INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC

We have audited the Group financial statements of Workspace Group PLC for the year ended 31 March 2013 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 61, the Directors are responsible for the preparation of the Group 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 Group financial statements in accordance with applicable law and International Standards on Auditing (UK and 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.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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. 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with 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.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the information given in the Report of the Directors for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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; or
- we have not received all the information and explanations we require for our audit; or

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 32, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

OTHER MATTER

We have reported separately on the Parent Company financial statements of Workspace Group PLC for the year ended 31 March 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

BOWKER ANDREWS
(SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 June 2013

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH

	Notes	**2013 £m**	2012 £m
Revenue	1	**69.5**	67.3
Direct costs	1	**(22.4)**	(22.5)
Net rental income	1	**47.1**	44.8
Administrative expenses	2	**(11.0)**	(10.2)
		36.1	34.6
(Loss)/profit on disposal of investment properties	3	**(2.2)**	0.9
Loss on disposal of property, plant and equipment		**–**	(0.1)
Change in fair value of investment properties	10	**59.0**	35.6
Operating profit	2	**92.9**	71.0
Finance income	4	**0.2**	0.2
Finance costs	4	**(19.5)**	(19.3)
Change in fair value of derivative financial instruments	4	**1.1**	(4.6)
Gains from share in joint ventures	12	**1.7**	1.2
Profit before tax		**76.4**	48.5
Taxation	6	**–**	0.5
Profit for the year after tax and attributable to owners of the parent		**76.4**	49.0
Basic earnings per share (pence)	8	**53.3p**	36.3p
Diluted earnings per share (pence)	8	**52.1p**	35.5p
EPRA earnings per share (pence)	8	**12.2p**	11.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH

	2013 £m	2012 £m
Profit for the financial year	**76.4**	49.0
Total comprehensive income attributable to owners of the parent	**76.4**	49.0

The notes on pages 67 to 90 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH

	Notes	2013 £m	2012 £m
Non-current assets			
Investment properties	10	**825.9**	759.3
Intangible assets		**0.5**	0.3
Property, plant and equipment	11	**1.7**	1.1
Investment in joint ventures	12	**20.7**	12.3
Trade and other receivables	13	**6.1**	4.6
		854.9	777.6
Current assets			
Trade and other receivables	13	**13.0**	10.6
Cash and cash equivalents	14	**11.8**	26.5
Corporation tax asset		**0.8**	0.6
		25.6	37.7
Current liabilities			
Derivative financial instruments	16(d) & (e)	**(11.1)**	(14.2)
Trade and other payables	15	**(31.3)**	(27.5)
		(42.4)	(41.7)
Net current liabilities		**(16.8)**	(4.0)
Non-current liabilities			
Borrowings	16(a)	**(337.7)**	(337.3)
Other non-current liabilities	20	**–**	(0.9)
		(337.7)	(338.2)
Net assets		**500.4**	435.4
Shareholders' equity			
Ordinary shares	21	**144.9**	144.1
Share premium		**58.8**	59.2
Investment in own shares	23	**(8.9)**	(8.7)
Other reserves	22	**15.3**	13.9
Retained earnings		**290.3**	226.9
Total shareholders' equity		**500.4**	435.4
EPRA net asset value per share	9	**£3.48**	£3.08

The notes on pages 67 to 90 form part of these financial statements.

The financial statements on pages 63 to 90 were approved and authorised for issue by the Board of Directors on 11 June 2013 and signed on its behalf by:

J HOPKINS
G CLEMETT
Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total £m
		Attributable to owners of the Parent					
Balance at 1 April 2011		115.3	25.0	(8.0)	15.0	186.5	333.8
Profit for the year		–	–	–	–	49.0	49.0
Release of revaluation of owner occupied property	22	–	–	–	(1.9)	1.9	–
Total comprehensive income		–	–	–	(1.9)	50.9	49.0
Transactions with owners:							
Share issues	21	28.8	34.2	–	–	–	63.0
Own shares purchase	23	–	–	(0.7)	–	–	(0.7)
Dividends paid	7	–	–	–	–	(10.5)	(10.5)
Share based payments	24	–	–	–	0.8	–	0.8
Balance at 31 March 2012		144.1	59.2	(8.7)	13.9	226.9	435.4
Profit for the year		**–**	**–**	**–**	**–**	**76.4**	**76.4**
Total comprehensive income		**–**	**–**	**–**	**–**	**76.4**	**76.4**
Transactions with owners:							
Share issues	21	**0.8**	**(0.4)**	**–**	**–**	**–**	**0.4**
Own shares purchase	23	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Dividends paid	7	**–**	**–**	**–**	**–**	**(13.0)**	**(13.0)**
Share based payments	24	**–**	**–**	**–**	**1.4**	**–**	**1.4**
Balance at 31 March 2013		**144.9**	**58.8**	**(8.9)**	**15.3**	**290.3**	**500.4**

