	**-**	**350.9**	**350.9**	**9.0**	**359.9**
Change in fair value of derivatives	22	**-**	**-**	**-**	**(0.3)**	**-**	**(0.3)**	**-**	**(0.3)**
Total comprehensive income		**-**	**-**	**-**	**(0.3)**	**350.9**	**350.6**	**9.0**	**359.6**
Transactions with owners:									
Share issues	21	**15.5**	**78.6**	**0.1**	**-**	**-**	**94.2**	**-**	**94.2**
Dividends paid	7	**-**	**-**	**-**	**-**	**(16.6)**	**(16.6)**	**-**	**(16.6)**
Reclassification	20	**-**	**-**	**-**	**-**	**-**	**-**	**11.0**	**11.0**
Acquisition of non-controlling interests	20	**-**	**-**	**-**	**-**	**(10.0)**	**(10.0)**	**(20.0)**	**(30.0)**
Share based payments	24	**-**	**-**	**-**	**2.0**	**-**	**2.0**	**-**	**2.0**
Balance at 31 March 2015		**161.1**	**136.8**	**(8.8)**	**15.7**	**841.5**	**1,146.3**	**-**	**1,146.3**

The notes on pages 113 to 140 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	**2015 £m**	2014 £m
Cash flows from operating activities			
Cash generated from operations	18	**54.3**	43.0
Interest received		**0.1**	0.1
Interest paid		**(18.5)**	(17.4)
Tax refunded		**0.2**	0.4
Net cash inflow from operating activities		**36.1**	26.1
Cash flows from investing activities			
Purchase of investment properties		**(79.7)**	(19.2)
Capital expenditure on investment properties		**(35.8)**	(28.9)
Proceeds from disposal of investment properties (net of sale costs)		**99.4**	29.1
Purchase of intangible assets		**(0.3)**	(0.1)
Purchase of property, plant and equipment		**(0.7)**	(0.9)
Capital distributions from joint ventures	12(a)	**2.0**	1.6
Purchase of investments		**(1.0)**	–
Movement in funding balances with joint ventures		**0.2**	(0.5)
Distributions received from joint ventures	12(a)	**1.1**	1.1
Net cash outflow from investing activities		**(14.8)**	(17.8)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	21	**96.7**	0.1
Fees paid on share issue		**(2.6)**	–
Finance costs for new/amended borrowing facilities		**–**	(3.5)
Settlement and re-couponing of derivative financial instruments		**–**	(8.5)
Repayment of bank borrowings	16(b)	**(30.0)**	(280.0)
Drawdown of bank borrowings		**–**	80.0
Drawdown of other borrowings		**–**	202.5
Inflow on bank facility rental income accounts		**–**	7.4
Acquisition of non-controlling interests	20	**(30.0)**	–
Dividends paid	7	**(16.5)**	(14.4)
Net cash inflow/(outflow) from financing activities		**17.6**	(16.4)
Net increase/(decrease) in cash and cash equivalents		**38.9**	(8.1)
Cash and cash equivalents at start of year	18	**3.7**	11.8
Cash and cash equivalents at end of year	18	**42.6**	3.7

The notes on pages 113 to 140 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

Workspace Group PLC ('the Company') and its subsidiaries (together 'the Group') are engaged in property investment in the form of letting of business accommodation to new and growing enterprises across London.

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

The registered number of the Company is 2041612.

Basis of preparation
These financial statements are presented in Sterling, which is the Company's functional currency and the Group's presentation currency and have been prepared on a going concern basis, in accordance with International Financial Reporting Standards (IFRS) and IFRS IC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

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

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

Investment property valuation
The Group uses the valuation performed by its independent 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. Management consider the significant assumptions to the valuation of investment properties to be estimated rental values and market based yields. Sensitivities on these assumptions are provided in note 10.

Joint ventures
IFRS 11 requires that joint arrangements are classified as either joint operations or joint ventures. In the case of joint ventures the parties have rights to the net assets and should be accounted for under the equity method. The Group applied judgement in the case of the BlackRock Workspace Property Trust where it owns 20.1% of the arrangement. Management have concluded that based on their day-to-day operation and the contractual arrangements in place then this arrangement should be accounted for as a joint venture.

Glebe proceeds share agreement
In the year to 31 March 2014 there was a change in accounting policy for the Glebe Proceeds Share Agreement. Previously, the Group considered the Proceeds Share Agreement to be a contingent liability, with a provision under IAS 37 only being recognised if the obligation under the agreement was triggered or it was otherwise considered probable that an outflow of economic benefits would be required. At 31 March 2014, the Group changed its accounting policy so that the Glebe Proceeds Share Agreement was accounted for as an equity instrument under IAS 32 representing a non-controlling interest.

The Group exercised judgement in considering the amounts attributable to non-controlling interest ('NCI') in relation to the Glebe Proceeds Share Agreement. In measuring the amount attributable to the NCI the Group took into account the likelihood that a property will be sold and that a payment may be made. On this basis, the Group attributed amounts to NCI when it was considered probable that it would sell the relevant properties. At this point, the NCI had a demonstrable interest in their portion of the fair value gains to be realised in relation to these properties.

In December 2014 an agreement was reached with the former lenders to terminate the Glebe Proceeds Share Agreement for a cash settlement of £30m. As a result of this settlement, the Group derecognised the NCI of £20m and recorded a decrease in equity attributable to owners of the parent of £10m.

Further details on the methodology, judgements involved and calculation of recognising the attributable amount is given in note 20 and the accounting policy for non-controlling interests.

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

The Directors intend that the Group should continue as a REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business which is within the REIT structure.

Significant accounting policies

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings up to 31 March 2015. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Investment properties

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

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

Assets acquired under finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the net present value of the minimum lease payments. The investment properties acquired under finance leases are subsequently carried at fair value. 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 income statement.

Properties are treated as acquired at the point the Group assumes the significant risks and rewards of ownership and are treated as disposed when these are transferred outside of the Group's control. Existing investment properties which undergo redevelopment and refurbishment for continued future use remain in investment property where the purpose of holding the property continues to meet the definition of investment property as defined above.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group, and the cost of each item can be reliably measured. Certain internal staff costs directly attributable to capital/redevelopment projects are capitalised. All other repairs and maintenance costs are charged to the income statement during the period in which they are incurred.

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

Investment properties are recognised as 'assets held for sale' when it is considered highly probable that sale completion will take place. This is assumed when a sale has exchanged by the balance sheet date and completed before the date of signing the financial statements.

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

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

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

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

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

Intangible assets

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

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

Property, plant and equipment

Equipment and fixtures

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

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

Depreciation is provided using the straight line method to allocate the cost less estimated residual value over the assets' estimated useful lives which range from 4-10 years.

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

Joint ventures

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

Other investments

Investment in unlisted shares are accounted for at cost where the fair value cannot be reliably measured. Subsequently they are reviewed for impairment by management on an annual basis.

Impairments and reversals are recognised through the Consolidated Income Statement.

Trade and other receivables

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

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

Trade and other payables

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

Cash and cash equivalents

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

Borrowings

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

Transaction costs are amortised over the effective life of the amounts borrowed.

Foreign currency translation

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

Derivative financial instruments and hedge accounting

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

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

The Group applies hedge accounting for certain derivatives that are designated and effective as hedges of future cash flows (cash flow hedges). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in note 16. Movements on the hedging reserve in other comprehensive income are shown in note 22.

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

Share capital

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

Investment in own shares

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

Non-controlling interests

The Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

A non-controlling interest was recognised for the Glebe Proceeds Share Agreement (see note 20). Total comprehensive income and loss were attributed to non-controlling interest in line with the terms of the relevant contract. For the Glebe Proceeds Share Agreement, amounts were attributed to the non-controlling interest when it was considered probable that the Group would sell the relevant properties. At this point, the non-controlling interest had a demonstrable interest in their portion of the fair value gains to be realised in relation to these properties.

Distributions of the amounts payable under the agreement are recognised as liabilities when a contractual obligation is established, with the corresponding entry being against the balance of non-controlling interest (that is, through equity). At 31 March 2014, we considered there to be a contractual obligation once a redevelopment contract had been exchanged with a third party.

During the year, the Group revised the application of this policy such that a liability is only recognised when the Group has an unconditional legal obligation to make a distribution to the NCI that is no longer at its discretion, in accordance with the requirements of IAS 32 'Financial Instruments: Presentation'. This is usually on completion of the redevelopment contract. This resulted in a reclassification from non-current liabilities to the NCI during the year.

The Group analysed key features of the Glebe Proceeds Share Agreement in the context of relevant accounting pronouncements, weighing the importance of each feature in faithfully representing the overall commercial effect and economic substance. The Group believes that the treatment under this new accounting policy best reflects the commercial objectives and economic substance of the contractual arrangement.

Transactions with NCI that do not result in loss of control (such as settlement of the Glebe Proceeds Share Agreement) are accounted for as equity transactions (i.e. as transactions with the owners in their capacity as owners). The difference between fair value of consideration paid and the carrying amount of the NCI acquired is recorded in equity.

