

WORKSPACE UNDERSTANDS WORK SPACE

HALF YEAR REPORT 2014



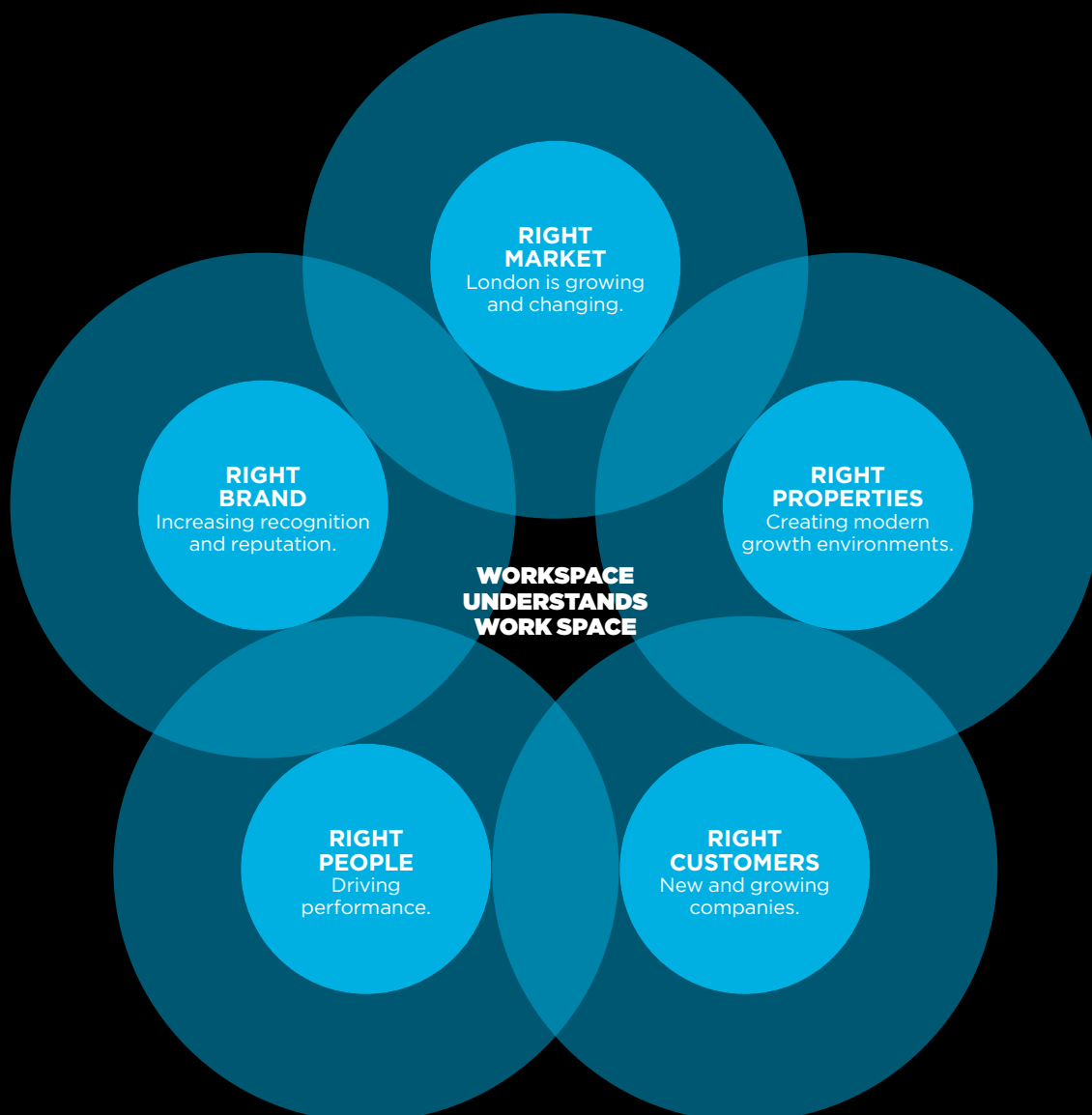
WORKSPACE®

WHAT WE DO

WORKSPACE PROVIDES BUSINESS PREMISES TAILORED TO THE NEEDS OF NEW AND GROWING COMPANIES ACROSS LONDON.

THE RIGHT STRATEGY

DELIVERING RESULTS



CONTENTS

01	Highlights for the Six Months ended 30 September 2014	09	Consolidated statement of comprehensive income	13	Notes to the Half Year Report
02	Operating performance	10	Consolidated balance sheet	26	Principal risks and uncertainties
07	Key property statistics	11	Consolidated statement of changes in equity	27	Statement of Directors' 'Interim Financial Reporting' Responsibilities
08	Consolidated income statement	12	Consolidated statement of cash flows	28	Independent Review report to Workspace Group PLC

HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

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

“This has been a great first half of the financial year, with continued strong demand and income growth across the portfolio. Our newly opened centres, Pill Box and ScreenWorks, are performing well ahead of our expectations, and we have two further business centres opening on Bankside and Wandsworth in the second half of the year.

We are progressing well with the next phase of our redevelopment and refurbishment activity, as well as looking to acquire further complementary properties in strategic locations across London where we can utilise the strength of our brand, marketing and asset management skills to generate superior value for our shareholders.”

FINANCIAL PERFORMANCE

Profit before tax up £65.9m (61%) to £173.7m (30 September 2013: £107.8m)

Adjusted trading profit after interest up £2.7m (28%) to £12.4m (30 September 2013: £9.7m)

EPRA Net Asset Value per share up £1.01 (20%) in the six months to £5.97 (31 March 2014: £4.96)

Adjusted underlying earnings per share up 27% to 8.4p (30 September 2013: 6.6p)

Interim dividend per share up 10% to 3.89p (30 September 2013: 3.54p)

OPERATING PERFORMANCE

Total rent roll up 5.1% (£3.0m) to £61.3m in the six months (31 March 2014: £58.3m)

Like-for-like rent roll up 6.5% (£2.6m) in the six months to £42.4m and up by 11.6% (£4.4m) from 30 September 2013

Like-for-like occupancy stable at approx. 90%, with like-for-like rent per sq. ft. up 6.0% to £15.47 (31 March 2014: £14.59)

Strong demand at recently completed buildings, with rent roll up 39% (£2.3m) in the six months to £8.0m (31 March 2014: £5.7m)

PROPERTY VALUATION

Underlying property valuation up 15% (£157m) in the six months to £1,230m (31 March 2014: £1,078m)

Like-for-like capital value per sq. ft. (excluding industrial portfolio sold) up 12% to £227 (31 March 2014: £202)

Like-for-like net initial yield (excluding industrial portfolio sold) now 6.0% (31 March 2014: 6.4%)

ASSET MANAGEMENT ACTIVITY

12-13 Greville Street, EC1 acquired in April 2014 for £2m and Vestry Street Studios, N1 acquired for £13m in May 2014

Disposal of a portfolio of ten non-core industrial properties completed in October 2014 for £44m, £11m ahead of the March 2014 valuation

Acquisition of 160 Fleet Street, EC4 completed in November 2014 for £30m

OPERATING PERFORMANCE

OCCUPANCY AND RENT ROLL

LIKE-FOR-LIKE PORTFOLIO

Like-for-like occupancy is stable at 90% with good income growth generated from the increases in pricing from both renewals and new lettings. Rent per sq. ft. is up 6.0% since 31 March 2014 to £15.47 with the like-for-like rent roll growing by a similar 6.5% (£2.6m) to £42.4m over the six months.

Like-for-Like properties	30 Sept 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sept 2013
Number of properties	57	57	57	57	57
Occupancy	90.2%	90.6%	90.0%	90.5%	91.0%
Rent roll	£42.4m	£41.1m	£39.8m	£38.7m	£38.0m
Rent per sq. ft.	£15.47	£14.96	£14.59	£14.07	£13.75

The like-for-like property portfolio now excludes Hatton Square Business Centre, Barley Mow Centre, Enterprise House, Linton House and Bounds Green which are undergoing refurbishment and Poplar Business Park which is being redeveloped. Prior year comparatives have been restated.