The notes on pages 67 to 90 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH

	Notes	2013 £m	2012 £m
Cash flows from operating activities			
Cash generated from operations	18	**38.6**	35.8
Interest received		**0.3**	0.1
Interest paid		**(16.6)**	(18.5)
Tax paid		**(0.2)**	(0.1)
Net cash inflow from operating activities		**22.1**	17.3
Cash flows from investing activities			
Capital expenditure on investment properties		**(27.3)**	(18.3)
Proceeds from disposal of investment properties (net of sale costs)		**16.7**	8.8
Purchase of intangible assets		**(0.3)**	(0.1)
Purchase of property, plant and equipment		**(1.0)**	(0.7)
Proceeds from disposal of property, plant and equipment (net of sale costs)		**–**	3.8
Investment in joint ventures	12	**(7.7)**	(4.8)
Movement in short-term funding balances with joint ventures		**–**	(0.1)
Distributions received from joint ventures	12	**0.9**	0.4
Net cash outflow from investing activities		**(18.7)**	(11.0)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**0.4**	66.3
Fees paid on share issue		**–**	(3.3)
Finance costs for new/amended borrowing facilities	19	**(1.1)**	(2.2)
Settlement and re-couponing of derivative financial instruments		**(2.1)**	(1.3)
Repayment of bank borrowings		**(68.0)**	(25.5)
Drawdown of bank borrowings		**10.0**	–
Retail Bond issue	19	**57.5**	–
Payment of priority fee		**(0.9)**	–
Outflow on bank facility rental income accounts		**(0.7)**	(1.7)
Own shares purchase		**(0.2)**	(0.7)
Dividends paid	7	**(13.0)**	(10.5)
Net cash (outflow)/inflow from financing activities		**(18.1)**	21.1
Net (decrease)/increase in cash and cash equivalents		**(14.7)**	27.4
Cash and cash equivalents at start of year	18	**26.5**	(0.9)
Cash and cash equivalents at end of year	18	**11.8**	26.5

The notes on pages 67 to 90 form part of these financial statements.

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 IFRIC 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 liabilities (including derivative financial instruments) at fair value through profit or loss.

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 policies that management consider critical because of the level of judgement 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 assumptions including estimated rental values, future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties.

TRADE RECEIVABLES

The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the receivable entity and the status of any disputed amounts.

COMPLIANCE WITH THE REAL ESTATE INVESTMENT TRUST (REIT) REGIME

The Group is a Real Estate Investment Trust (Group REIT). In order to achieve and retain Group REIT status, several entrance tests had to be met and 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 each year must arise from the tax exempt business
- At least 90% of the taxable profit of the property rental business must be distributed
- The Group must take reasonable steps to avoid payment of dividends to an entity controlling (directly or indirectly) 10% or more of the voting rights of Workspace Group PLC.

The Directors intend that the Group should continue as a Group REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences and valuations relating to the property rental business and relevant property rental income is treated as exempt from taxation.

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 2013. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date 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. 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 the 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.

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. 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. Any profit or loss on disposal is taken to other operating income/expense. Where part of the consideration is in the form of the return to Workspace of a new commercial building, this element is fair valued and included in investment property. Where any aspect of consideration is conditional then the revenue associated with that conditional item is valued and included as deferred consideration. The fair value of deferred consideration 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 programmes 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 programmes are recognised as an expense as they fall due.

PROPERTY, PLANT AND EQUIPMENT

LAND AND BUILDINGS

Land and buildings within property, plant and equipment related to the owner occupied building of Magenta House which was sold last year. The Group had adopted the revaluation model to show this asset category at fair value less subsequent depreciation for buildings.

EQUIPMENT AND FIXTURES

Equipment and fixtures (including motor vehicles) 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 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 asset's 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 consolidated financial statements include the Group's investment in and contribution from the joint venture.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at 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 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 and expense.

Other receivables include bank facility rental income accounts from which interest to lenders is paid.

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.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative transactions such as interest rate caps and swaps in order to manage its interest rate risk. Financial derivatives are recorded at fair value calculated by valuation techniques based on market prices, estimated future cash flows and forward interest rates. Movements in fair value are recognised in the Income Statement within total finance costs. Amounts payable or receivable under such arrangements are included within interest payable or receivable, recognised on an accruals basis.

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.

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. Discrete financial information is provided to the chief operating decision maker on a property by property basis, including rental income and direct costs and valuation gains or losses.

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. When 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 related 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.

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.

INCOME TAX

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.