Further details can be found in note 20.

Operating segments

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

Revenue recognition

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

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

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

Direct costs

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

Exceptional items

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

Share based payments

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

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

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

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

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

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

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

New accounting standards, amendments and guidance
a) During the year to 31 March 2015 the Group adopted the following accounting standards and guidance:

Standard or interpretation	Content
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosures of interest in other entities
Amendment: IFRS 10, 11 and 12	On transition guidance
Amendment: IFRS 10, 12 and IAS 27	Consolidation and investment entities
IAS 27 (revised)	Separate financial statements
IAS 28 (revised)	Associates and joint ventures
Amendment: IAS 32	Financial instruments: presentation, on offsetting financial assets and liabilities
Amendment: IAS 36	Impairment of assets
Amendment: IAS 39	Financial instruments: recognition and measurement, on novation of derivatives and hedge accounting

IFRS II resulted in additional disclosures on joint ventures.

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

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

Standard or interpretation	Content
IFRS 9	Financial instruments: classification and measurement
Amendment: IFRS 9	Financial instruments: regarding general hedge accounting
IFRS 15	Revenue from contracts with customers
Amendment: IAS 1	Presentation of financial statements on the disclosure initiative
Amendment: IFRS 11	Joint venture arrangements on acquisition of an interest in a joint operation
Amendment: IAS 27	Separate financial statements on the equity method
Amendment: IFRS 10 and IAS 28	Consolidated financial statements and investments in associates and joint ventures
Amendment: IAS 16 and IAS 38	Property, plant and equipment and intangible assets, on depreciation and amortisation
Annual improvements 2012	Changes to IFRS 2/IFRS 3/ IFRS 8/IFRS 13/IAS 16/IAS 37/ IAS 39
Annual improvements 2013	Changes to IFRS 1/IFRS 3/ IFRS 13/IAS 40
Annual improvements 2014	Changes to IFRS 5/IFRS 7/ IAS 19/IAS 34

1. Analysis of net rental income and segmental information

	2015			2014		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**63.8**	**(2.3)**	**61.5**	55.3	(1.5)	53.8
Service charges	**15.3**	**(17.8)**	**(2.5)**	14.2	(16.3)	(2.1)
Empty rates and other non recoverables	**–**	**(2.8)**	**(2.8)**	–	(2.2)	(2.2)
Services, fees, commissions and sundry income	**4.5**	**(3.0)**	**1.5**	4.1	(3.3)	0.8
	83.6	**(25.9)**	**57.7**	73.6	(23.3)	50.3

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.

The segmental information has been reclassified to reflect the underlying nature of the balances. Comparatives have been reclassified accordingly.

2. Operating profit

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

	2015 £m	2014 £m
Depreciation[1]	**0.7**	0.6
Staff costs (including share based costs)[1] (see note 5)	**15.3**	13.9
Repairs and maintenance expenditure on investment properties	**3.5**	3.3
Trade receivables impairment (see note 13)	**0.3**	0.2
Amortisation of intangibles	**0.2**	0.2
Operating lease rentals payable	**0.1**	0.1
Audit fees payable to the Company's auditors	**0.2**	0.2

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

Auditors' remuneration: **Services provided by the Company's auditors and its associates**	**2015 £000**	2014 £000
Audit fees:		
Audit of Parent Company and consolidated financial statements	**143**	136
Audit of subsidiary financial statements	**31**	30
	174	166
Fees for other services:		
Audit related assurance services	**138**	34
Tax advisory, tax compliance and legal services	**20**	108
	158	142

	2015 £m	2014 £m
Total administrative expenses are analysed below:		
Staff costs	**6.8**	6.6
Cash settled share based costs	**1.3**	0.9
Equity settled share based costs	**2.0**	1.6
Other	**3.7**	3.3
	13.8	12.4

3(a). Profit on disposal of investment properties

	2015 £m	2014 £m
Proceeds from sale of investment properties (net of sale costs)	**99.0**	30.6
Book value at time of sale (note 10)	**(98.7)**	(29.0)
Pre-tax profit on sale	**0.3**	1.6

£1.5m (2014: £2.9m) of the proceeds for the year were in the form of deferred consideration, of which £1.5m is outstanding at 31 March 2015 (31 March 2014: £2.9m) and is included in the Consolidated Balance Sheet under non-current and current trade and other receivables.

3(b). Other income

	2015 £m	2014 £m
Change in fair value of deferred consideration	**10.1**	4.2

The value of deferred consideration (cash and overage) from the sale of investment properties has been re-valued by CBRE Limited at 31 March 2015 and 31 March 2014. The amounts receivable are included in the Consolidated Balance Sheet under non-current and current trade and other receivables (see note 13).

4. Finance income and costs

	2015 £m	2014 £m
Interest income on bank deposits	**0.1**	0.1
Finance income	**0.1**	0.1
Interest payable on bank loans and overdrafts	**(3.6)**	(6.3)
Interest payable on other borrowings	**(14.7)**	(11.8)
Amortisation of issue costs of borrowings	**(0.8)**	(1.1)
Interest payable on finance leases	**(0.3)**	(0.2)
Interest capitalised on property refurbishments (note 10)	**0.8**	0.8
Foreign exchange (losses)/gains on financing activities	**(7.2)**	4.3
Cash flow hedge – transfer from equity	**7.2**	(4.3)
Finance costs – underlying	**(18.6)**	(18.6)
Issue costs written off on re-financing (exceptional)	**–**	(1.9)
Total finance costs	**(18.6)**	(20.5)
Change in fair value of financial instruments through the income statement	**(2.2)**	2.2
Net finance costs	**(20.7)**	(18.2)

Exceptional finance costs for the year ended 31 March 2014 of £1.9m related to the write off of unamortised issue costs on bank facilities that were refinanced in the year.

5. Employees and directors

Staff costs for the Group during the year were:	2015 £m	2014 £m
Wages and salaries	**11.2**	10.4
Social security costs	**1.3**	1.2
Other pension costs (see note 28)	**0.7**	0.6
Cash settled share based costs (see note 24)	**1.3**	0.9
Equity settled share based costs (see note 24)	**2.0**	1.6
	16.5	14.7

The above are gross of costs capitalised of £1.2m (2014: £0.8m).

The monthly average number of people employed during the year was:	2015 Number	2014 Number
Head office staff (including Directors)	**85**	81
Estates and property management staff	**114**	106
	199	187

The emoluments and pension benefits of the Directors is determined by the Remuneration Committee of the Board and are set out in detail in the Directors' Remuneration Report on pages 80 to 99. These form part of the financial statements.

6. Taxation

	2015 £m	2014 £m
Current tax:		
UK corporation tax	**–**	–
Adjustments to tax in respect of previous periods	**0.1**	0.1
Total taxation charge	**0.1**	0.1

The tax on the Group's profit for the year differs from the standard applicable corporation tax rate in the UK of 21% (2014: 23%). The differences are explained below:

	2015 £m	2014 £m
Profit on ordinary activities before taxation	**360.0**	252.5
Adjust gains from share in joint ventures	**(8.4)**	(5.1)
	351.6	247.4
Tax at standard rate of corporation tax in the UK of 21% (2014: 23%)	**73.8**	56.9
Effects of:		
REIT exempt income	**(5.8)**	(4.8)
Changes in fair value not subject to tax as a REIT	**(66.3)**	(51.6)
Share scheme adjustments	**(0.7)**	(1.1)
Other income	**0.2**	(0.9)
Adjustments to tax in respect of previous periods	**0.1**	0.1
Losses carried forward previously unrecognised	**(1.2)**	1.5
Total taxation charge	**0.1**	0.1

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

The Group currently has unrecognised tax losses carried forward of £3.6m (2014: £5.3m) calculated at a corporation tax rate of 20% (2014: 21%) which is the rate substantively enacted at the Balance Sheet date.

The analysis of deferred tax assets and liabilities is as follows:

	2015 £m	2014 £m
Deferred tax assets:		
– Deferred tax to be recovered within 12 months	**2.3**	–
Deferred tax liabilities		
– Deferred tax liabilities to be recovered within 12 months	**(2.3)**	–
Deferred tax (net)	**–**	–

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

Deferred tax liabilities	**Other income (overage receipts) £m**	**Total £m**
At 1 April 2014	**–**	**–**
Charged to income statement	**2.3**	**2.3**
At 31 March 2015	**2.3**	**2.3**

Deferred tax assets	**Tax losses £m**	**Total £m**
At 1 April 2014	**–**	**–**
Credited to income statement	**(2.3)**	**(2.3)**
At 31 March 2015	**(2.3)**	**(2.3)**

7. Dividends

Ordinary dividends paid	Payment date	Per share	**2015 £m**	2014 £m
For the year ended 31 March 2013:				
Final dividend	August 2013	6.45p	**–**	9.3
For the year ended 31 March 2014:				
Interim dividend	February 2014	3.54p	**–**	5.2
Final dividend	August 2014	7.09p	**10.3**	–
For the year ended 31 March 2015:				
Interim dividend	February 2015	3.89p	**6.3**	–
Dividends for the year			**16.6**	14.5
Timing difference on payment of withholding tax			**(0.1)**	(0.1)
Dividends cash paid			**16.5**	14.4

In addition the Directors are proposing a final dividend in respect of the financial year ended 31 March 2015 of 8.15 pence per ordinary share which will absorb an estimated £13.1m of revenue reserves and cash. If approved by the shareholders at the AGM, it will be paid on 7 August 2015 to shareholders who are on the register of members on 10 July 2015. The dividend will be paid as a REIT Property Income Distribution (PID) net of withholding tax where appropriate.