COMPLETED PROJECTS

We are seeing a substantial growth in rent roll from the completed refurbishment and redevelopment projects completed over the last 24 months. Nine projects have now been completed that have delivered 293,000 sq. ft. of new and upgraded space. Rent roll at these properties over the last year is set out below, with rent roll over the last six months up 39% (£2.3m) to £8.0m.

Completed Projects	30 Sept 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sept 2013
Number of completed projects	9	9	7	6	6
Rent roll	£8.0m	£6.9m	£5.7m	£5.2m	£4.4m

The most recently completed buildings are the Pill Box, Bethnal Green, a 50,000 sq. ft. business centre which opened in March 2014, and ScreenWorks, Islington, a 62,000 sq. ft. business centre which opened in June 2014. In both cases the pace at which the buildings have been let and the pricing levels achieved are well ahead of our original expectations. Actual pricing (excluding rent free periods) compared to the original assumptions is detailed below:

At 30 September 2014	Occupancy	Rent per sq. ft.	
		Actual	Original Target
Pill Box, E2	85%	£28	£24
ScreenWorks, N1	64%	£32	£25

TOTAL PORTFOLIO

Overall occupancy was 86.0% at 30 September 2014 (31 March 2014: 85.8%). Total rent roll has increased in the six months by £3.0m (5.1%) to £61.3m (31 March 2014: £58.3m).

	£m
Rent roll at 31 March 2014	58.3
Like-for-like portfolio	2.6
Completed projects	2.3
Refurbishments and redevelopments underway	(2.5)
Acquisitions	0.6
Rent roll at 30 September 2014	61.3

Rent roll growth from the like-for-like portfolio and completed projects of £4.9m in total was offset by a loss of rent of £2.5m from the refurbishment and redevelopment projects that are underway. The loss of rent included £1.0m at the Biscuit Factory and Creekside ahead of their phased sale for mixed-use redevelopment and £0.9m at Hatton Square where we have now vacated the site ahead of a major refurbishment.

The acquisition of 12-13 Greville Street in April 2014 and Vestry Street Studios in May 2014 have added £0.6m to the rent roll since March 2014.

In October 2014 we completed on the disposal of a portfolio of ten industrial estates which on a pro forma basis would have reduced the rent roll at 30 September 2014 by £2.2m.

ENQUIRIES AND LETTINGS

Enquiry levels and lettings over the six months have been consistently high at an average of 1,258 and 106 per month respectively.

Average number per month	30 Sept 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sept 2013
Enquiries	1,294	1,222	1,292	917	1,010
Lettings	108	104	103	80	84

PROFIT PERFORMANCE

Adjusted Trading Profit after Interest for the half year, which represents the underlying results excluding the impact of fair value movements, is £12.4m, up 28% compared to the prior year.

£m	30 Sept 2014	30 Sept 2013
Net rental income – underlying	27.1	24.2
Net rental income – acquisitions/disposals	0.8	0.2
Joint venture income	0.5	0.6
Administrative expenses – underlying	(5.1)	(5.0)
Administrative expenses – share-related incentives	(1.6)	(1.1)
Net finance costs (excluding exceptional finance costs)	(9.3)	(9.2)
Adjusted Trading Profit after Interest	12.4	9.7

Underlying net rental income, excluding disposals was up £2.9m (12%) in the six months at £271m. This reflects income growth of £1.7m (10%) at like-for-like properties and growth of £1.4m from completed refurbishments offset by a reduction of £0.3m relating to properties which are undergoing refurbishment and redevelopment.

Joint venture (JV) income mainly represents our 20.1% share of net rental income from the properties in the BlackRock Workspace JV. The portfolio comprised of 12 properties with a rent roll of £6.2m at 30 September 2014.

Underlying administrative costs are broadly flat with share-related incentive costs up by £0.5m (45%) due to higher than expected vesting levels and associated National Insurance costs as a result of the continued strong share price performance.

Net finance costs, excluding exceptional costs, are stable year-on-year with the average interest cost, excluding amortisation costs, at 5.3% (2013: 5.3%).

Profit before tax for the six months to 30 September 2014 has increased by 61% (£65.9m) compared to the prior year, to £173.7m.

£m	30 Sept 2014	30 Sept 2013
Adjusted Trading Profit after Interest	12.4	9.7
Exceptional finance costs	-	(1.9)
Change in fair value of investment properties	143.5	94.5
Change in fair value of deferred consideration	12.6	3.0
Other Items	5.2	2.5
Profit before tax	173.7	107.8
Adjusted underlying earnings per share	8.4p	6.6p

The exceptional finance costs in the prior year of £1.9m related to the unamortised costs on bank facilities that have now been refinanced.

The change in fair value of investment properties of £143.5m in the six months to 30 September 2014 reflects the increase in the total CBRE valuation in the period excluding the valuation of overage payments. The change in fair value of the deferred consideration reflects the uplift attributed by CBRE to cash and overage payments potentially receivable on redevelopment schemes.

Other items include a significant uplift in value of the joint venture investments of £5.5m in the six months, offset by a loss on change in fair value of derivative financial instruments of £0.2m and a loss on disposal of investment properties of £0.1m.

Adjusted underlying earnings per share, based on the adjusted trading profit after interest, is up by 1.8p (27%) to 8.4p in the six months (30 September 2013: 6.6p).

DIVIDEND

The Board has proposed an interim dividend of 3.89 pence per share, (2013: 3.54 pence) which will be paid on 3 February 2015 to shareholders on the register at 9 January 2015. This dividend will be paid as a Property Income Distribution (PID).

PROPERTY VALUATION

At 30 September 2014 the wholly owned portfolio was independently valued by CBRE at £1,230m, an underlying increase of 15% (£157m) in the half year. The main movements in the valuation and metrics in the six months are set out below:

	£m	
Valuation at 31 March 2014		1,078
Revaluation surplus		157
Capital expenditure		17
Acquisitions		16
Capital receipts (Disposals)		(38)
Valuation at 30 September 2014		1,230
	30 Sept 2014	31 Mar 2014
Total Portfolio		
Net Initial Yield	5.3%	6.2%
Equivalent Yield	6.8%	7.3%
Capital Value per sq. ft.	£281	£240

The yield and capital values for the overall portfolio are impacted by the valuation of properties undergoing refurbishment and redevelopment. The metrics for the like-for-like portfolio valuation which excludes these properties provides a more relevant guide. These are set out below excluding the distorting effect of the non-core industrial portfolio which was sold in October 2014 for £44m at a net initial yield of 5.3%.

	30 Sept 2014	31 Mar 2014
Like-for-like*		
Net Initial Yield	6.0%	6.4%
Equivalent Yield	6.9%	7.2%
ERV per sq. ft.	£17.06	£16.05
Capital Value per sq. ft.	£227	£202

* Excluding industrial portfolio sold October 2014

OPERATING PERFORMANCE

CONTINUED

A summary of the revaluation surplus by property type is set out below:

At 30 September 2014	No. of properties	Revaluation surplus	Valuation
Like-for-like	57	£80m	£670m
Redevelopments	8	£48m	£217m
Refurbishments	13	£28m	£300m
Acquisitions/Other	6	£1m	£43m
Total	84	£157m	£1,230m

The uplift in value of the like-for-like portfolio of £80m (14%) in the six months includes an increase of £11m (35%) in the valuation of the industrial portfolio that was sold in October 2014 with the remaining £69m uplift coming from a combination of:

- £36m (52%) from the increase in rental pricing levels with a 6.3% increase in ERV per sq. ft. in the six months; and
- £33m (48%) from the reduction in net initial yield from 6.4% to 6.0%.

The redevelopment project uplift of £48m in the six months includes the following significant increases:

- £12m increase in expected overage payments, principally at the Filaments, SW18 (£7m), and Phase 1 of Bow Enterprise, E3 (£4m);
- £11m increase in the value of Poplar Business Park, E14 following agreement of the contract for the sale of the first phase of the redevelopment to Telford Homes in September 2014; and
- £11m increase in the value of the new business centre at ScreenWorks, N1 which opened in June 2014.