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 2013 the Group adopted the following accounting standards and guidance. These either had no material impact on the Group's financial statements or resulted in changes to presentation and disclosure only:

Standard or interpretation	Content
Amendment: IFRS 7	Financial instruments: disclosures on transfers of financial assets

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: IAS 12	Income taxes on deferred tax
Amendment: IAS 1	Financial statement presentation regarding other comprehensive income
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
IFRS 13	Fair value measurement
IAS 27 (revised)	Separate financial statements
IAS 28 (revised)	Associates and joint ventures
Amendment: IFRS 7	Financial instruments: disclosures, on offsetting financial assets and liabilities
Amendment: IAS 32	Financial instruments: presentation, on offsetting financial assets and liabilities
Annual improvements 2011	Changes to IFRS 1/IAS 1/IAS 16/IAS 32/IAS 34

1. ANALYSIS OF NET RENTAL INCOME AND SEGMENTAL INFORMATION

	2013 Revenue £m	2013 Direct costs £m	2013 Net rental income £m	2012 Revenue £m	2012 Direct costs £m	2012 Net rental income £m
Rental income	**51.4**	**(0.2)**	**51.2**	50.2	(0.1)	50.1
Service charges	**14.1**	**(16.0)**	**(1.9)**	13.7	(16.2)	(2.5)
Empty rates and other non recoverables	**0.4**	**(3.4)**	**(3.0)**	0.6	(4.1)	(3.5)
Services, fees, commissions and sundry income	**3.6**	**(2.8)**	**0.8**	2.8	(2.1)	0.7
	69.5	**(22.4)**	**47.1**	67.3	(22.5)	44.8

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.

2. OPERATING PROFIT

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

	2013 £m	2012 £m
Depreciation[1,2]	**0.4**	0.4
Staff costs (including share based costs)[1,2]	**11.9**	10.7
Repairs and maintenance expenditure on investment properties[1]	**3.3**	3.2
Trade receivables impairment	**0.3**	0.4
Amortisation of intangibles[2]	**0.1**	0.1
Operating lease rentals payable[1]	**0.1**	0.1
Audit fees payable to the Group's auditors[3]	**0.2**	0.2

1. Charged to direct costs.
2. Charged to administrative expenses.
3. Services provided by the Group's auditors – PricewaterhouseCoopers LLP.

Auditor's remuneration: **Services provided by the Company's auditors and its associates**	2013 £000	2012 £000
Audit fees:		
Audit of parent company and consolidated financial statements	**129**	125
Audit of subsidiary financial statements	**29**	28
	158	153
Non-audit fees:		
Audit related assurance services	**33**	32
Reporting work on Rights Issue	**–**	200
Reporting work on Retail Bond issue	**30**	–
Tax advisory, tax compliance and legal services	**78**	158
Other services	**31**	70
	172	460

Total administrative expenses are analysed below:	2013 £m	2012 £m
Staff costs	**6.0**	5.8
Cash settled share based costs	**0.4**	0.2
Equity settled share based costs	**1.4**	0.8
Other	**3.2**	3.4
	11.0	10.2

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

	2013 £m	2012 £m
Proceeds from sale of investment properties (net of sale costs)	**19.6**	8.8
Book value at time of sale (note 10)	**(21.7)**	(7.6)
	(2.1)	1.2
Unrealised profit on sale of properties to joint ventures	**(0.1)**	–
Revaluation of deferred consideration	**–**	(0.3)
Pre-tax (loss)/profit on sale	**(2.2)**	0.9

£6.2m (2012: £nil) of the proceeds for the year were in the form of deferred consideration, of which £2.9m is outstanding at 31 March 2013 and is included in the Consolidated Balance Sheet under non-current and current trade and other receivables.

4. FINANCE INCOME AND COSTS

	2013 £m	2012 £m
Interest income on bank deposits	**0.2**	0.2
Finance income	**0.2**	0.2
Interest payable on bank loans and overdrafts	**(17.9)**	(18.3)
Amortisation of issue costs of bank loans	**(2.0)**	(1.2)
Interest payable on finance leases	**(0.2)**	(0.2)
Capitalised interest on property refurbishments (note 10)	**0.6**	0.4
Finance costs	**(19.5)**	(19.3)
Change in fair value of financial instruments through the income statement	**1.1**	(4.6)
Net finance costs	**(18.2)**	(23.7)

5. EMPLOYEES AND DIRECTORS

Staff costs for the Group during the year were:	2013 £m	2012 £m
Wages and salaries	**8.6**	8.3
Social security costs	**1.0**	1.0
Defined contribution pension plan costs (see note 29)	**0.5**	0.4
Cash settled share based costs (see note 24)	**0.4**	0.2
Equity settled share based costs (see note 24)	**1.4**	0.8
	11.9	10.7

The monthly average number of people (including Executive Directors) employed during the year was:	2013 Number	2012 Number
Executive Directors	**2**	2
Head office staff	**68**	66
Estates and property management staff	**100**	96
	170	164

The emoluments and pension benefits of the Executive Directors is determined by the Remuneration Committee of the Board and are set out in detail in the Directors' Remuneration Report on pages 45 to 60. These form part of the financial statements.