8. Earnings per share

Earnings used for calculating earnings per share:	**2015 £m**	2014 £m
Basic and diluted earnings (attributable to owners of the parent)	**350.9**	241.4
Change in fair value of investment property	**(318.0)**	(221.9)
Adjustments for non-controlling interests share of change in fair value of investment property	**3.7**	11.0
Profit/(loss) on disposal of investment properties	**(0.3)**	(1.6)
Movement in fair value of derivative financial instruments	**2.2**	(2.2)
Group's share of EPRA adjustments of joint ventures	**(9.3)**	(4.0)
EPRA adjusted earnings	**29.2**	22.7
Adjustment for non-trading items:		
Group's share of joint ventures other expenses	**2.1**	–
Other income	**(10.1)**	(4.2)
Exceptional finance costs	**–**	1.9
Non-controlling interests (less adjustment above)	**5.3**	–
Taxation	**0.1**	0.1
Adjusted underlying earnings	**26.6**	20.5

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) and an underlying earnings measure with additional company adjustments for non-trading items.

Number of shares used for calculating earnings per share:	**2015 Number**	2014 Number
Weighted average number of shares (excluding own shares held in trust)	**151,635,965**	144,705,947
Dilution due to share option schemes	**2,649,360**	3,122,782
Weighted average number of shares for diluted earnings per share	**154,285,325**	147,828,729

In pence:	**2015**	2014
Basic earnings per share	**231.4p**	166.8p
Diluted earnings per share	**227.4p**	163.3p
EPRA earnings per share[1]	**18.9p**	15.4p
Adjusted underlying earnings per share[1]	**17.2p**	13.9p

1. EPRA earnings per share and adjusted underlying earnings per share are calculated on a diluted basis.

9. Net assets per share

Net assets used for calculating net assets per share:	2015 £m	2014 £m
Net assets at end of year (basic)	**1,146.3**	726.1
Derivative financial instruments at fair value	**2.3**	7.2
EPRA net assets	**1,148.6**	733.3

Number of shares used for calculating net assets per share:	2015 Number	2014 Number
Shares in issue at year-end	**161,107,649**	145,616,695
Less own shares held in trust at year-end	**(114,354)**	(157,846)
Number of shares for calculating basic net assets per share	**160,993,295**	145,458,849
Dilution due to share option schemes	**2,462,487**	2,526,414
Number of shares for calculating diluted adjusted net assets per share	**163,455,782**	147,985,263

	2015	2014
EPRA net assets per share	**£7.03**	£4.96

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).

10. Investment properties

	2015 £m	2014 £m
Balance at 1 April	**1,068.3**	825.9
Purchase of investment properties	**80.0**	19.0
Acquisition of finance leases	**3.6**	–
Capital expenditure	**37.2**	29.7
Capitalised interest on refurbishments (note 4)	**0.8**	0.8
Disposals during the year	**(98.7)**	(29.0)
Change in fair value of investment properties	**318.0**	221.9
Balance at 31 March	**1,409.2**	1,068.3
Less: classified as held for sale	**(0.3)**	–
Total investment properties	**1,408.9**	1,068.3

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

Capitalised interest is included at a rate of capitalisation of 5.2% (2014: 5.1%). The total amount of capitalised interest included in investment properties is £5.8m (2014: £5.0m).

The change in fair value of investment properties is recognised in the Consolidated Income Statement.

Details of acquisitions and disposals during the year are provided on page 49.

Investment property includes buildings under finance leases of which the carrying amount is £7.1m (2014: £3.5m). Investment property finance lease commitment details are shown in note 16(h).

Valuation

The Group's investment properties are held at fair value and were revalued at 31 March 2015 by the external valuer, CBRE Limited, a firm of independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards 2014. All the properties are revalued at period end regardless of the date of acquisition. This includes a physical inspection of all properties, at least once a year. In line with IFRS 13, all investment properties are valued on the basis of their highest and best use. For like-for-like properties their current use equates to the highest and best use. For properties undergoing refurbishment or redevelopment, most of these are currently being used for business accommodation in their current state. However, the valuation is based on the current valuation at the balance sheet date including the impact of the potential refurbishment and redevelopment as this represents the highest and best use.

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

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

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

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

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

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

An increase/decrease to ERVs (Estimated Rental Values) will increase/decrease valuations respectively, while an increase/decrease to yields will decrease/increase valuations respectively. There are interrelationships between these inputs as they are partially determined by market conditions.

An increase/decrease in costs to complete and the discount factor will decrease/increase valuations respectively.

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

	2015 £m	2014 £m
Total per CBRE valuation report	**1,423.4**	1,078.0
Deferred consideration on sale of property	**(21.3)**	(13.2)
Assets held for sale	**(0.3)**	–
Head leases treated as finance leases under IAS 17	**7.1**	3.5
Total investment properties per balance sheet	**1,408.9**	1,068.3

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

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

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

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

10. Investment properties continued
Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	768	1	£5–£81	£20	5.0%–9.0%	6.5%
Completed projects (refurbishments)	179	1	£8–£51	£24	6.1%–6.7%	6.0%
Refurbishments	177	2	£19–£55	£34	5.5%–7.3%	6.1%
Redevelopments	176	2	£9–£30	£20	6.0%–10.0%	6.7%
Other	102	1	£30–£53	£41	5.4%–6.5%	6.2%
Head leases	7	n/a				
Total	1,409					

1 = Income capitalisation method.
2 = Residual value method.

Sensitivity analysis:

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

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+77/-77	-29/+31
Completed projects (refurbishments)	+18/-18	-7/+8
Refurbishments	+23/-23	-9/+10
Redevelopments	+9/-9	-4/+4
Other	+10/-10	-4/+4

11. Property, plant and equipment

Cost or valuation	Equipment and fixtures £m	Total £m
Balance at 31 March 2013	6.3	6.3
Additions during the year	0.9	0.9
Balance at 31 March 2014	7.2	7.2
Additions during the year	0.7	0.7
Balance at 31 March 2015	**7.9**	**7.9**

Accumulated depreciation		
Balance at 31 March 2013	4.6	4.6
Charge for the year	0.6	0.6
Balance at 31 March 2014	5.2	5.2
Charge for the year	0.7	0.7
Balance at 31 March 2015	**5.9**	**5.9**

Net book amount at 31 March 2015	**2.0**	**2.0**
Net book amount at 31 March 2014	2.0	2.0

12(a). Joint ventures

The Group's investment in joint ventures represents:

	2015 £m	2014 £m
Balance at 1 April	**23.1**	20.7
Capital distributions	**(2.0)**	(1.6)
Loans to joint ventures	**0.2**	–
Share of gains	**8.4**	5.1
Income distributions received	**(1.1)**	(1.1)
Balance at 31 March	**28.6**	23.1

The Group has the following joint ventures:

	Partner	Established	Ownership	Measurement Method
BlackRock Workspace Property Trust	BlackRock UK Property Fund	February 2011	20.1%	Equity
Enterprise House Investments LLP	Polar Properties Limited	April 2012	50%	Equity
Generate Studio Limited	Whitebox Creative Limited	February 2014	50%	Equity

BlackRock Workspace Property Trust is a Jersey property unit trust established in February 2011 whose aim was to build a fund of up to £100m of office and industrial property in and around London. The Group holds a 20.1% interest however strategic decisions are taken with the agreement of both parties and no one party has control on their own. The Group is also 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 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.

Generate Studio Limited is engaged in the design and project management of office fit outs and workplace consultancy both for Group properties and third parties.

The Group has no funding commitments relating to its joint ventures.

The summarised balance sheets and income statements of the joint ventures are shown below:

Balance sheets of joint ventures	**2015 £m**	2014 £m
Investment properties	**139.7**	108.0
Cash and cash equivalents	**8.0**	6.7
Other current assets	**1.5**	0.7
Current liabilities	**(14.5)**	(3.8)
Net assets	**134.7**	111.6

Income statements of joint ventures	**2015 £m**	2014 £m
Revenue	**9.8**	8.7
Direct costs	**(3.0)**	(2.8)
Net rental income	**6.8**	5.9
Administrative expenses	**(1.9)**	(1.2)
Other expenses	**(10.2)**	–
Profit on disposal of investment properties	**5.7**	1.4
Change in fair value of investment properties	**36.6**	17.9
Profit before tax	**37.0**	24.0
Taxation	**–**	–
Profit after tax	**37.0**	24.0

The information above has been adjusted where necessary for differences in accounting policies between the Group and the joint ventures.