The uplift of £28m in the value of refurbishment properties comprises:

- £18m increase in the value of completed buildings with the most significant uplift at Exmouth House, EC1 (£8m); and
- £10m increase in the valuation of refurbishments currently underway.

ACQUISITIONS

In April 2014 we acquired 12-13 Greville Street, EC1 for £2.3m. This building is adjacent to our existing property at 14 Greville Street and we are progressing with a planning application for a refurbishment of the combined site.

In May 2014 we purchased Vestry Street Studios, N1 for £12.6m at a net initial yield of 4.1% off an average rent of £23 per sq. ft. This Shoreditch warehouse of 23,000 sq. ft. complements our cluster of buildings in the Old Street/Shoreditch area.

In November 2014 we completed the acquisition of 160 Fleet Street, EC4 for £29.7m. This 54,000 sq. ft. property was acquired out of administration at a capital value of £549 per sq. ft. and is 48% let with a net initial yield of 3.7%. The building was completely refurbished in 2009 and extends our presence in midtown, a key location for our customers.

DISPOSALS

In October 2014 we completed the sale of a portfolio of ten non-core industrial estates for £44m, an uplift of £11m compared to the book value at 31 March 2014. The non-core properties represent generally good quality but small properties, primarily industrial estates, where the opportunity for Workspace to add premium operational or brand value is limited. The total value of the seven remaining non-core properties at 30 September 2014, excluding the industrial portfolio sold in October 2014, stands at £17m.

REFURBISHMENT ACTIVITY

We are continuing with our refurbishment programme that will deliver 353,000 sq. ft. of new and upgraded space. The total estimated cost of these projects is £75m with £21m incurred to date.

Property	Project cost	New Space (sq. ft.)	Upgraded Space (sq. ft.)	Expected Completion
Metal Box Factory, SE1	£16m	25,000	83,000	Nov 2014
Bounds Green Industrial Estate, N11	£2m	14,000	-	Jan 2015
Enterprise House, SE1	£3m	-	59,000	Mar 2015
Westminster Business Square (Phase 2), SE11	£15m	45,000	-	Aug 2015
Linton House, SE1	£9m	16,000	30,000	Nov 2015
Barley Mow Centre, W4	£7m	20,000	-	Apr 2016
Hatton Square Business Centre, EC1	£23m	61,000	-	Oct 2016

We are now progressing plans for refurbishment at another 11 properties to deliver a further 560,000 sq. ft. of new and upgraded space at an estimated cost of £128m. No capital commitments on these projects have been made at this stage. Four of the schemes already have planning or planning is not required, with the remainder at the earlier design and planning application stages.

REDEVELOPMENT ACTIVITY

Momentum has continued over the last six months, highlights include:

- Planning consent in April 2014 for the second phase of the mixed use redevelopment at the Filaments, SW18 for a further 77 residential units and 18,000 sq. ft. of commercial space.
- Sale of the second phase of the mixed use redevelopment at Bow Enterprise Park, E3 of 160 residential units to Peabody in April 2014 in return for £11m in cash and 3,000 sq. ft. of new industrial space.
- Agreement in May 2014 for the contract for sale of 148 residential units at our mixed use redevelopment at The Faircharm, SE8 to London & Quadrant in return for £10m in cash and a new 52,000 sq. ft. business centre.
- Contract for sale with Telford Homes in September 2014 for the first phase of the redevelopment at Poplar Business Park, E14, of 170 residential units for £16m cash and the return of 8,000 sq. ft. of industrial space.
- We expect to open a new 53,000 sq. ft. business centre at the Filaments, SW18 (to be called 'The Light Bulb') in January 2015. This new building will be delivered by Mount Anvil (at no cost to Workspace).
- We are in discussions with planners for mixed-use redevelopment schemes at a further seven properties for a total of some 1,399 residential units.

CASH FLOW

The Group generates strong operating cash flow in line with trading profit. We continue to see good levels of cash collection with bad debts remaining low at £0.2m (31 March 2014: £0.3m). A summary of the main movements in cash flow is set out below:

	£m
Net cash from operations	14
Dividends paid	(11)
Capital expenditure	(16)
Property acquisitions	(19)
Capital receipts (Disposals)	38
Investment in joint ventures	1
Net movement in six months	7
Net debt at 31 March 2014	(338)
Net debt at 30 September 2014	(331)

Capital receipts represent cash received from the sale of mixed-use redevelopment schemes to residential developers. £38m was received in the six months with a further £52m contracted, of which £49m is expected to be received over the next two years. Further cash amounts will be received from overage payments based on the value of residential sales, these overage receipts are currently estimated by CBRE at £18m.

FINANCING

At 30 September 2014 the Group had £410m of unsecured facilities with an average period to maturity of 6.3 years and the earliest maturity in June 2018. Details are set out below:

	Facility	Maturity
Private Placement notes	£148.5m	June 2023
Private Placement notes	£9.0m	June 2020
UK Fund	£45.0m	June 2022/2023
Retail Bond	£57.5m	October 2019
Bank debt	£150.0m	June 2018
Total	£410.0m	
Undrawn facilities (including cash)	£79.2m	

The Private Placement notes comprise \$100m US dollar (£64.5m) ten year notes, £84m of sterling ten year notes and £9m of seven year sterling floating rate notes. The US dollar notes have been fully hedged against sterling for ten years. The overall interest rate on the £148.5m ten year fixed rate notes is 5.6%. The UK Fund has provided a ten year floating rate facility of which 50% (£22.5m) is repayable at the end of year nine. A seven year Retail Bond (listed on ORB) was issued in October 2012 and carries a coupon of 6.0%. The five year bank facilities of £50m term debt and £100m revolver are provided by three UK clearing banks (RBS, HSBC and Santander) at a floating rate over LIBOR. The bank term facilities of £50m and UK Fund facility of £45m are hedged at a rate of 1.87% for five years to June 2018.

The overall loan to value (LTV) of the Group at 30 September 2014 has reduced to 27% (31 March 2014: 31%) providing good headroom on all of bank, fund, Placement Note and bond covenants.

NET ASSETS

Net assets increased in the period from £726m to £901m largely due to the increase in the value of the property portfolio. EPRA net asset value per share at 30 September 2014 was £5.97 (March 2014: £4.96), an increase of 20% in the six months.

The main movements in net asset value per share are set out below:

	£
EPRA NAV per share	
At 31 March 2014	4.96
Property valuation surplus	1.05
Trading Profit after Interest	0.08
Dividends paid in period	(0.07)
Other	(0.05)
At 30 September 2014	5.97

OPERATING PERFORMANCE

CONTINUED

GLEBE PROCEEDS SHARE AGREEMENT (GPSA)

Workspace entered into a proceeds share agreement as part of acquiring full control of the former Glebe joint venture (JV) in December 2009. The GPSA provides for the former lenders to the Glebe JV to share in net proceeds from disposals of properties within the JV once Workspace has received back its priority return which at 30 September 2014 stands at £92m (31 March 2014: £92m). For net cash proceeds up to £170m the former lender's share is 50%, from £170m to £200m it is 30% and nil thereafter. The maximum payable under this agreement is therefore £48m. All disposals are at the option of Workspace.

The portfolio comprises a mix of properties; some have residential redevelopment potential which we will sell and others, primarily business centres, which we have no current intentions to sell. The valuation at 30 September 2014 of the properties that have consent for residential redevelopment or where planning for redevelopment is well advanced and where we consider it probable that they will be sold for cash in due course, is £93m. Total estimated proceeds, including the cash already received from residential disposals of £45m, are £138m (31 March 2014: £121m). The value of the commercial properties that we have no plans to sell at 30 September 2014 is £129m (31 March 2014: £110m).

The value of total estimated proceeds from disposals on the basis above gives rise to an amount attributable to the former lenders under the GPSA. Net proceeds after deducting estimated allowable sales costs of £7m are now estimated at £131m (31 March 2014: £114m). The excess of net proceeds over the priority return to Workspace of £92m would be shared between Workspace and the former lenders to the JV in accordance with the GPSA. On this basis, at 30 September 2014, net proceeds of £20m would be allocated to the former lenders (31 March 2014: £11m).