6. TAXATION

	2013 £m	2012 £m
Current tax:		
UK corporation tax	**(0.2)**	(0.5)
Adjustments to tax in respect of previous periods	**0.2**	–
Total taxation charge/(credit)	**–**	(0.5)

The tax on the Group's profit for the period differs from the standard applicable corporation tax rate in the UK (24%). The differences are explained below:

	2013 £m	2012 £m
Profit on ordinary activities before taxation	**76.4**	48.5
Adjust gains from share in joint ventures	**(1.7)**	(1.2)
	74.7	47.3
Tax at standard rate of corporation tax in the UK of 24% (2012: 26%)	**17.9**	12.3
Effects of:		
REIT exempt income	**(2.8)**	(3.8)
Changes in fair value not subject to tax as a REIT	**(14.4)**	(8.0)
Chargeable gains adjustments	**–**	0.8
Share scheme adjustments	**(0.1)**	0.2
Contaminated land relief	**(0.3)**	(0.5)
Adjustments to tax in respect of previous periods	**0.2**	–
Losses brought forward	**(0.5)**	(1.5)
Total taxation charge/(credit)	**–**	(0.5)

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 currently has £4.2m (2012: £4.4m) of tax losses carried forward calculated at a corporation tax rate of 23% (2012: 24%) which is the rate substantively enacted at the Balance Sheet date. These have not been recognised as an asset as they are unlikely to be utilised in the foreseeable future. Further reductions, already announced, in the main rate of corporation tax to 21% by 1 April 2014 and 20% by 1 April 2015 are expected to be enacted in the future. If the 20% rate had been applied to tax losses at the Balance Sheet date it would have reduced losses by £0.5m.

7. DIVIDENDS

Ordinary dividends paid	Payment date	Per share	**2013 £m**	2012 £m
For the year ended 31 March 2011:				
Final dividend	August 2011	5.33p	**–**	6.3
For the year ended 31 March 2012:				
Interim dividend	February 2012	2.93p	**–**	4.2
Final dividend	August 2012	5.86p	**8.4**	–
For the year ended 31 March 2013:				
Interim dividend	February 2013	3.22p	**4.6**	–
Dividends for the year			**13.0**	10.5

In addition the Directors are proposing a final dividend in respect of the financial year ended 31 March 2013 of 6.45p per ordinary share which will absorb an estimated £9.3m of revenue reserves and cash. If approved by the shareholders at the AGM, it will be paid on 2 August 2013 to shareholders who are on the register of members on 12 July 2013. The dividend will be paid as a normal distribution (non-PiD).

8. EARNINGS PER SHARE

Earnings used for calculating earnings per share:	2013 £m	2012 £m
Basic and diluted earnings	**76.4**	49.0
Change in fair value of investment property	**(59.0)**	(35.6)
Loss/(profit) on disposal of investment properties	**2.2**	(0.9)
Loss on disposal of property, plant and equipment	**–**	0.1
Movement in fair value of derivative financial instruments	**(1.1)**	4.6
Group's share of EPRA adjustments of joint ventures	**(0.6)**	(0.7)
EPRA adjusted earnings	**17.9**	16.5

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).

Number of shares used for calculating earnings per share:	2013 Number	2012 Number
Weighted average number of shares (excluding own shares held in trust)	**143,404,929**	134,902,483
Dilution due to share option schemes	**3,351,045**	3,183,215
Weighted average number of shares for diluted earnings per share	**146,755,974**	138,085,698

In pence:	2013	2012
Basic earnings per share	**53.3p**	36.3p
Diluted earnings per share	**52.1p**	35.5p
EPRA earnings per share	**12.2p**	11.9p

9. NET ASSETS PER SHARE

Net assets used for calculating net assets per share:	2013 £m	2012 £m
Net assets at end of year (basic)	**500.4**	435.4
Derivative financial instruments at fair value	**11.1**	14.2
EPRA net assets	**511.5**	449.6

Number of shares used for calculating net assets per share:	2013 Number	2012 Number
Shares in issue at year-end	**144,936,155**	144,091,418
Less own shares held in trust at year-end	**(1,270,602)**	(1,218,802)
Number of shares for calculating basic net assets per share	**143,665,553**	142,872,616
Dilution due to share option schemes	**3,448,522**	3,304,176
Number of shares for calculating diluted adjusted net assets per share	**147,114,075**	146,176,792

	2013	2012
EPRA net assets per share	**£3.48**	£3.08

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) to derive a net asset value (EPRA NAV) measure.

10. INVESTMENT PROPERTIES

	2013 £m	2012 £m
Balance at 1 April	**759.3**	713.4
Capital expenditure	**28.7**	17.5
Capitalised interest on refurbishments (note 4)	**0.6**	0.4
Disposals during the year	**(21.7)**	(7.6)
Change in fair value of investment properties	**59.0**	35.6
Balance at 31 March	**825.9**	759.3

Capitalised interest is included at a rate of capitalisation of 5.0% (2012: 5.2%). The total amount of capitalised interest included in investment properties is £4.2m (2012: £3.6m).