12(a). Joint ventures continued

The reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in the joint ventures is shown below:

Summarised financial information	2015 £m	2014 £m
Opening net assets 1 April	**111.6**	100.5
Profit for the period	**37.0**	24.0
Capital distributions	**(10.0)**	(8.2)
Income distributions	**(4.3)**	(4.7)
Loans to joint ventures	**0.4**	–
Closing net assets 31 March	**134.7**	111.6
Group's interest	**29.1**	23.6
Unrealised surplus on sale of properties to joint ventures	**(0.5)**	(0.5)
Carrying amount	**28.6**	23.1

12(b). Other investments

During the year the Group purchased 10% of the share capital of Mailstorage Ltd for £1.0m.

13. Trade and other receivables

Non-current trade and other receivables	2015 £m	2014 £m
Deferred consideration on sale of investment property:		
Balance at 1 April	**11.2**	6.1
Additions (cash receivable)	**1.5**	0.9
Less: classified as current	**(14.1)**	–
Change in fair value (see note 3(b))	**10.1**	4.2
Balance at 31 March	**8.7**	11.2

The non-current receivables relate to deferred consideration (cash and overage) arising on the sale of investment properties. The conditional value of the portion of the receivable that relates to overage is held at fair value through profit and loss – £7.2m (2014: £10.2m). It has been fair valued by CBRE Limited on the basis of residual value, using appropriate discount rates, and will be revalued on a regular basis. This is a Level 3 valuation of a financial asset, as defined by IFRS 13. The methodology and significant assumptions used in the valuation are consistent with those disclosed in note 10. The change in fair value recorded in the Consolidated Income Statement was a profit of £10.1m (31 March 2014: £4.2m) (see note 3(b)).

Current trade and other receivables	2015 £m	2014 £m
Trade receivables	**2.8**	2.3
Less provision for impairment of receivables	**(0.4)**	(0.3)
Trade receivables – net	**2.4**	2.0
Prepayments and accrued income	**2.4**	2.8
Amounts due from related parties (see note 25)	**–**	0.3
Deferred consideration on sale of investment property	**14.1**	2.0
	18.9	7.1

Receivables at fair value:

Included within deferred consideration on sale of investment property is £13.1m (2014: £nil) of overage which is held at fair value through profit and loss. The amount is receivable within the following 12 months and has therefore been classified from non-current to current receivables.

Receivables at amortised cost:

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

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

	2015 £m	2014 £m
Balance at 1 April	**0.3**	0.4
Increase in provision for impairment of trade receivables	**0.3**	0.2
Receivables written off during the year	**(0.2)**	(0.3)
Balance at 31 March	**0.4**	0.3

As at 31 March 2015, the ageing of trade receivables past due but not impaired was as follows:

	Total 2015 £m	Impaired 2015 £m	Not impaired 2015 £m	Total 2014 £m	Impaired 2014 £m	Not impaired 2014 £m
Up to 3 months past due	**2.4**	**(0.1)**	**2.3**	2.0	(0.1)	1.9
3 to 6 months past due	**0.2**	**(0.1)**	**0.1**	0.1	(0.1)	–
Over 6 months past due	**0.2**	**(0.2)**	**–**	0.2	(0.1)	0.1
	2.8	**(0.4)**	**2.4**	2.3	(0.3)	2.0

The trade receivables balance is deemed to be all past due as rental payments are due on demand. Trade receivables that are not impaired are expected to be fully recovered as there is no recent history of default or indications that debtors will not meet their obligations. Impaired receivables are provided against based on expected recoverability.

14. Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	**40.3**	2.0
Restricted cash – tenants' deposit deeds	**2.3**	1.7
	42.6	3.7

Tenants' deposit deeds represent returnable cash security deposits received from tenants and are ring-fenced under the terms of the individual lease contracts.

Bank overdrafts are included within cash and cash equivalents for the purpose of the cash flow statement.

15. Trade and other payables

	2015 £m	2014 £m
Trade payables	**3.9**	4.4
Other tax and social security payable	**3.9**	2.5
Tenants' deposit deeds (see note 14)	**2.3**	1.7
Tenants' deposits	**13.3**	10.1
Accrued expenses	**18.8**	14.3
Amounts due to related parties (see note 25)	**0.4**	0.3
Deferred income – rent and service charges	**2.8**	2.7
	45.4	36.0

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

16. Borrowings

(a) Balances

	2015 £m	2014 £m
Non-current		
Bank loans (unsecured)	**48.8**	78.3
6% Retail Bond (unsecured)	**56.8**	56.6
5.6% Senior US Dollar Notes 2023 (unsecured)	**67.6**	60.4
5.53% Senior Notes 2023 (unsecured)	**83.7**	83.7
Senior Floating Rate Notes 2020 (unsecured)	**9.0**	9.0
Other term loan (unsecured)	**44.4**	44.3
Finance lease obligations	**7.1**	3.5
	317.4	335.8

(b) Net Debt

	2015 £m	2014 £m
Borrowings per (a) above	**317.4**	335.8
Adjust for:		
Finance leases	**(7.1)**	(3.5)
Cost of raising finance	**3.0**	3.8
Foreign exchange differences	**(3.3)**	3.9
	310.0	340.0
Cash at bank and in hand (note 14)	**(40.3)**	(2.0)
Net Debt	**269.7**	338.0

At 31 March 2015 the Group had £100m (2014: £70m) of undrawn bank facilities and £40.3m of unrestricted cash (2014: £2m). £30m of bank borrowings were repaid during the year.

(c) Maturity

	2015 £m	2014 £m
Repayable between three years and four years	**50.0**	–
Repayable between four years and five years	**57.5**	80.0
Repayable in five years or more	**202.5**	260.0
	310.0	340.0
Cost of raising finance	**(3.0)**	(3.8)
Foreign exchange differences and hedge adjustment	**3.3**	(3.9)
	310.3	332.3
Finance leases		
Repayable in five years or more	**7.1**	3.5
	317.4	335.8

(d) Interest rate and repayment profile

	Principal at period end £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	–	Base +2.25%	Variable	On demand
Non-current				
Private Placement Notes:				
5.6% Senior US Dollar Notes	64.5	5.6%	Half Yearly	June 2023
5.53% Senior Notes	84.0	5.53%	Half Yearly	June 2023
Senior Floating Rate Notes	9.0	LIBOR +3.5%	Half Yearly	June 2020
Other term loan	{ 22.5	LIBOR +3.5%	Quarterly	May 2022
	22.5	LIBOR +3.5%	Quarterly	May 2023
Term loan	50.0	LIBOR +2.5%	Quarterly	June 2018
Revolver loan	–	LIBOR +2.3%	Monthly	June 2018
6% Retail Bond	57.5	6.0%	Half Yearly	October 2019
	310.0			

(e) Derivative financial instruments

The following derivative financial instruments are held:

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

The interest rate swap is treated as a financial instrument at fair value with changes in value dealt with in the Consolidated Income Statement during each reporting year.

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 with changes in fair value dealt with in equity.

(f) Financial instruments and fair values

	2015 Book Value £m	**2015 Fair Value £m**	2014 Book Value £m	2014 Fair Value £m
Financial liabilities held at amortised cost				
Bank loans	**48.8**	**48.8**	78.3	78.3
6% Retail Bond	**56.8**	**62.1**	56.6	60.5
Private Placement Notes	**160.3**	**160.3**	153.1	153.1
Other term loan	**44.4**	**44.4**	44.3	44.3
Finance lease obligations	**7.1**	**7.1**	3.5	3.5
	317.4	**322.7**	335.8	339.7
Financial liabilities at fair value through profit or loss				
Derivative financial instruments:				
Interest rate swaps	**2.6**	**2.6**	0.5	0.5
Financial (assets)/liabilities at fair value through equity				
Derivative financial instruments:				
Cash flow hedge – derivatives used for hedging	**(0.3)**	**(0.3)**	6.7	6.7
	2.3	**2.3**	7.2	7.2
Financial assets at fair value through profit or loss				
Deferred consideration (see note 13)	**20.3**	**20.3**	10.2	10.2

The fair value of the Retail Bond has been established from the quoted market price at 31 March 2015 and is thus a Level 1 valuation as defined by IFRS 13.

16. Borrowings continued

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. There have been no transfers between levels in the year.

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

The total change in fair value of derivative financial instruments recorded in the income statement was a loss of £2.2m (2014: profit of £2.2m).

The total change in fair value of derivative financial instruments recorded in other comprehensive income was a loss of £0.3m (2014: £2.9m).