At 31 March 2014 we accounted for the amounts attributable to the former lenders under the GPSA as a non-controlling interest. Distribution of these amounts are recognised as a liability when a contractual obligation is established. At 31 March 2014, we considered there to be a contractual obligation once a redevelopment contract had been exchanged with a third party and therefore recognised the £11m as a liability. We have subsequently revised the application of the accounting policy so that a liability is only recorded when the Group has an unconditional legal obligation to make a distribution to the non-controlling interests that is no longer at its discretion. This will usually be when a redevelopment contract completes. Other amounts attributable to the GPSA are classified as non-controlling interests on the balance sheet. As such the amount of £11m calculated as attributable to the former lenders at 31 March 2014 has been reclassified in the current period and reported as a non-controlling interest rather than as a liability. This reclassification has no impact on EPRA NAV or the income statement.

If we were to sell all the properties in the Glebe portfolio, including the commercial property assets that we have no current intention to sell, the payment under the GPSA would reach the maximum payable under the agreement of £48m compared to the amount we have recognised of £20m. The increase of £28m would reduce the EPRA NAV per share reported at 30 September 2014 by 19 pence to £5.78 (31 March 2014: 25 pence to £4.71).

BLACKROCK WORKSPACE PROPERTY TRUST (BLACKROCK JV)

We have a 20.1% interest in the BlackRock JV for which we also act as property manager receiving management and performance fees. The JV has continued to perform well although rent roll growth in the six months (excluding disposals) of £0.1m (3%) was adversely impacted by the refurbishment works being undertaken at Lloyds Avenue, EC3. The property valuation increased in the six months by 23% (£22m) on an underlying basis. This included a £5.4m increase in the valuation of Toplin House, Brixton where we had previously obtained a mixed-use planning consent and which was sold in August 2014 for £10.7m.

KEY PROPERTY STATISTICS

	Quarter ended 30 September 2014	Quarter ended 30 June 2014	Quarter ended 31 March 2014	Quarter ended 31 December 2013	Quarter ended 30 September 2013
Workspace Group Portfolio					
Property valuation	£1,230m	-	£1,078m	-	£921m
Number of estates	84	84	83	83	83
Lettable floorspace (million sq. ft.) [†]	4.4	4.5	4.5	4.6	4.6
Number of lettable units	4,720	4,701	4,653	4,543	4,539
ERV	£79.7m	-	£75.4m	-	£68.9m
Cash rent roll of occupied units	£61.3m	£61.0m	£58.3m	£56.7m	£54.1m
Average rent per sq. ft.	£16.29	£15.73	£15.12	£14.11	£13.58
Overall occupancy	86.0%	85.7%	85.8%	87.1%	86.8%
Like-for-like lettable floor space (million sq. ft.)	3.0	3.0	3.0	3.0	3.0
Like-for-like cash rent roll	£42.4m	£41.0m	£39.8m	£38.7m	£38.0m
Like-for-like average rent per sq. ft.	£15.47	£14.96	£14.59	£14.07	£13.75
Like-for-like occupancy	90.2%	90.6%	90.0%	90.5%	91.0%
BlackRock Workspace Property Trust					
Property valuation	£117m	£111m	£104m	£98m	£96m
Number of estates	12	13	14	14	15
Lettable floorspace (million sq. ft.) [†]	0.5	0.5	0.5	0.5	0.5
ERV	£8.4m	£8.4m	£8.5m	£8.3m	£8.3m
Cash rent roll of occupied units	£6.2m	£6.2m	£6.4m	£6.4m	£6.5m
Average rent per sq. ft.	£14.40	£14.84	£14.66	£14.57	£14.48
Overall occupancy	91.6%	89.1%	87.7%	89.1%	88.5%

[†] Excludes storage space

CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited 6 months ended 30 September		Audited Year ended 31 March 2014
		2014 £m	2013 £m	£m
Revenue	2	40.3	35.7	73.6
Direct costs	2	(12.4)	(11.3)	(23.3)
Net rental income	2	27.9	24.4	50.3
Administrative expenses		(6.7)	(6.1)	(12.4)
		21.2	18.3	37.9
(Loss)/profit on disposal of investment properties	3(a)	(0.1)	0.1	1.6
Other income	3(b)	12.6	3.0	4.2
Change in fair value of investment properties	9	143.5	94.5	221.9
Operating profit		177.2	115.9	265.6
Finance income	4	-	0.1	0.1
Finance costs	4	(9.3)	(9.3)	(18.6)
Exceptional finance costs	4	-	(1.9)	(1.9)
Total finance costs	4	(9.3)	(11.2)	(20.5)
Change in fair value of derivative financial instruments	4	(0.2)	1.2	2.2
Gains from share in joint ventures	10	6.0	1.8	5.1
Profit before tax		173.7	107.8	252.5
Taxation	5	-	-	(0.1)
Profit for the period after tax		173.7	107.8	252.4
Attributable to:				
- Owners of the parent		164.7	100.8	241.4
- Non-controlling interests	15	9.0	7.0	11.0
		173.7	107.8	252.4
Basic earnings per share (pence)	7	113.0p	70.0p	166.8p
Diluted earnings per share (pence)	7	111.4p	68.4p	163.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited 6 months ended 30 September		Audited Year ended 31 March 2014
		2014 £m	2013 £m	2014 £m
Profit for the financial period		173.7	107.8	252.4
Items that may be classified subsequently to profit or loss:				
Change in fair value of derivative financial instruments (cash flow hedge)	13(e)	(0.3)	(3.4)	(2.9)
Total comprehensive income for the period		173.4	104.4	249.5
Attributable to:				
- Owners of the parent		164.4	97.4	238.5
- Non-controlling interests	15	9.0	7.0	11.0
		173.4	104.4	249.5

CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 September 2014 £m	Audited 31 March 2014 £m	Unaudited 30 September 2013 £m
Non-current assets				
Investment properties	9	1,163.8	1,068.3	915.4
Intangible assets		0.4	0.4	0.5
Property, plant and equipment		2.0	2.0	2.0
Investment in joint ventures	10	28.7	23.1	21.9
Trade and other receivables	11	18.1	11.2	9.1
		1,213.0	1,105.0	948.9
Current assets				
Trade and other receivables	11	17.3	7.1	7.1
Cash and cash equivalents	14(b)	6.4	3.7	6.5
Corporation tax asset		0.3	0.3	0.5
Non-current assets held for sale	12	43.5	-	-
		67.5	11.1	14.1
Total assets		1,280.5	1,116.1	963.0
Current liabilities				
Trade and other payables		(40.4)	(36.0)	(33.4)
		(40.4)	(36.0)	(33.4)
Non-current liabilities				
Borrowings	13	(332.7)	(335.8)	(326.2)
Derivative financial instruments	13(d) & (e)	(6.2)	(7.2)	(7.0)
Other non-current liabilities	15	-	(11.0)	-
		(338.9)	(354.0)	(333.2)
Total liabilities		(379.3)	(390.0)	(366.6)
Net assets		901.2	726.1	596.4
Shareholders' equity				
Ordinary shares		146.4	145.6	145.3
Share premium		57.4	58.2	58.5
Investment in own shares		(8.9)	(8.9)	(8.9)
Other reserves		14.7	14.0	12.7
Retained earnings		671.6	517.2	381.8
Total shareholders' equity		881.2	726.1	589.4
Non-controlling interests	15	20.0	-	7.0
		901.2	726.1	596.4
EPRA net asset value per share	8	£5.97	£4.96	£4.04