Investment property includes buildings under finance leases of which the carrying amount is £3.5m (2012: £3.5m). Investment property finance lease commitment details are shown in note 16(f).

VALUATION

The Group's investment properties were revalued at 31 March 2013 by the external valuer, CBRE Limited, a firm of independent qualified valuers. The valuation is on the basis of market value, by reference to recent market evidence of transactions for similar properties and is undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards 2012.

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:

	2013 £m	2012 £m
Total per CBRE valuation report	**829.9**	760.4
Deferred consideration on sale of property (note 13)	**(7.5)**	(4.6)
Head leases treated as finance leases under IAS 17	**3.5**	3.5
Total investment properties per balance sheet	**825.9**	759.3

11. PROPERTY, PLANT AND EQUIPMENT

Cost or valuation	Owner occupied land £m	Owner occupied buildings £m	Equipment and fixtures £m	Total £m
Balance at 1 April 2011	2.9	1.0	4.5	8.4
Additions during the year	–	–	0.9	0.9
Disposals during the year	(2.9)	(1.0)	(0.1)	(4.0)
Balance at 31 March 2012	–	–	5.3	5.3
Additions during the year	–	–	1.0	1.0
Balance at 31 March 2013	**–**	**–**	**6.3**	**6.3**
Accumulated depreciation				
Balance at 1 April 2011	–	–	3.8	3.8
Charge for the year	–	–	0.4	0.4
Balance at 31 March 2012	–	–	4.2	4.2
Charge for the year	–	–	0.4	0.4
Balance at 31 March 2013	**–**	**–**	**4.6**	**4.6**
Net book amount at 31 March 2013	**–**	**–**	**1.7**	**1.7**
Net book amount at 31 March 2012	–	–	1.1	1.1

12. JOINT VENTURES

The Group's investment in joint ventures represents:

	31 March 2013 £m	31 March 2012 £m
Balance at 1 April	**12.3**	6.7
Cash investment	**7.7**	4.8
Unrealised surplus on sale of properties to joint venture	**(0.1)**	–
Share of gains	**1.7**	1.2
Distributions received	**(0.9)**	(0.4)
Balance at 31 March	**20.7**	12.3

The Group has the following joint ventures:

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

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

The Group's share of the joint ventures' assets and liabilities is shown below:

	31 March 2013 £m	31 March 2012 £m
Investment properties	**20.8**	12.4
Current assets	**1.2**	0.7
Current liabilities	**(0.8)**	(0.4)
Net assets	**21.2**	12.7
Unrealised surplus on sale of properties to joint venture	**(0.5)**	(0.4)
Investment in joint venture	**20.7**	12.3

The Group's share of the joint ventures' revenues and expenses is shown below:

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Revenue	**1.7**	0.9
Direct costs	**(0.5)**	(0.3)
Net rental income	**1.2**	0.6
Administrative expenses	**(0.1)**	(0.1)
Change in fair value of investment properties	**0.6**	0.7
Profit before tax	**1.7**	1.2
Taxation	**–**	–
Profit after tax	**1.7**	1.2

13. TRADE AND OTHER RECEIVABLES

Non-current trade and other receivables	2013 £m	2012 £m
Deferred consideration on sale of investment property	**6.1**	4.6

The non-current receivable relates to deferred consideration arising on the sale of investment properties. The value of this receivable has been fair valued by CBRE Limited on the basis of market value as at 31 March 2013, using appropriate discount rates, and will be revalued on a regular basis. The change in value is charged/credited to operating profit in the income statement.

Current trade and other receivables	2013 £m	2012 £m
Trade receivables	**2.5**	2.5
Less provision for impairment of receivables	**(0.4)**	(0.6)
Trade receivables – net	**2.1**	1.9
Prepayments and accrued income	**2.1**	2.0
Bank facility rental income accounts	**7.4**	6.7
Deferred consideration on sale of investment property	**1.4**	–
	13.0	10.6

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:

	2013 £m	2012 £m
Balance at 1 April	**0.6**	0.5
Provision for receivables impairment	**0.3**	0.4
Receivables written off during the year	**(0.5)**	(0.3)
Balance at 31 March	**0.4**	0.6

As at 31 March 2013, the ageing of trade receivables past due but not impaired was as follows:

	Total 2013 £m	Impaired 2013 £m	Not impaired 2013 £m	Total 2012 £m	Impaired 2012 £m	Not impaired 2012 £m
Up to 3 months past due	**2.1**	**(0.1)**	**2.0**	1.8	(0.2)	1.6
3 to 6 months past due	**0.1**	**(0.1)**	**–**	0.3	(0.1)	0.2
Over 6 months past due	**0.3**	**(0.2)**	**0.1**	0.4	(0.3)	0.1
	2.5	**(0.4)**	**2.1**	2.5	(0.6)	1.9