(g) Financial instruments by category

Assets	**2015 £m**	2014 £m
a) Derivatives used for hedging		
Derivative financial instruments	**0.3**	–
b) Assets at value through profit or loss		
Financial assets at fair value through profit or loss	**20.3**	10.2
c) Loans and receivables		
Cash and cash equivalents	**42.6**	3.7
Trade and other receivables excluding prepayments[1]	**4.9**	5.3
	47.5	9.0
Total	**68.1**	19.2

Liabilities	**2015 £m**	2014 £m
a) Liabilities at fair value through profit or loss		
Derivative financial instruments	**2.6**	0.5
b) Derivatives used for hedging		
Derivative financial instruments	**–**	6.7
c) Other financial liabilities at amortised cost		
Borrowings (excluding finance leases)	**310.3**	332.3
Finance lease liabilities	**7.1**	3.5
Trade and other payables excluding non-finance liabilities[2]	**38.7**	30.8
	356.1	366.6
Total	**358.7**	373.8

1. Trade and other receivables exclude prepayments of £2.4m (2014: £2.8m) and non cash deferred consideration of £20.3m (2014: £10.2m).
2. Trade and other payables exclude other tax and social security of £3.9m (2014: £2.5m) and deferred income of £2.8m (2014: £2.7m).

(h) Finance leases

Finance lease liabilities are in respect of leased investment property.

Minimum lease payments under finance leases fall due as follows:

	2015 £m	2014 £m
Within one year	**0.5**	0.2
Between two and five years	**1.8**	1.0
Beyond five years	**49.3**	21.0
	51.6	22.2
Future finance charges on finance leases	**(44.5)**	(18.7)
Present value of finance lease liabilities	**7.1**	3.5

£3.6m of finance leases were acquired in the year (see note 10).

17. Financial risk management objectives and policy

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

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

(a) Market risk

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

The Group finances its operations through a mixture of retained profits and borrowings. The Group borrows at both fixed and floating rates of interest and then uses interest rate and cross currency swaps and caps to generate the desired interest and risk profile. The Group has entered into a cross currency swap to ensure the US Dollar liability streams generated from the US Dollar private placement notes are fully hedged into sterling for the life of the transaction. At 31 March 2015 97% (2014: 89%) of Group borrowings were fixed or fixed through the use of interest rate and cross currency swaps.

All transactions entered into are approved by the Board and are in accordance with the Group's treasury policy. The Board also monitors variances on interest rates to budget and forecast rates to ensure that the risk relating to interest rates is being sufficiently safeguarded against. Based upon year end variable rate loan balances, a reasonably possible interest rate movement of +/-0.5% would have increased and decreased net interest payable and equity respectively by £0.1m (2014: £0.2m).

(b) Credit risk

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

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

The Group's exposure to credit risk in relation to receivables from tenants is influenced mainly by the characteristics of individual tenants occupying its rental properties. The Group has around 4,000 tenants over approximately 100 properties. The largest 10 single tenants generate less than 7% (2014: 6%) of net rent roll. As such, the credit risk attributable to individual tenants is low.

The Group's credit risk in relation to tenants is further managed by requiring that tenants provide a deposit equivalent to three months' rent on inception of lease as security against default. Total tenant deposits held are £15.6m (2014: £11.8m). The Group monitors aged debt balances and any potential bad debts every week, the information being reported to the Executive Committee every month as part of the performance monitoring process. The Group's debtor recovery is consistently high and as such is deemed a low risk area.

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

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

	2015 £m	2014 £m
Cash and cash equivalents (note 14)	**42.6**	3.7
Trade receivables – current (note 13)	**2.4**	2.0
Deferred consideration – current (note 13)	**14.1**	2.0
Deferred consideration – non current (note 13)	**8.7**	11.2
	67.8	18.9

17. Financial risk management objectives and policy continued

(c) Liquidity risk

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

The Group's approach to managing liquidity is to ensure it will always have sufficient funds to meet obligations as they fall due. This is performed via a variety of methods including daily cash flow review and forecasting, monthly monitoring of the maturity profile of debt and the regular revision of borrowing facilities in relation to the Group's requirements and strategy.

To ensure it can effectively manage its liquidity risk, the Group has an overdraft facility of £4m and a revolving loan facility of £100m. At 31 March 2015 headroom excluding overdraft and cash was £100m (31 March 2014: £70m).

Cash flow is monitored formally on a monthly basis as part of internal performance monitoring with regular daily monitoring and forecasting undertaken to manage day-to-day cash flows and any balances which are ring-fenced by lenders. The Board reviews compliance with loan covenants which include agreed interest cover and loan to value ratios, alongside review of available headroom on loan facilities.

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

31 March 2015	Carrying Amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial liabilities						
Bank loans	**50.0**	**1.5**	**1.5**	**51.8**	**–**	**54.8**
6% Retail Bond	**57.5**	**3.5**	**3.5**	**3.5**	**62.7**	**73.2**
Private Placement Notes	**157.5**	**8.7**	**8.7**	**8.7**	**200.5**	**226.6**
Other term loan	**45.0**	**1.8**	**1.8**	**1.8**	**53.3**	**58.7**
Derivative financial instruments	**2.6**	**1.8**	**1.8**	**1.8**	**0.3**	**5.7**
Finance lease liabilities	**7.1**	**0.5**	**0.5**	**0.5**	**50.1**	**51.6**
Trade and other payables†	**38.7**	**38.7**	**–**	**–**	**–**	**38.7**
	358.4	**56.5**	**17.8**	**68.1**	**366.9**	**509.3**

31 March 2014	Carrying Amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial liabilities						
Bank loans	80.0	2.3	2.3	2.3	80.8	87.7
6% Retail Bond	57.5	3.5	3.5	3.5	66.1	76.6
Private Placement Notes	157.5	8.7	8.7	8.7	200.1	226.2
Other term loan	45.0	1.8	1.8	1.8	55.0	60.4
Derivative financial instruments	7.2	1.5	1.5	1.5	2.7	7.2
Finance lease liabilities	3.5	0.2	0.2	0.2	21.6	22.2
Trade and other payables†	30.8	30.8	–	–	–	30.8
	381.5	48.8	18.0	18.0	426.3	511.1

† Trade and other payables exclude other tax and social security of £3.9m (2014: £2.5m) and deferred income of £2.8m (2014: £2.7m).

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

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

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

At 31 March 2015 Group equity was £1,146.3m (2014: £726.1m), and Group net debt (debt less cash at bank and in hand) was £269.7m (2014: £338.0m). Group gearing at 31 March 2015 was 24% (2014: 46%).

Following the refinancing in July 2013, the Group's borrowings are now all unsecured. The loan to value covenants applicable to these borrowings range between 60% and 75% and compliance is being met comfortably.

18. Notes to cash flow statement
Reconciliation of profit for the year to cash generated from operations:

	2015 £m	2014 £m
Profit before tax	**360.0**	252.5
Depreciation	**0.7**	0.6
Amortisation of intangibles	**0.2**	0.2
Profit on disposal of investment properties	**(0.3)**	(1.6)
Other income	**(10.1)**	(4.2)
Net gain from change in fair value of investment property	**(318.0)**	(221.9)
Equity settled share based payments	**2.0**	1.6
Change in fair value of financial instruments	**2.2**	(2.2)
Finance income	**(0.1)**	(0.1)
Finance expense	**18.6**	20.5
Gains from share in joint ventures	**(8.4)**	(5.1)
Changes in working capital:		
(Increase) in trade and other receivables	**(0.1)**	(0.4)
Increase in trade and other payables	**7.6**	3.1
Cash generated from operations	**54.3**	43.0

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

	2015 £m	2014 £m
Cash at bank and in hand	**40.3**	2.0
Restricted cash – tenants' deposit deeds	**2.3**	1.7
	42.6	3.7

19. Other non-current liabilities

	2015 £m	2014 £m
Amount payable re proceeds share agreement	**–**	11.0

This liability was reclassified during the year (see note 20).

20. Non-controlling interests

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 the Glebe Proceeds Share Agreement (GPSA).

The GPSA provided for the former lenders to Workspace Glebe to share in net cash proceeds from disposals from the Glebe property portfolio once Workspace received its priority return. The priority return was £92m. For proceeds up to £170m the lenders' share (after deducting Workspace's priority return) was 50%, from £170m up to £200m it was 30% and nil thereafter. The maximum payable under the GPSA was capped at £48m. All disposals were at the option of Workspace and there are no time limits.

In measuring the amount attributable to NCI, the Group took into account the likelihood that a property would be sold and that a payment may be made. On this basis, the Group attributed amounts to NCI when it considered it probable that it would sell the relevant properties. No amounts were attributed to NCI in relation to properties that the Group had no intention of selling.

In December 2014 an agreement was reached with the former lenders to terminate the GPSA for a cash settlement of £30m.

The total valuation of the Glebe portfolio at the date of settlement was £222m (31 March 2014: £217m). While a number of the assets had residential redevelopment potential a substantial part of the portfolio comprised of investment properties that Workspace had no plans to sell. The value of the properties with redevelopment potential which management considered probable to be sold for cash was £93m at the date of settlement (31 March 2014: £107m).

Total proceeds including cash received to date from disposals of £45m (31 March 2014: £14m) would therefore be £138m (31 March 2014: £121m). It was estimated that net proceeds after costs that would be realised was £131m (31 March 2014: £114m). As a result, the amount attributable to the former lenders (after deducting Workspace's priority return) increased by £9m to £20m at the date of settlement (31 March 2014: £11m). On settlement, the Group derecognised non-controlling interests of £20m and recorded a decrease in equity attributable to owners of the parent of £10m.