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Parent					Total £m	Non- controlling Interests £m	Total £m
	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m			
Unaudited 6 months ended 30 September 2014								
Balance at 1 April 2014	145.6	58.2	(8.9)	14.0	517.2	726.1	-	726.1
Profit for the period	-	-	-	-	164.7	164.7	9.0	173.7
Change in fair value of derivatives	-	-	-	(0.3)	-	(0.3)	-	(0.3)
Total comprehensive income	-	-	-	(0.3)	164.7	164.4	9.0	173.4
Transactions with owners:								
Share issues (options exercised)	0.8	(0.8)	-	-	-	-	-	-
Dividends paid (note 6)	-	-	-	-	(10.3)	(10.3)	-	(10.3)
Reclassification (note 15)	-	-	-	-	-	-	11.0	11.0
Share based payments	-	-	-	1.0	-	1.0	-	1.0
Balance at 30 September 2014	146.4	57.4	(8.9)	14.7	671.6	881.2	20.0	901.2
Unaudited 6 months ended 30 September 2013								
Balance at 1 April 2013	144.9	58.8	(8.9)	15.3	290.3	500.4	-	500.4
Profit for the period	-	-	-	-	100.8	100.8	7.0	107.8
Change in fair value of derivatives	-	-	-	(3.4)	-	(3.4)	-	(3.4)
Total comprehensive income	-	-	-	(3.4)	100.8	97.4	7.0	104.4
Transactions with owners:								
Share issues (options exercised)	0.4	(0.3)	-	-	-	0.1	-	0.1
Dividends paid (note 6)	-	-	-	-	(9.3)	(9.3)	-	(9.3)
Share based payments	-	-	-	0.8	-	0.8	-	0.8
Balance at 30 September 2013	145.3	58.5	(8.9)	12.7	381.8	589.4	7.0	596.4
Audited 12 months ended 31 March 2014								
Balance at 1 April 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	-	-	-	(2.9)	-	(2.9)	-	(2.9)
Total comprehensive income	-	-	-	(2.9)	241.4	238.5	11.0	249.5
Transactions with owners:								
Share issues (options exercised)	0.7	(0.6)	-	-	-	0.1	-	0.1
Dividends paid (note 6)	-	-	-	-	(14.5)	(14.5)	-	(14.5)
Distributions (note 15)	-	-	-	-	-	-	(11.0)	(11.0)
Share based payments	-	-	-	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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Unaudited 6 months ended 30 September		Audited Year ended 31 March 2014
		2014 £m	2013 £m	£m
Cash flows from operating activities				
Cash generated from operations	14(a)	23.5	18.4	43.0
Interest received		-	0.1	0.1
Interest paid		(9.3)	(8.2)	(17.4)
Tax (paid)/refunded		(0.1)	0.3	0.4
Net cash inflow from operating activities		14.1	10.6	26.1
Cash flows from investing activities				
Purchase of investment properties		(18.4)	-	(19.2)
Capital expenditure on investment properties		(16.1)	(13.4)	(28.9)
Proceeds from disposal of investment properties (net of sale costs)		38.4	20.6	29.1
Purchase of intangible assets		(0.1)	(0.1)	(0.1)
Purchase of property, plant and equipment		(0.2)	(0.4)	(0.9)
Net investment in joint ventures		-	-	1.6
Movement in short-term funding balances with joint ventures		0.2	(0.4)	(0.5)
Distributions received from joint ventures	10	0.6	0.6	1.1
Net cash inflow/(outflow) from investing activities		4.4	6.9	(17.8)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		-	0.1	0.1
Finance costs for new/amended borrowing facilities		-	(3.5)	(3.5)
Settlement and re-coupons of derivative financial instruments		-	(8.5)	(8.5)
Repayment of bank borrowings		(5.0)	(280.0)	(280.0)
Drawdown of bank borrowings		-	69.0	80.0
Drawdown of other borrowings		-	202.5	202.5
Inflow on bank facility rental income accounts		-	7.4	7.4
Dividends paid	6	(10.8)	(9.8)	(14.4)
Net cash outflow from financing activities		(15.8)	(22.8)	(16.4)
Net increase/(decrease) in cash and cash equivalents		2.7	(5.3)	(8.1)
Cash and cash equivalents at start of period	14(b)	3.7	11.8	11.8
Cash and cash equivalents at end of period	14(b)	6.4	6.5	3.7

NOTES TO THE HALF YEAR REPORT FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The half year report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The half year report should be read in conjunction with the annual financial statements for the year ended 31 March 2014, which have been prepared in accordance with IFRSs as adopted by the European Union.

The condensed consolidated interim financial statements in the half year report are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year to 31 March 2014, which were prepared under IFRS have been delivered to the Registrar of Companies. The auditors' opinion on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement made under Section 498 of the Companies Act 2006.

The Group's financial performance does not suffer materially from seasonal fluctuations. There have been no changes in estimates of amounts reported in prior periods which have a material impact on the current half year period. Following further dialogue with the Financial Reporting Council's Conduct Committee (FRC Conduct Committee), the directors have re-examined the application of the policy for the recognition of a distribution to the non-controlling interest (NCI) and have reclassified the amount previously recognised as a liability to NCI within equity. Discussions with the FRC Conduct Committee are now closed. Refer to note 15 for further explanation.

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

This report was approved by the Board on 11 November 2014.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2014, as described in those annual financial statements, except that taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings.

As explained in our financial statements for the year ended 31 March 2014, in previous years we considered the Glebe Proceeds Share Agreement to be a contingent liability, with a provision under IAS 37 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. On this basis a provision of £7m was recognised as at 30 September 2013. At 31 March 2014, we changed our accounting policy so that the Glebe Proceeds Share Agreement was accounted for as an equity instrument under IAS 32 representing a non-controlling interest. To ensure consistency and comparability with our annual financial statements for the year ended 31 March 2014, the financial information to 30 September 2013 has been restated to reflect this change in accounting policy. In the comparative financial information the provision has been released and the £7m has been recognised as attributable to NCI on both the balance sheet and income statement. This change has no impact on EPRA NAV for the 6 months ended 30 September 2013. Our accounting for the Glebe Proceeds Share Agreement is discussed in greater detail in note 15.

NEW, AND AMENDMENTS TO, ACCOUNTING STANDARDS:

The following new standards, amendments and interpretations are mandatory for the first time for the financial year beginning 1 April 2014:

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 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

These had no material impact on the Group's financial statements or to presentation and disclosure.

NOTES TO THE HALF YEAR REPORT FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014 CONTINUED

2. ANALYSIS OF NET RENTAL INCOME AND SEGMENTAL INFORMATION

	6 months ended 30 September						Year ended 31 March 2014		
	2014			2013			Revenue	Direct costs	Net rental income
	Revenue £m	Direct costs £m	Net rental income £m	Revenue £m	Direct costs £m	Net rental income £m	Revenue £m	Direct costs £m	Net rental income £m
Rental income	30.5	(0.2)	30.3	26.7	(0.1)	26.6	55.3	(0.3)	55.0
Service charges	7.6	(8.3)	(0.7)	7.0	(8.0)	(1.0)	14.2	(16.3)	(2.1)
Empty rates and other non-recoverables	0.2	(2.7)	(2.5)	0.2	(1.7)	(1.5)	0.4	(3.8)	(3.4)
Services, fees, commissions and sundry income	2.0	(1.2)	0.8	1.8	(1.5)	0.3	3.7	(2.9)	0.8
	40.3	(12.4)	27.9	35.7	(11.3)	24.4	73.6	(23.3)	50.3

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

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

	6 months ended 30 September		Year ended 31 March 2014
	2014 £m	2013 £m	2014 £m
Proceeds from sale of investment properties (net of sales costs)	37.4	19.1	30.6
Book value at time of sale	(37.5)	(19.0)	(29.0)
Pre-tax (loss)/profit on sale	(0.1)	0.1	1.6

3(B). OTHER INCOME

	6 months ended 30 September		Year ended 31 March 2014
	2014 £m	2013 £m	2014 £m
Change in fair value of deferred consideration	12.6	3.0	4.2

The value of deferred consideration (cash and overage) from the sale of investment properties has been re-valued by CBRE Limited at 30 September 2014. The amounts receivable are included in the Consolidated Balance Sheet under non-current and current trade and other receivables (see note 11).