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

	2013 £m	2012 £m
Cash at bank and in hand	**10.1**	24.5
Restricted cash – tenants' deposit deeds	**1.7**	2.0
	11.8	26.5

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

	2013 £m	2012 £m
Trade payables	**2.1**	1.9
Other tax and social security payable	**1.5**	1.5
Tenants' deposit deeds (see note 14)	**1.7**	2.0
Tenants' deposits	**8.7**	8.0
Accrued expenses and deferred income	**14.0**	10.4
Amounts due to related parties	**0.5**	0.5
Deferred income – rent and service charges	**2.8**	3.2
	31.3	27.5

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

	2013 £m	2012 £m
Current		
Bank loans and overdrafts due within one year or on demand (secured)	**–**	–
	–	–
Non-current		
Bank loans (secured)	**277.8**	333.8
6% Retail Bond (unsecured)	**56.4**	–
Finance lease obligations (part secured)	**3.5**	3.5
	337.7	337.3
	337.7	337.3

The secured loans and overdraft facility are secured on investment properties with balance sheet values totalling £652.4m (2012: £741.1m).

(B) MATURITY

	2013 £m	2012 £m
Repayable between two years and three years	**280.0**	68.0
Repayable between three years and four years	**–**	270.0
Repayable in five years or more	**57.5**	–
	337.5	338.0
Less cost of raising finance	**(3.3)**	(4.2)
	334.2	333.8
Finance leases		
Repayable in five years or more	**3.5**	3.5
	337.7	337.3

(C) INTEREST RATE AND REPAYMENT PROFILE

	Principal £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	–	Base +2.25%	Variable	On demand
Non-current				
Loan – Bayern LB	200.0	LIBOR +2.25%	Quarterly	June 2015
Loan – Royal Bank of Scotland (RBS)	80.0	LIBOR +2.5%	Quarterly	June 2015
6% Retail Bond	57.5	6%	Half Yearly	October 2019

(D) DERIVATIVE FINANCIAL INSTRUMENTS

The following interest rate derivatives are held:

	Amount hedged £m	Rate payable (or cap strike rate) %	Rate Receivable %	Term/expiry
Interest rate swap*	140.0	3.23%	3 month LIBOR	June 2015
Interest rate swap	40.0	2.46%	3 month LIBOR	June 2015
Interest rate swap	30.0	2.03%	3 month LIBOR	June 2015
Interest rate cap	7.0	5.00%	–	June 2015

* These swaps comprise three derivatives with different providers but with identical rates, payment dates and end dates.

The above instruments are treated as financial instruments at fair value with changes in value dealt with in the income statement during each reporting period.

(E) FAIR VALUES OF FINANCIAL INSTRUMENTS

	2013 Book Value £m	2013 Fair Value £m	2012 Book Value £m	2012 Fair Value £m
Financial liabilities not at fair value through profit or loss				
Bank loans	**277.8**	**277.8**	333.8	333.8
6% Retail Bond	**56.4**	**59.0**	–	–
Finance lease obligations	**3.5**	**3.5**	3.5	3.5
	337.7	**340.3**	337.3	337.3
Financial liabilities at fair value through profit or loss				
Derivative financial instruments:				
Liabilities	**11.1**	**11.1**	14.2	14.2

The total change in fair value of derivative financial instruments recorded in the income statement was a profit of £1.1m (2012: loss of £4.6m). This is net of £2.1m (2012: £1.3m) paid in the year to settle/re-coupon some instruments.

16. BORROWINGS continued
The fair value of the Retail Bond has been established from the quoted market price at 28 March 2013 and is thus a Level 1 valuation as defined by IFRS7.

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 as defined by IFRS 7. The total fair value calculated equates to 7.5p per share (31 March 2012: 9.7p).

The different levels of valuation hierarchy as defined by IFRS 7 are set out below:

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

(F) FINANCE LEASES

Finance lease liabilities are in respect of leased investment property.

Minimum lease payments under finance leases fall due as follows:	2013 £m	2012 £m
Within one year	**0.2**	0.2
Between two and five years	**0.9**	0.9
Beyond five years	**21.5**	21.5
	22.6	22.6
Future finance charges on finance leases	**(19.1)**	(19.1)
Present value of finance lease liabilities	**3.5**	3.5

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

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 swaps and caps to generate the desired interest and risk profile. At 31 March 2013 79% (2012: 77%) of Group borrowings were fixed through the use of interest rate 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 or decreased net interest payable and equity by £0.4m (2012: £0.4m).

(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 approximately 4,000 tenants over approximately 100 properties. The largest 10 single tenants generate around 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 £10.4m (2012: £10.0m). 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:

	2013 £m	2012 £m
Cash and cash equivalents (note 14)	**11.8**	26.5
Trade receivables – current (note 13)	**2.4**	2.5
Deferred consideration – current (note 13)	**1.4**	–
Deferred consideration – non current (note 13)	**6.1**	4.6
	21.7	33.6

(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, a revolving loan facility of £55m and term loans. At 31 March 2013 headroom excluding overdraft was £45m (31 March 2012: £55m).