In the prior year, the Group was in discussions with the FRC Conduct Committee regarding the accounting for the GPSA. An alternative view of the measurement basis for NCI would be to attribute the maximum amount that would be payable if all of the properties were sold at their carrying value at the balance sheet date. The amounts that would then be recognised as NCI would have been a maximum of £48m as noted above. Management did not believe this approach to be appropriate. In managements view, the measurement basis adopted best reflects the commercial objectives and economic substance of the GPSA, in particular that no amounts should be attributed to NCI for proceeds that are highly unlikely to arise.

Distribution of amounts payable under the GPSA was recognised as a liability when it was considered that a contractual obligation was established. At 31 March 2014, we considered there to be a contractual obligation once a redevelopment contract had been exchanged with a third party. During the year, the Directors further considered the point at which a contractual obligation to pay a distribution arises. At the point of exchange, there are often still a number of conditions to be satisfied before completion of the contract. The Directors therefore revised the application of this policy such that a liability was only recognised when the Group had an unconditional legal obligation to make a distribution to the NCI that was no longer at its discretion, in accordance with the requirements of IAS 32 'Financial Instruments: Presentation'. This is usually on completion of the redevelopment contract. Other amounts attributable to the GPSA were classified as NCI in the balance sheet. Had this principle been applied at 31 March 2014 non-current liabilities would have been reported as being £nil rather than £11m and NCI would have been reported as £11m rather than £nil. The Directors considered this adjustment to be insufficiently material to warrant a prior year adjustment. The Group therefore reclassified the liability to equity during the year. The reclassification has no impact on EPRA NAV or the income statement.

As noted above, during the year an agreement was reached with the former lenders to terminate the GPSA. At the settlement date no amounts were recognised as a liability as there was no contractual obligation to pay a distribution at that time.

Having adopted the accounting policies for the GPSA described above, the discussions with the FRC Conduct Committee were concluded in November 2014.

21. Share capital and share premium

	2015 Number	2014 Number
Issued: Fully paid ordinary shares of £1 each	**161,107,649**	145,616,695

	2015 £m	2014 £m
Issued: Fully paid ordinary shares of £1 each	**161.1**	145.6

Movements in share capital were as follows:	2015 Number	2014 Number
Number of shares at 1 April	**145,616,695**	144,936,155
Issue of shares	**15,490,954**	680,540
Number of shares at 31 March	**161,107,649**	145,616,695

On 12 November 2014 the Group undertook a placement of 14,627,492 shares at 660p per share raising £94.0m net of expenses.

The Group also issued 863,462 (2014: 680,540 shares) shares during the year to satisfy the exercise of share options.

	Share Capital		Share Premium	
	2015 £m	2014 £m	2015 £m	2014 £m
Balance at 1 April	**145.6**	144.9	**58.2**	58.8
Issue of shares	**15.5**	0.7	**78.6**	(0.6)
Balance at 31 March	**161.1**	145.6	**136.8**	58.2

22. Other reserves

	Equity settled share based payments £m	Merger reserve £m	Hedging reserve £m	Total £m
Balance at 31 March 2013	6.6	8.7	–	15.3
Share based payments	1.6	–	–	1.6
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	(2.9)	(2.9)
Balance at 31 March 2014	8.2	8.7	(2.9)	14.0
Share based payments	2.0	–	–	2.0
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	(0.3)	(0.3)
Balance at 31 March 2015	**10.2**	**8.7**	**(3.2)**	**15.7**

23. Investment in own shares

The Company has an Employee Share Ownership Trust (ESOT) to purchase shares in the market for distribution at a later date in accordance with the terms of the Executive Share Option Scheme and Long Term Equity Incentive Plan. The shares are held by an independent trustee and the rights to dividends on the shares have been waived except where the shares are beneficially owned by participants. No shares were purchased for the Trust during the year but 33,740 shares were transferred to employees on the exercise of share options. At 31 March 2015 the number of shares held by the Trust totalled 75,226 (2014: 108,966). At 31 March 2015 the market value of these shares was £0.6m (2014: £0.6m) compared to a nominal value of £0.1m (2014: £0.1m).

The Company has also established an employee Share Incentive Plan (SIP) which is governed by HMRC rules. 51,800 shares were purchased for the Plan in 2013 at a cost of £0.2m. These are being held in a separate trust.

	2015 £m	2014 £m
Balance at 1 April	**8.9**	8.9
Shares issued from the Trust	**(0.1)**	–
Balance at 31 March	**8.8**	8.9

24. Share-based payments

The Group operates a number of share schemes:

I) Long term equity incentive plan (LTIP)

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

- Absolute TSR
- Relative TSR
- Relative NAV.

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

Under the 2014 LTIP scheme 597,967 performance and matching shares were awarded in June 2014 to Directors and senior management (2013 LTIP scheme: 766,728).

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

	LTIP Number
At 31 March 2013	3,636,840
Granted	766,728
Exercised	(1,681,747)
Lapsed	(65,932)
At 31 March 2014	2,655,889
Granted	597,967
Exercised	(762,587)
Lapsed	(1,656)
At 31 March 2015	**2,489,613**

The closing share price at the date of exercise of shares exercised during the year was £6.00 (2014: £4.53).

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

Assumptions used in the model were as follows:

	2015	2014
Share price at grant	**570p**	405p
Exercise price	**Nil**	Nil
Average expected life (years)	**3**	3
Risk free rate	**1%**	0.3%
Expected dividend yield	**2%**	3%
Average share price volatility	**29%**	31%
Fair value per option – Absolute TSR element	**221p**	162p
Fair value per option – Relative TSR element	**211p**	148p

The relative NAV is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 570 pence. At each balance sheet date, the Directors assess the likelihood of meeting the conditions under this element of the scheme. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity. The assessment at year end was that up to 50% of the relative NAV element will vest.

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

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

II) Employee share option schemes

The Group operates a Save As You Earn (SAYE) share option scheme and an Executive Share Option Scheme (ESOS) for which there have been no grants since 2008. Grants under ESOS were normally exercisable between three and ten years from the date of grant and normally granted at the market price ruling at the date of grant.

Grants under the SAYE scheme are normally exercisable after three or five years saving. In accordance with UK practice, the majority of options under the SAYE schemes are granted at a price 20% below the market price ruling at the date of grant.

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

	ESOS		SAYE	
Options outstanding	Number	Weighted exercise price	Number	Weighted exercise price
At 31 March 2013	51,515	£13.22	333,328	£1.74
Options granted	–	–	66,147	£3.47
Options exercised	–	–	(39,168)	£1.63
Options lapsed	(18,950)	£8.25	(19,720)	£2.31
At 31 March 2014	32,565	£16.12	340,587	£2.06
Options granted	–	–	126,060	£4.59
Options exercised	–	–	(100,879)	£1.39
Options lapsed	(14,624)	£13.16	(11,262)	£3.89
At 31 March 2015	**17,941**	**£18.53**	**354,506**	**£3.09**

The exercise of all options, other than those obtained under the Group's SAYE scheme, was dependent upon the Group achieving specified performance targets.
The closing share price at the date of exercise for the SAYE options exercised during the year was £7.30 (2014: £4.50).

126,060 SAYE share options were granted in the year (2014: 66,147 shares).

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

	2015 SAYE 3 year	**2015 SAYE 5 year**	2014 SAYE 3 year	2014 SAYE 5 year
Weighted average share price at grant	**550p**	**550p**	440p	440p
Exercise price	**459p**	**459p**	347p	347p
Expected volatility	**28%**	**28%**	31%	31%
Average expected life (years)	**3**	**5**	3	5
Risk free rate	**1%**	**1%**	0.3%	0.3%
Expected dividend yield	**2%**	**2%**	3%	3%
Possibility of ceasing employment before vesting	**25%**	**25%**	25%	25%

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

Fair values per share of these options were:

	2015 Grant date	**2015 Fair value of award**	2014 Grant date	2014 Fair value of award
SAYE – 3 year	**25 July 2014**	**135p**	31 July 2013	118p
SAYE – 5 year	**25 July 2014**	**151p**	31 July 2013	124p

III) Share incentive plan (SIP)

On 22 March 2013 all staff were granted £1,000 worth of shares. These shares are held in trust under an HMRC approved SIP. The shares can be exercised following three years of employment but must be held for a further two years in order to qualify for tax advantages. There were no grants made in the year (2014: nil shares). 1,168 (2014: 2,920) were exercised in the year and 2,044 (2014: 6,424) shares lapsed.