4. FINANCE INCOME AND COSTS

	6 months ended 30 September		Year ended 31 March 2014
	2014 £m	2013 £m	£m
Interest income on bank deposits	-	0.1	0.1
Total finance income	-	0.1	0.1
Interest payable on bank loans and overdrafts	(1.9)	(4.3)	(6.3)
Interest payable on other borrowings	(7.3)	(4.6)	(11.8)
Amortisation of issue costs of borrowings	(0.4)	(0.7)	(1.1)
Interest payable on finance leases	(0.1)	(0.1)	(0.2)
Interest capitalised on property refurbishments	0.4	0.4	0.8
Foreign exchange (losses)/gains on financing activities	(1.5)	2.8	4.3
Cash flow hedge, transfer from equity	1.5	(2.8)	(4.3)
Finance costs – underlying	(9.3)	(9.3)	(18.6)
Issue costs written off on re-financing (exceptional)	-	(1.9)	(1.9)
Total finance costs	(9.3)	(11.2)	(20.5)
Change in fair value of derivative financial instruments through the income statement (note 13(e))	(0.2)	1.2	2.2
Net finance costs	(9.5)	(9.9)	(18.2)

5. TAXATION

The Group is a Real Estate Investment Trust (REIT). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Group's other income is subject to corporation tax. No tax charge has arisen on this other income for the half year (30 September 2013: £nil).

6. DIVIDENDS PAID

	Payment Date	Per share	6 months ended 30 September		Year ended 31 March 2014
			2014 £m	2013 £m	£m
For the year ended 31 March 2013:					
Final dividend	August 2013	6.45p	-	9.3	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	-	-
			10.3	9.3	14.5
Timing difference on payment of withholding tax			0.5	0.5	(0.1)
Dividends cash paid			10.8	9.8	14.4

The Directors intend to pay an interim dividend in respect of the financial year ending 31 March 2015 of 3.89p per Ordinary Share which will absorb an estimated £5.7m of shareholders' equity on the basis of the number of shares as at 30 September 2014. It will be paid on 3 February 2015 to shareholders who are on the register of members on 9 January 2015. It is intended that the full amount of this dividend will be paid as a REIT Property Income Distribution (PID) net of withholding tax where appropriate.

NOTES TO THE HALF YEAR REPORT FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014 CONTINUED

7. EARNINGS PER SHARE

	6 months ended 30 September		Year ended 31 March 2014
	2014 £m	2013 £m	£m
Earnings used for calculating earnings per share:			
Basic and diluted earnings (attributable to owners of the parent)	164.7	100.8	241.4
Change in fair value of investment property (note 9)	(143.5)	(94.5)	(221.9)
Loss/(profit) on disposal of investment properties (note 3(a))	0.1	(0.1)	(1.6)
Movement in fair value of derivative financial instruments (note 13(e))	0.2	(1.2)	(2.2)
Group's share of EPRA adjustments of joint venture	(5.5)	(1.2)	(4.0)
EPRA adjusted earnings	16.0	3.8	11.7
Adjustment for non-recurring items:			
Other income	(12.6)	(3.0)	(4.2)
Exceptional finance costs	-	1.9	1.9
Non-controlling interests	9.0	7.0	11.0
Taxation	-	-	0.1
Adjusted underlying earnings	12.4	9.7	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-recurring items.

	6 months ended 30 September		Year ended 31 March 2014
	2014 Number	2013 Number	Number
Number of shares used for calculating earnings per share:			
Weighted average number of shares (excluding own shares held in trust)	145,725,323	144,062,366	144,705,947
Dilution due to share option schemes	2,185,886	3,326,847	3,122,782
Weighted average number of shares for diluted earnings per share	147,911,209	147,389,213	147,828,729

In pence:	6 months ended 30 September		Year ended 31 March 2014
	2014	2013	2014
Basic earnings per share	113.0p	70.0p	166.8p
Diluted earnings per share	111.4p	68.4p	163.3p
Adjusted underlying earnings per share	8.4p	6.6p	13.9p

8. NET ASSETS PER SHARE

	30 September 2014	31 March 2014	30 September 2013
	£m	£m	£m
Net assets used for calculating net assets per share:			
Net assets at end of period (attributable to owners of the parent)	881.2	726.1	589.4
Derivative financial instruments at fair value	6.2	7.2	7.0
EPRA net assets	887.4	733.3	596.4

	30 September 2014 Number	31 March 2014 Number	30 September 2013 Number
Number of shares used for calculating EPRA net assets per share:			
Shares in issue at period end	146,421,348	145,616,695	145,319,600
Less own shares held in trust	(124,106)	(157,846)	(762,787)
Number of shares for calculating basic net assets per share	146,297,242	145,458,849	144,556,813
Dilution due to share option schemes	2,342,474	2,526,414	3,120,145
Number of shares for calculating diluted adjusted net assets per share	148,639,716	147,985,263	147,676,958
	30 September 2014	31 March 2014	30 September 2013
EPRA net assets per share	£5.97	£4.96	£4.04

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).

9. INVESTMENT PROPERTIES

	30 September 2014 £m	31 March 2014 £m	30 September 2013 £m
Balance at beginning of period	1,068.3	825.9	825.9
Purchase of investment properties	15.7	19.0	-
Capital expenditure	16.9	29.7	13.6
Capitalised interest on refurbishments (note 4)	0.4	0.8	0.4
Disposals during the period (note 3(a))	(37.5)	(29.0)	(19.0)
Change in fair value of investment properties	143.5	221.9	94.5
Balance at end of period	1,207.3	1,068.3	915.4
Less: classified as held for sale (note 12)	(43.5)	-	-
Total investment properties	1,163.8	1,068.3	915.4

The assets held for sale have been transferred at fair value of £44.3m, less costs to sell.

VALUATION

The Group's investment properties were revalued at 30 September 2014 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. Further information on the valuation methodology is provided in note 10 to the Group's annual financial statements for the year ended 31 March 2014.

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

	30 September 2014 £m	31 March 2014 £m	30 September 2013 £m
Total per CBRE Limited valuation report	1,229.5	1,078.0	921.0
Deferred consideration on sale of property	(24.9)	(13.2)	(9.1)
Non-current assets held for sale	(44.3)	-	-
Head leases treated as finance leases under IAS 17	3.5	3.5	3.5
Total per balance sheet	1,163.8	1,068.3	915.4

NOTES TO THE HALF YEAR REPORT

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014 CONTINUED

9. INVESTMENT PROPERTIES continued

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.

Property valuations are complex and involve data which is not publicly available and involves a degree of judgement. All our 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 period.

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

Key unobservable inputs:

Property Category	Valuation £m	Valuation technique	ERVs – per sq. ft.		Equivalent yields	
			Range	Weighted average	Range	Weighted average
Like-for-like	625	1	£4-£70	£16	4.3%-12.0%	6.3%
Refurbishments	300	2	£7-£51	£27	5.5%-7.3%	6.7%
Redevelopments	203	2	£10-£36	£23	6.0%-7.6%	6.8%
Other	32	1	£7-£41	£23	5.5%-15.4%	6.7%
Head leases	4	n/a				
	1,164					

1 = income capitalisation method

2 = residual value method

10. JOINT VENTURES

The Group's investment in joint ventures represents:

	30 September 2014 £m	31 March 2014 £m	30 September 2013 £m
Balance at beginning of period	23.1	20.7	20.7
Net cash investment	0.2	(1.6)	-
Share of gains	6.0	5.1	1.8
Distributions received	(0.6)	(1.1)	(0.6)
Balance at end of period	28.7	23.1	21.9

The Group has the following joint ventures:

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

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

These joint ventures are also equity accounted for in the consolidated financial statements.

11. TRADE AND OTHER RECEIVABLES

	30 September 2014 £m	31 March 2014 £m	30 September 2013 £m
Non-current trade and other receivables			
Balance at beginning of period	11.2	6.1	6.1
Additions	-	0.9	-
Less: classified as current	(5.7)	-	-
Change in fair value	12.6	4.2	3.0
Balance at end of period	18.1	11.2	9.1

The non-current receivable relates 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 cash and overage is held at fair value through profit and loss. It has been fair valued by CBRE Limited on the basis of residual value as at 30 September 2014, using appropriate discount rates, and will be revalued on a regular basis. This is a Level 3 valuation, of a financial asset, as defined by IFRS 13 (see note 9). The change in fair value recorded in the income statement was a profit of £12.6m (30 September 2013: £3.0m) (see note 3(b)).