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.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY continued

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 2013	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						
Secured bank loans (note 16b)	**280.0**	**–**	**–**	**280.0**	**–**	**280.0**
6% Retail Bond	**57.5**	**–**	**–**	**–**	**57.5**	**57.5**
Interest payable on secured bank loans	**–**	**7.9**	**7.9**	**1.6**	**–**	**17.4**
Interest payable on 6% Retail Bond	**–**	**3.5**	**3.5**	**3.5**	**12.0**	**22.5**
Derivative financial instruments	**11.1**	**5.0**	**5.0**	**1.1**	**–**	**11.1**
Finance lease liabilities	**3.5**	**0.2**	**0.4**	**0.5**	**21.5**	**22.6**
Trade and other payables	**27.0**	**27.0**	**–**	**–**	**–**	**27.0**
	379.1	**43.6**	**16.8**	**286.7**	**91.0**	**438.1**

31 March 2012	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						
Secured bank loans (note 16b)	338.0	–	–	68.0	270.0	338.0
Interest payable on secured bank loans	–	10.7	10.7	10.7	2.8	34.9
Derivative financial instruments	14.2	7.2	7.1	5.5	3.5	23.3
Finance lease liabilities	3.5	0.2	0.4	0.5	21.5	22.6
Trade and other payables	22.8	22.8	–	–	–	22.8
Bank priority fee	0.9	–	–	0.9	–	0.9
	379.4	40.9	18.2	85.6	297.8	442.5

(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 drawings against revolving and term loan facilities from banks, the Retail Bond less cash at bank and in hand.

At 31 March 2013 Group equity was £500.4m (2012: £435.4m), and Group net borrowings (debt less cash at bank and in hand) were £327.6m (2012: £312.8m). Group gearing at 31 March 2013 was 65% (2012: 72%).

Actions taken in the last few years in relation to borrowings and capital raising have enabled the Group to have sufficient headroom on financing and to ensure it is comfortably within all applicable loan to value covenants applied on borrowings which range between 65% to 75%.

18. NOTES TO CASH FLOW STATEMENT

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

	2013 £m	2012 £m
Profit before tax	**76.4**	48.5
Depreciation	**0.4**	0.4
Amortisation of intangibles	**0.1**	0.1
Loss/(profit) on disposal of investment properties	**2.2**	(0.9)
Loss on disposal of property, plant and equipment	**–**	0.1
Net gain from change in fair value of investment property	**(59.0)**	(35.6)
Equity settled share based payments	**1.4**	0.8
Change in fair value of financial instruments	**(1.1)**	4.6
Finance income	**(0.2)**	(0.2)
Finance expense	**19.5**	19.3
Gains from share in joint ventures	**(1.7)**	(1.2)
Changes in working capital:		
(Increase) in trade and other receivables	**(0.5)**	(0.7)
Increase in trade and other payables	**1.1**	0.6
Cash generated from operations	**38.6**	35.8

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

	2013 £m	2012 £m
Cash at bank and in hand	**10.1**	24.5
Restricted cash – tenants' deposit deeds	**1.7**	2.0
	11.8	26.5

19. ANALYSIS OF MOVEMENT IN CASH AND CASH EQUIVALENTS AND BORROWINGS

	At 1 April 2012 £m	Cash flow £m	Non-cash items £m	**At 31 March 2013 £m**
Cash at bank and in hand	24.5	(14.4)	–	**10.1**
Restricted cash – tenants' deposit deeds	2.0	(0.3)	–	**1.7**
	26.5	(14.7)	–	**11.8**
Bank loans	(338.0)	58.0	–	**(280.0)**
6% Retail Bond	–	(57.5)	–	**(57.5)**
Less cost of raising finance	4.2	1.1	(2.0)	**3.3**
Finance lease obligations	(3.5)	–	–	**(3.5)**
	(337.3)	1.6	(2.0)	**(337.7)**
Total	(310.8)	(13.1)	(2.0)	**(325.9)**

20. OTHER NON-CURRENT LIABILITIES

	2013 £m	2012 £m
Bank priority fee	–	0.9

This fee was paid to Bank of Scotland in March 2013 on the repayment of the associated loan.

21. SHARE CAPITAL

	2013 Number	2012 Number
Issued: Fully paid ordinary shares of £1 each	**144,936,155**	144,091,418

	2013 £m	2012 £m
Issued: Fully paid ordinary shares of £1 each	**144.9**	144.1

Movements in share capital were as follows:	2013 Number	2012 Number
Number of shares at 1 April	**144,091,418**	1,152,731,338
Issue of shares	**844,737**	288,182,842
Share consolidation	**–**	(1,296,822,762)
Number of shares at 31 March	**144,936,155**	144,091,418

	£m	£m
Balance at 1 April	**144.1**	115.3
Issue of shares	**0.8**	28.8
Balance at 31 March	**144.9**	144.1

22. OTHER RESERVES

	Owner occupied property £m	Equity settled share based payments £m	Merger reserve £m	Total £m
Balance at 1 April 2011	1.9	4.4	8.7	15.0
Share based payments	–	0.8	–	0.8
Recycled to income statement	(1.9)	–	–	(1.9)
Balance at 31 March 2012	–	5.2	8.7	13.9
Share based payments	–	1.4	–	1.4
Balance at 31 March 2013	**–**	**6.6**	**8.7**	**15.3**

The merger reserve was created in 2009 following the raising of equity through a cashbox share placing structure.