24. Share-based payments continued

IV) Year end summary

At 31 March 2015 in total there were 2,901,188 (2014: 3,071,497) share awards/options exercisable on the Company's ordinary share capital. These are analysed below:

Date of grant LTIP	Exercise Price	Ordinary shares Number	Vested and exercisable	Exercisable between	
18 June 2012	–	865,229	–	18.06.2015	–
19 November 2012	–	276,642	–	19.11.2015	–
26 June 2013	–	751,431	–	26.06.2016	–
26 June 2014	–	596,311	–	26.06.2017	–
ESOS				Exercisable between	
17 June 2005	£17.81	9,681	9,681	17.06.2008	17.06.2015
1 September 2005	£19.37	8,260	8,260	01.09.2008	01.09.2015
SAYE				Exercisable between	
20 July 2010	£1.66	2,983	–	01.09.2015	01.03.2016
30 July 2012	£1.93	151,997	–	01.09.2015	01.03.2016
30 July 2012	£1.93	18,652	–	01.09.2017	01.03.2018
31 July 2013	£3.47	53,873	–	01.09.2016	01.03.2017
31 July 2013	£3.47	8,644	–	01.09.2018	01.03.2019
25 July 2014	£4.59	111,430	–	01.09.2017	01.03.2018
25 July 2014	£4.59	6,927	–	01.09.2019	01.03.2020
SIP				Exercisable between	
22 March 2013	–	39,128	–	22.03.2016	22.03.2018
Total		**2,901,188**	**17,941**		

The weighted average exercise price for vested and exercisable shares at 31 March 2015 is: ESOS – £18.53 (2014: £16.12).

The share awards/options outstanding at 31 March 2015 had a weighted average remaining contractual life of: LTIP – 1.1 years (2014: 1.5 years), ESOS – nil years (2014: nil years), SAYE – 1.4 years (2014: 1.6 years), SIP – 1 year (2014: 2 years).

V) Cash-settled share based payments

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

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

VI) Share based payment charges

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

	2015 £m	2014 £m
Equity-settled share based payments	**2.0**	1.6
Cash-settled share based payments	**1.3**	0.9
	3.3	2.5

The total liability at the end of the year in respect of cash-settled share based schemes was £1.6m (2014: £0.9m).

25. Related party transactions

	2015 £m	2014 £m
Transactions year ended 31 March:		
Capital distributions from joint ventures (note 12(a))	**2.0**	1.6
Loans to joint ventures (note 12(a))	**(0.2)**	–
Fee income and recharges to joint ventures	**0.9**	0.9
Fee income and recharges from joint ventures	**(0.7)**	–
Distributions received from joint ventures (note 12(a))	**1.1**	1.1
Fees paid to CBRE Limited	**(0.2)**	(0.2)
Balances with joint ventures at 31 March:		
Amounts receivable from joint ventures (note 13)	**–**	0.3
Amounts payable to joint ventures (note 15)	**(0.4)**	(0.3)

The Group as property manager of the BlackRock Workspace joint venture is entitled to a performance fee at the end of the five year initial term of the fund in March 2016. This is based on the Group's performance as property manager and on the basis that all the properties in the joint venture are sold. Under IAS18 recognition rules this has not been recognised as income in the year.

Fees paid to CBRE Limited are in respect of the property valuations.

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

Key management compensation:	2015 £m	2014 £m
Short-term employee benefits	**2.9**	2.9
Post-employment benefits	**0.2**	0.2
Share-based payments	**1.1**	1.1
	4.2	4.2

26. Capital commitments

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

	2015 £m	2014 £m
Funding of joint venture	**–**	3.3
Purchases, construction or redevelopment of investment property	**42.3**	8.9

27. Principal subsidiary undertakings

Except where indicated otherwise, the Company (incorporated in the UK) wholly owns the following active subsidiary undertakings incorporated and operating in the UK, all of which are consolidated in the Group's financial statements:

Name	Nature of business
Workspace 11 Limited	Property Investment
Workspace 12 Limited*	Property Investment
Workspace 13 Limited	Property Investment
Workspace 14 Limited	Property Investment
Workspace 15 Limited	Property Investment
Workspace 16 (Jersey) Limited†	Investor in joint venture
Workspace Glebe Limited	Holding Company
Glebe Three Limited*	Property Investment
Workspace Holdings Limited	Holding Company
LI Property Services Limited	Insurance Agents
Workspace Management Limited	Property Management
Anyspacedirect.co.uk Limited	Property advertising

* The share capital of these subsidiaries is held by other Group companies.
† Company registered in Jersey.

27. Principal subsidiary undertakings continued

The Company has taken advantage of the exemption under section 410 of the Companies Act 2006 only to disclose those subsidiary undertakings that principally affect the financial statements.

A full list of subsidiary undertakings at 31 March 2015 will be appended to the Company's next annual return.

28. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for this scheme in the year was £0.7m (2014: £0.6m) representing contributions payable by the Group to the fund and is charged through operating profit.

The Group's commitment with regard to pension contributions ranges from 6% to 16.5% of an employee's salary. The pension scheme is open to every employee in accordance with the new Government auto-enrolment rules. The number of employees in the scheme at the year end was 181 (2014: 102).

29. Operating leases

The following future minimum lease payments are due under non-cancellable operating leases:

Motor vehicles and office equipment:	**2015 £m**	2014 £m
Due within one year	**0.1**	0.1
Due between two and five years	**–**	0.1
	0.1	0.2

Land and buildings:	**2015 £m**	2014 £m
Within one year	**29.4**	21.3
Between two and five years	**5.8**	2.4
Beyond five years	**0.5**	0.6
	35.7	24.3

The Group has determined that all tenant leases are operating leases within the meaning of IAS 17. The majority of the Group's tenant leases are granted with a rolling three month tenant break clause. The future minimum non-cancellable rental receipts under operating leases granted to tenants are as above.

30. Post balance sheet events

In April 2015 the BlackRock joint venture exchanged contracts for the sale of four properties for a cash consideration of £32.1m, in line with their March 2015 valuations.

Clyde House, SL6 was sold for a cash consideration of £0.3m in May 2015, in line with its March 2015 valuation.

In May 2015 the Group exchanged contracts for the purchase of 25 & 28 Easton Street, WC1 for a cash consideration of £16.6m.

In June 2015 the Group exchanged contracts for the purchase of Angel House, EC1 for a cash consideration of £34.0m.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC
(PARENT COMPANY)

Report on the Parent Company financial statements

Our opinion

In our opinion, Workspace Group PLC's Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Parent Company's affairs as at 31 March 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Workspace Group PLC's financial statements comprise:

- the Parent Company Balance Sheet as at 31 March 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 104, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of Workspace Group PLC for the year ended 31 March 2015.

Sonia Copeland
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 June 2015

PARENT COMPANY BALANCE SHEET
AS AT 31 MARCH 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Investments	C	**638.3**	289.6
		638.3	289.6
Current assets			
Debtors	D	**394.2**	495.0
Cash at bank and in hand		**0.6**	0.2
Derivative financial instruments	F	**0.3**	–
		395.1	495.2
Creditors: amounts falling due within one year	E	**(119.7)**	(97.3)
Net current assets		**275.4**	397.9
Total assets less current liabilities		**913.7**	687.5
Creditors: amounts falling due after more than one year	F	**(312.9)**	(350.5)
Net assets		**600.8**	337.0
Capital and reserves			
Called up share capital	G	**161.1**	145.6
Share premium account	G	**136.8**	58.2
Investment in own shares	G	**(8.8)**	(8.9)
Other reserves	G	**15.7**	14.0
Profit and loss account	G	**296.0**	128.1
Total shareholders' funds	H	**600.8**	337.0

The notes on pages 144 to 147 form part of these financial statements.

The financial statements on pages 143 to 147 were approved by the Board of Directors on 2 June 2015 and signed on its behalf by:

J Hopkins
G Clemett
Directors

Workspace Group PLC
Registered number 2041612

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

A. Accounting policies

Although the Group consolidated financial statements are prepared under IFRS as adopted by the EU, the Workspace Group PLC Company financial statements are prepared under UK GAAP. The principal accounting policies of the Company which have been applied consistently throughout the year are set out below:

(A) Basis of accounting

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. FRS 29 Financial Instruments – Disclosure (the UK GAAP equivalent of IFRS 7 Financial Instruments – Disclosure) has been adopted by the Company, but the disclosure requirements are met in note 17 of the Group financial statements.

(B) Cash flow statement

The Company has taken advantage of the convention not to produce a cash flow statement as one is prepared for the Group financial statements.

(C) Investments

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

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

(D) Share based payment and investment in own shares

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

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

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

The disclosure requirements of FRS 20 Share-based payment are met in note 24 of the Group financial statements.

(E) Borrowings

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

(F) Derivative financial instruments and hedge accounting

The accounting policy for derivative financial instruments and hedge accounting, under FRS 26 Financial Instruments – Recognition and Measurement, are the same as those for the Group and are set out on page 115. Disclosure requirements are provided in note 16 to the consolidated financial statements.

(G) Foreign currency translation

The accounting policy for foreign currency translation is the same as that for the Group and is set out on page 115.

B. Profit for the year

As permitted by the exemption in Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The profit attributable to shareholders, before dividend payments, dealt with in the financial statements of the Company was £184.5m (2014: £20.5m). £185m dividends were received in the year from subsidiary undertakings (2014: nil).