	£m	£m	£m
Current trade and other receivables			
Trade receivables	2.8	2.3	3.0
Less provision for impairment of receivables	(0.5)	(0.3)	(0.5)
Trade receivables - net	2.3	2.0	2.5
Prepayments and accrued income	5.1	2.8	4.6
Amounts due from related parties	0.2	0.3	-
Deferred consideration on sale of investment properties	6.8	2.0	-
Other receivables	2.9	-	-
	17.3	7.1	7.1

Included within deferred consideration on sale of investment properties is £5.7m 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 reclassified from non-current to current receivables.

NOTES TO THE HALF YEAR REPORT

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014 CONTINUED

12. NON-CURRENT ASSETS HELD FOR SALE

	30 September 2014 £m	31 March 2014 £m	30 September 2013 £m
Investment properties	43.5	-	-

In September 2014 the Group exchanged contracts for a portfolio sale of ten properties. The sale was completed in October 2014 (see note 18).

13. BORROWINGS

(A) BALANCES

	30 September 2014 £m	31 March 2014 £m	30 September 2013 £m
Non-current			
Bank loans	73.4	78.3	67.0
6% Retail Bond	56.7	56.6	56.5
5.6% Senior US Dollar Notes 2023	62.0	60.4	62.2
5.53% Senior Notes 2023	83.7	83.7	83.7
Senior Floating Rate Notes 2020	9.0	9.0	9.0
Other term loan	44.4	44.3	44.3
Finance lease obligations	3.5	3.5	3.5
Total borrowings	332.7	335.8	326.2

All the Group's borrowings apart from the finance lease obligations are unsecured.

(B) NET DEBT

	30 September 2014 £m	31 March 2014 £m	30 September 2013 £m
Borrowings per (a) above	332.7	335.8	326.2
Adjust for:			
Finance leases	(3.5)	(3.5)	(3.5)
Cost of raising finance	3.5	3.8	4.2
Foreign exchange movements	2.3	3.9	2.1
	335.0	340.0	329.0
Cash at bank and in hand (note 14(b))	(4.2)	(2.0)	(4.8)
Net debt	330.8	338.0	324.2

At 30 September 2014 the Group had £75.0m (31 March 2014: £70.0m) of undrawn bank facilities and £4.2m (31 March 2014: £2.0m) of unrestricted cash.

(C) MATURITY

	30 September 2014 £m	31 March 2014 £m	30 September 2013 £m
Repayable between three years and four years	75.0	-	-
Repayable between four years and five years	-	80.0	69.0
Repayable in five years or more	260.0	260.0	260.0
	335.0	340.0	329.0
Cost of raising finance	(3.5)	(3.8)	(4.2)
Foreign exchange movements	(2.3)	(3.9)	(2.1)
	329.2	332.3	322.7
Finance leases			
Repayable in five years or more	3.5	3.5	3.5
Total borrowings	332.7	335.8	326.2

(D) DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative financial instruments are held:

	Amount hedged	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 financial instruments at fair value with changes in value dealt with in the income statement during each reporting period.

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

NOTES TO THE HALF YEAR REPORT FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014 CONTINUED

13. BORROWINGS continued (E) FAIR VALUES OF FINANCIAL INSTRUMENTS

	30 September		31 March		30 September	
	2014 Book value £m	2014 Fair value £m	2014 Book value £m	2014 Fair value £m	2013 Book value £m	2013 Fair value £m
Financial liabilities not at fair value through profit or loss						
Bank loans	73.4	73.4	78.3	78.3	67.0	67.0
6% Retail Bond	56.7	60.5	56.6	60.5	56.5	59.8
Loan notes	154.7	154.7	153.1	153.1	154.9	154.9
Other term loan	44.4	44.4	44.3	44.3	44.3	44.3
Finance lease obligations	3.5	3.5	3.5	3.5	3.5	3.5
Total borrowings	332.7	336.5	335.8	339.7	326.2	329.5
Financial liabilities at fair value through profit or loss						
Derivative financial instruments:						
Interest rate swaps	0.7	0.7	0.5	0.5	1.4	1.4
Financial liabilities at fair value through equity						
Derivative financial instruments:						
Cash flow hedge	5.5	5.5	6.7	6.7	5.6	5.6
Total derivative financial instruments	6.2	6.2	7.2	7.2	7.0	7.0

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

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 period.

The different levels of valuation hierarchy as defined by IFRS 13 are set out in note 9.

The total change in fair value of derivative financial instruments recorded in the income statement was a loss of £0.2m (30 September 2013: profit of £1.2m).

The total change in fair value of derivative financial instruments recorded in other comprehensive income was a loss of £0.3m (30 September 2013: £3.4m).

14(A). CASH GENERATED FROM OPERATIONS

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

	6 months ended 30 September		Year ended 31 March
	2014 £m	2013 £m	2014 £m
Profit before tax	173.7	107.8	252.5
Depreciation	0.3	0.2	0.6
Amortisation of intangibles	0.1	0.1	0.2
Loss/(profit) on disposal of investment properties	0.1	(0.1)	(1.6)
Other income	(12.6)	(3.0)	(4.2)
Change in fair value of investment property	(143.5)	(94.5)	(221.9)
Equity-settled share-based payments	1.0	0.8	1.6
Change in fair value of derivative financial instruments	0.2	(1.2)	(2.2)
Finance income	-	(0.1)	(0.1)
Finance expense	9.3	11.2	20.5
Gains from share in joint ventures	(6.0)	(1.8)	(5.1)
Changes in working capital:			
(Increase) in trade and other receivables	(2.9)	(2.8)	(0.4)
Increase in trade and other payables	3.8	1.8	3.1
Cash generated from operations	23.5	18.4	43.0

14(B). RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

	30 September 2014 £m	31 March 2014 £m	30 September 2013 £m
Cash at bank and in hand	4.2	2.0	4.8
Restricted cash – tenants' deposit deeds	2.2	1.7	1.7
	6.4	3.7	6.5

NOTES TO THE HALF YEAR REPORT

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014 CONTINUED

15. 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 provides for the former lenders to Workspace Glebe to share in net cash proceeds from disposals from the Glebe property portfolio once Workspace has received its priority return. The priority return at 30 September 2014 is £92m. For proceeds up to £170m the lenders' share is 50%, from £170m up to £200m it is 30% and nil thereafter. The maximum payable under the GPSA is capped at £48m. All disposals are at the option of Workspace and there are no time limits.

The total valuation of the Glebe portfolio at 30 September 2014 was £222m (31 March 2014: £217m). While a number of the assets have residential redevelopment potential a substantial part of the portfolio is comprised of investment properties that Workspace has no current plans to sell. The current value of the properties that have redevelopment potential and management consider probable to be sold for cash is £93m (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 is estimated that net proceeds after costs that would be realised is £131m (31 March 2014: £114m). As a result, the amount attributable to the former lenders has increased by £9m to £20m (31 March 2014: £11m).

In the highly unlikely scenario that all properties in the Glebe portfolio were sold, the maximum amount payable under the GPSA of £48m would be due to the lenders (31 March 2014: £48m). This would be reflected in an increase in the amount attributable to NCI at 30 September 2014 of £28m (31 March 2014: £37m) with a net impact of reducing EPRA NAV per share by 19 pence (31 March 2014: 25 pence).

As explained in note 1, at 31 March 2014 the accounting policy for the GPSA was changed such that the amounts owed under the agreement were recognised as an equity instrument in accordance with IAS 32. To ensure consistency and comparability with our annual financial statements for the year ended 31 March 2014, the financial information to 30 September 2013 has been restated to reflect this change in accounting policy. The impact is to recognise NCI of £7m as at 30 September 2013. This restatement has no impact on EPRA NAV.

In measuring the amount attributable to NCI, the Group takes into account the likelihood that a property will be sold and that a payment may be made. On this basis, the Group attributes amounts to NCI when it considers it probable that it will sell the relevant properties. No amounts are attributed to NCI in relation to properties that the Group has no intention of selling.