Auditors' remuneration of £10,000 (2014: £10,000) has been borne by a subsidiary undertaking.

Proposed dividends are disclosed in note 7 to the consolidated financial statements.

C. Investments

	Investment in subsidiary undertakings £m	Investment in joint ventures £m	Other Investments £m	Total £m
Cost				
Balance at 31 March 2014	313.4	1.6	–	315.0
Additions in the year	315.6	0.2	1.0	316.8
Acquisition of non-controlling interests	30.0	–	–	30.0
Balance at 31 March 2015	659.0	1.8	1.0	661.8
Impairment				
Balance at 31 March 2014	25.4	–	–	25.4
Reversal of impairment loss	(1.9)	–	–	(1.9)
Balance at 31 March 2015	23.5	–	–	23.5
Net book value at 31 March 2015	**635.5**	**1.8**	**1.0**	**638.3**
Net book value at 31 March 2014	288.0	1.6	–	289.6

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Refer to note 27 of the consolidated financial statements for the list of trading subsidiary undertakings.

The Company has a 50% interest in Enterprise House Investments LLP, a partnership incorporated in the UK and a 50% interest in Generate Studio Ltd, a company incorporated in the UK.

During the year, the Company purchased 10% of the share capital of Mailstorage Ltd, a company incorporated in the UK, for £1.0m.

Acquisition of non-controlling interests represents the settlement of the Glebe Proceeds Share Agreement. Other additions to investment in subsidiary undertakings includes £313.6m in respect of the acquisition of Workspace 14 Limited from another Group undertaking.

D. Debtors

	2015 £m	2014 £m
Amounts owed by Group undertakings	**394.0**	494.7
Corporation tax asset	**0.2**	0.3
	394.2	495.0

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

E. Creditors: amounts falling due within one year

	2015 £m	2014 £m
Amounts owed to Group undertakings	**114.1**	91.8
Taxation and social security	**0.6**	0.5
Accruals and deferred income	**5.0**	5.0
	119.7	97.3

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

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

	Interest rate	Repayable	**2015 £m**	2014 £m
Bank Loans	LIBOR+2.3% to 2.5%	June 2018	**50.0**	80.0
5.6% Senior US Dollar Notes 2023	5.6%	June 2023	**67.8**	60.6
5.53% Senior Notes 2023	5.53%	June 2023	**84.0**	84.0
Senior Floating Rate Notes 2020	LIBOR+3.5%	June 2020	**9.0**	9.0
Other term loan	LIBOR+3.5%	May 2022 and May 2023	**45.0**	45.0
6% Retail Bond	6.0%	October 2019	**57.5**	57.5
Total borrowings			**313.3**	336.1
Less cost of raising finance			**(3.0)**	(3.8)
Net borrowings			**310.3**	332.3
Derivative financial instruments			**2.6**	7.2
Other creditors[1]			**–**	11.0
			312.9	350.5

1. Other creditors relate to amounts payable under the Glebe proceeds share agreement. See note 20 of the Group financial statements for further details.

All the above borrowings are unsecured.

Maturity analysis of borrowings:	**2015 £m**	2014 £m
Repayable between three and four years	**50.0**	–
Repayable between four and five years	**57.5**	80.0
Repayable in five years or more	**205.8**	256.1
	313.3	336.1

The following derivative financial instruments are held:

	Amount	Rate payable (or cap strike rate) (%)	Term/ expiry	**2015 £m**	2014 £m
Interest rate swap	£95m	1.87%	June 2018	**2.6**	0.5
Cash flow hedge – cross currency swap[2]	$100m/£64.5m	5.66%	June 2023	**–**	6.7
				2.6	7.2

2. The cash flow hedge this year has been valued as an asset of £0.3m.

G. Capital and reserves

Movements and notes applicable to share capital, share premium account, investment in own shares and share based payment reserve are shown in notes 21 to 24 on pages 135 to 138 and in the consolidated statement of changes in equity of the consolidated financial statements.

Other reserves:	Equity settled share based payments £m	Merger Reserve £m	Hedging Reserve £m	Total £m
Balance at 31 March 2013	6.6	8.7	–	15.3
Share based payments	1.6	–	–	1.6
Change in fair value of derivative financial instruments	–	–	(2.9)	(2.9)
Balance at 31 March 2014	8.2	8.7	(2.9)	14.0
Share based payments	2.0	–	–	2.0
Change in fair value of derivative financial instruments	–	–	(0.3)	(0.3)
Balance at 31 March 2015	**10.2**	**8.7**	**(3.2)**	**15.7**

Profit and loss account:	£m
Balance at 31 March 2014	128.1
Profit for the year	184.5
Dividends paid	(16.6)
Balance at 31 March 2015	**296.0**

H. Reconciliation of movements in shareholders' funds

	2015 £m	2014 £m
Profit for the financial year	**184.5**	20.5
Dividends paid	**(16.6)**	(14.5)
Issue of shares (net of costs)	**94.1**	0.1
Investment in own shares	**0.1**	–
Share based payments	**2.0**	1.6
Change in fair value of derivative financial instruments	**(0.3)**	(2.9)
Net movement in shareholders' funds	**263.8**	4.8
Opening shareholders' funds	**337.0**	332.2
Closing shareholders' funds	**600.8**	337.0

I. Related party transactions

The Company has taken advantage of the exemption under FRS 8 Related Party Disclosures not to disclose related party transactions with wholly owned subsidiary undertakings.

Related party transactions are the same for the Company as for the Group. For details refer to note 25 of the consolidated financial statements on page 139.

FIVE-YEAR PERFORMANCE
2011 – 2015

	31 March 2015 £m	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m	31 March 2011 £m
Rents receivable	**63.8**	55.3	51.4	50.2	52.0
Service charges and other income	**19.8**	18.3	18.1	17.1	16.8
Revenue	**83.6**	73.6	69.5	67.3	68.8
Trading profit before interest including share of joint ventures	**45.1**	39.0	37.2	35.1	36.3
Net interest payable^	**(18.5)**	(18.5)	(19.3)	(19.1)	(22.1)
Trading profit after interest	**26.6**	20.5	17.9	16.0	14.2
Profit before taxation	**360.0**	252.5	76.4	48.5	52.8
Profit after taxation	**359.9**	252.4	76.4	49.0	53.5
Basic earnings per share*	**231.4p**	166.8p	53.3p	36.3p	45.4p
Dividends per share*	**12.04p**	10.63p	9.67p	8.79p	7.99p
Dividends (total)	**19.4**	15.5	13.9	12.6	9.5
Investment properties	**1,408.9**	1,068.3	825.9	759.3	713.4
Other assets less liabilities	**14.5**	(8.4)	2.1	(11.1)	(12.8)
Net borrowings	**(277.1)**	(333.8)	(327.6)	(312.8)	(366.8)
Net assets	**1,146.3**	726.1	500.4	435.4	333.8
Gearing	**24%**	46%	65%	72%	110%
Gearing on EPRA net assets	**24%**	46%	64%	70%	106%
Basic NAV per share*	**£7.12**	£4.99	£3.48	£3.05	£2.83
EPRA NAV per share*	**£7.03**	£4.96	£3.48	£3.08	£2.86

* Earnings per share, dividends per share and net assets per share have been restated to reflect adjustment for the Rights Issue, in July 2011 and share consolidation in August 2011.
^ Excludes exceptional items.

PERFORMANCE METRICS

	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Workspace Group:					
Number of estates	**75**	83	86	92	96
Lettable floorspace (million sq. ft.)	**4.2**	4.5	4.7	5.0	5.1
Number of lettable units	**4,525**	4,653	4,626	4,668	4,856
Average unit size (sq. ft.)	**919**	967	1,011	1,070	1,049
Rent roll of occupied units	**£69.4m**	£58.3m	£52.7m	£50.2m	£48.9m
Overall rent per sq. ft.	**£18.79**	£15.12	£12.98	£11.79	£11.47
Overall occupancy	**88.7%**	85.8%	87.0%	85.3%	83.6%
Enquiries (number)	**14,664**	12,754	12,440	12,103	11,535
Lettings (number)	**1,313**	1,020	1,014	981	1,051
BlackRock Workspace Property Trust:					
Number of estates	**12**	14	16	11	8
Lettable floorspace (million sq. ft.)	**0.5**	0.5	0.5	0.4	0.3
Number of lettable units	**318**	410	435	313	281
Average unit size (sq. ft.)	**1,756**	1,300	1,260	1,407	1,147
Rent roll of occupied units	**£7.1m**	£6.4m	£7.0m	£4.7m	£3.1m
Average rent per sq. ft.	**£16.13**	£14.66	£14.20	£11.82	£10.57
Overall occupancy	**93.9%**	87.7%	90.4%	89.8%	92.1%
EPRA Measures					
EPRA Earnings per share	**18.9p**	15.4p	–	–	–
EPRA Net Asset Value per share	**£7.03**	£4.96	–	–	–
EPRA NNNAV	**£7.01**	£4.91	–	–	–
EPRA Cost Ratio	**34%**	33%	–	–	–