The Group has been 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 are noted above. We do not believe this approach to be appropriate. In our view, the measurement basis we have 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 is recognised as a liability when a contractual obligation is established. At 31 March 2014, we considered there to be a contractual obligation once a redevelopment contract had been exchanged with a third party. The Directors have 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 have therefore 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. Other amounts attributable to the GPSA are 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 consider this adjustment to be insufficiently material to warrant a prior year adjustment. We have therefore reclassified the liability to equity in the current period. The reclassification has no impact on EPRA NAV or the income statement.

The priority return cumulative net proceeds of £40m that have been received as at 30 September 2014 do not yet exceed the priority return threshold of £92m at which a liability to pay the lenders arises. No further amounts have become due to the Group unconditionally and so the full £20m is recognised as NCI.

Having adopted the accounting policies for the GPSA described above, our discussions with the FRC Conduct Committee are now concluded.

16. RELATED PARTY TRANSACTIONS

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

	6 months ended 30 September		Year ended 31 March 2014
	2014 £m	2013 £m	2014 £m
Net investment into joint ventures	0.2	-	(1.6)
Fee income and recharges to joint ventures	0.5	0.4	0.9
Fee income and recharges from joint ventures	(0.3)	-	-
Distributions received from joint ventures	0.6	0.6	1.1

	30 September 2014 £m	31 March 2014 £m	30 September 2013 £m
Amounts receivable from joint ventures	0.2	0.3	-
Amounts payable to joint ventures	(0.4)	(0.3)	(0.1)

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

17. CAPITAL COMMITMENTS

At the period end the estimated amounts of contractual commitments for future capital expenditure not provided for were £24.3m (31 March 2014: £12.2m, 30 September 2013: £12.6m). The Group had also conditionally exchanged contracts to purchase a property for £29.7m which completed in November 2014 (note 18).

18. POST BALANCE SHEET EVENTS

In October 2014 the Group completed the sale of a portfolio of ten industrial properties for a gross cash consideration of £44.3m and in November 2014 completed the purchase of 160 Fleet Street, London, EC4 for a cash consideration of £29.7m.

19. HALF YEAR REPORT

Copies of this statement will be dispatched to shareholders on 17 November 2014 and will be available from the Group's registered office at Chester House, Kennington Park, 1-3 Brixton Road, London, SW9 6DE and on the Group's website www.workspace.co.uk from 10.00am on 12 November 2014.

20. GLOSSARY OF TERMS

A full glossary of terms used within this report is included in the Group's Annual Report and Accounts 2014, available on the Group's website www.workspace.co.uk

PRINCIPAL RISKS AND UNCERTAINTIES

The Board regularly assesses and monitors the key risks of the business. The key risks that could affect the Group's medium-term performance and the factors which mitigate these risks, have not materially changed from those set out in the Group's Annual Report and Accounts 2014 and are reproduced below. The Board are satisfied that we continue to operate within our risk appetite.

Risk Area	Detail	Mitigating Activities
Financing	Reduced availability and cost of bank financing resulting in inability to meet business plans or satisfy liabilities.	<ul style="list-style-type: none"> - Funding requirements for business plans reviewed regularly and options for alternative sources of funding monitored. - A broad range of funding relationships maintained and refinancing strategy reviewed regularly. - Interest rate hedging policy in place to minimise exposure to short-term rate fluctuations.
Property Valuation	Value of our properties declining as a result of macroeconomic environment, external market, or internal management factors.	<ul style="list-style-type: none"> - Investment market mood monitoring. - Market yields and pricing of property transactions monitored closely across the London market. - Alternative use opportunities pursued across the portfolio and planning consent progressed.
Occupancy	Demand by businesses for our accommodation declining as a result of social, economic or competitive factors.	<ul style="list-style-type: none"> - Weekly senior management monitoring of occupancy levels, pricing demand levels and reasons for customers vacating. - Extensive marketing using the Workspace brand. - Flexibility offered on deals by dedicated in-house marketing and letting teams. - Increased social media marketing.
Development	Impact to underlying income and capital performance due to: <ul style="list-style-type: none"> - Adverse planning rulings - Construction cost and timing overrun - Lack of demand for developments. 	<ul style="list-style-type: none"> - Understanding of planning environment and use of appropriate advisers. - Detailed standardised development analysis and appraisal undertaken, sensitivity and risk scenarios considered. - Board level discussion and approval prior to project commitment. - Contract structuring to reduce/eliminate build risk. - Regular detailed monitoring of progress against plans at Board level including post completion reviews.
London	Changes in the political, infrastructure and environmental dynamics of London lead to reduced demand for space from businesses.	<ul style="list-style-type: none"> - Regular monitoring of the London economy, research reports and the commissioning of research. - Regular meetings with the GLA and London Boroughs.
Investment	Underperformance due to inappropriate strategy of: <ul style="list-style-type: none"> - Timing of disposal decisions - Acquisitions timing - Non-achievement of expected returns. 	<ul style="list-style-type: none"> - Regular monitoring of asset performance and positioning of portfolio. - Acquisition due diligence appraisal and business plans analysis. - Regular monitoring of acquisition performance against target returns.
Transactional	Joint ventures or other ventures with third parties do not deliver the expected return.	<ul style="list-style-type: none"> - Due diligence on potential joint venture partners. - Requirements for business plans are reviewed regularly. - Regular review of performance of joint ventures.
Regulatory	Failure to meet regulatory requirements leading to fines or penalties or the introduction of new requirements that inhibit activity.	<ul style="list-style-type: none"> - REIT conditions monitored and tested on a regular basis and reported to the Board. - Close working relationship maintained with appropriate authorities and all relevant issues openly disclosed. - Advisers engaged to support best practice operation. - The Risk Committee provides regular updates to the Board on emerging risks and issues. - The Group employs a health and safety manager. - The Company's policies include the Bribery Act, Health and Safety and Whistleblowing.
Business Interruption	Major external events result in Workspace being unable to carry out its business for a sustained period.	<ul style="list-style-type: none"> - Monitoring security threat/target information. - Business continuity plans and procedures in place.
Reputational	Failure to meet customer and external stakeholder expectations.	<ul style="list-style-type: none"> - Customer survey undertaken and results acted upon. - Training and mystery shopper initiatives undertaken. - Regular communication with stakeholders, Investor Day presentations and Investor Roadshows. - Continual monitoring of social media channels.

STATEMENT OF DIRECTORS' 'INTERIM FINANCIAL REPORTING' RESPONSIBILITIES

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

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

The Directors of Workspace Group PLC are listed in the Workspace Group PLC Annual Report and Accounts for 31 March 2014. A list of current Directors is maintained on the Workspace Group website: www.workspace.co.uk

On behalf of the Board

J HOPKINS

CHIEF EXECUTIVE OFFICER
11 November 2014

G CLEMETT

CHIEF FINANCIAL OFFICER
11 November 2014

INDEPENDENT REVIEW REPORT TO WORKSPACE GROUP PLC

OUR CONCLUSION

We have reviewed the condensed consolidated interim financial statements, defined below, in the half year report of Workspace Group PLC for the six months ended 30 September 2014. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

WHAT WE HAVE REVIEWED

The condensed consolidated interim financial statements, which are prepared by Workspace Group PLC, comprise:

- the Consolidated Balance Sheet as at 30 September 2014;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Statement of Cash Flows for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the condensed consolidated interim financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

WHAT A REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS INVOLVES

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

RESPONSIBILITIES FOR THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND THE REVIEW

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

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

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PRICEWATERHOUSECOOPERS LLP

CHARTERED ACCOUNTANTS

11 November 2014

London

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



WORKSPACE®

WORKSPACE GROUP PLC

Chester House
Kennington Park
1-3 Brixton Road
London
SW9 6DE

Telephone: +44 (0)20 7138 3300
Web: www.workspace.co.uk
Email: investor.relations@workspace.co.uk

If you require information regarding
business space in London call
+44 (0)20 7369 2390 or visit

www.workspace.co.uk



This Report is printed on materials which
are FSC® certified from well-managed forests.

These materials contain ECF (Elemental
Chlorine Free) pulp and are 100% Recyclable.

Designed by Gather
(a Workspace Group customer)
+44 (0)20 7610 6140.
www.gather.london