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. At 31 March 2013 the number of shares held by the Trust totalled 1,218,802 (2012: 1,218,802). At 31 March 2013 the market value of these shares was £4.2m (2012: £2.9m) compared to a nominal value of £1.2m (2012: £1.2m).

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

	2013 £m	2012 £m
Balance at 1 April	**8.7**	8.0
Acquisition of ordinary shares	**0.2**	0.7
Balance at 31 March	**8.9**	8.7

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 2012 LTIP scheme 886,774 performance and matching shares were awarded in June 2012 and 276,642 in November 2012 to Directors and senior management (2011 LTIP scheme: 953,009).

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

	LTIP Number
At 1 April 2011	6,127,951
Granted	953,009
Lapsed	(3,216,493)
At 31 March 2012	3,864,467
Granted	1,163,416
Exercised	(515,866)
Lapsed	(875,177)
At 31 March 2013	**3,636,840**

The weighted average share price at the date of exercise of shares exercised during the year was £2.48 (2012: no exercises).

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:

	2013 (Nov 2012)	**2013 (June 2012)**	2012
Share price at grant	**306p**	**227p**	270p
Exercise price (pence)	**Nil**	**Nil**	Nil
Average expected life (years)	**3**	**3**	3
Risk free rate	**0.5%**	**0.5%**	2%
Expected dividend yield	**4%**	**4%**	4%
Average share price volatility	**41%**	**41%**	55%
Fair value per option – Absolute TSR element	**249p**	**125p**	177p
Fair value per option – Relative TSR element	**172p**	**128p**	183p

The relative NAV is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 229p (18 June 2012) and 305p (19 November 2012). 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.

24. SHARE-BASED PAYMENTS continued
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 1 April 2011	306,172	£10.46	444,211	£1.20
Options granted	–	–	39,475	£1.91
Options lapsed	(115,001)	£9.49	(85)	£8.89
At 31 March 2012	191,171	£11.05	483,601	£1.26
Options granted	–	–	193,992	£1.93
Options exercised	–	–	(328,871)	£1.15
Options lapsed	(139,656)	£10.34	(15,394)	£1.55
At 31 March 2013	**51,515**	**£12.97**	**333,328**	**£1.74**

The exercise of all options, other than those obtained under the Group's Save As You Earn scheme, was dependent upon the Group achieving specified performance targets.

The weighted average share price at the date of exercise for the SAYE options exercised during the year was £2.63 (2012: no exercises).

193,992 SAYE share options were granted in the year.

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

	2013 SAYE 3 year	**2013 SAYE 5 year**	2012 SAYE 3 year	2012 SAYE 5 year
Weighted average share price at grant	**230p**	**230p**	229p	–
Exercise price	**193p**	**193p**	191p	–
Expected volatility	**41%**	**41%**	58%	–
Average expected life (years)	**3**	**5**	3	–
Risk free rate	**0.5%**	**0.5%**	2%	–
Expected dividend yield	**4%**	**4%**	4%	–
Possibility of ceasing employment before vesting	**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:

	2013 Grant date	2013 Fair value of award	2012 Grant date	2012 Fair value of award
SAYE – 3 year	**30 July 2012**	**68p**	14 December 2011	85p
SAYE – 5 year	**30 July 2012**	**74p**	–	–

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 2 years in order to qualify for tax advantages. 51,800 shares were granted in the year.

The fair value of the SIP shares granted during the year has been calculated using the Black-Scholes model. Inputs to the model for the grants during the year are summarised as follows:

	2013	2012
Weighted average share price at grant	**344p**	–
Exercise price	**Nil**	–
Expected volatility	**41%**	–
Average expected life (years)	**3**	–
Risk free rate	**0.5%**	–
Expected dividend yield	**4%**	–
Possibility of ceasing employment before vesting	**25%**	–
Fair value of award (per share)	**79p**	–

IV) YEAR END SUMMARY

At 31 March 2013 in total there were 4,073,483 (2012: 4,539,239) share awards/options exercisable on the Company's ordinary share capital. These are analysed below:

Date of grant	Exercise Price	Ordinary shares Number	Vested and exercisable	Exercisable between	
LTIP					
12 June 2009	–	657,783	657,783	12.06.2012	12.06.2017*
06 July 2010	–	1,035,461	–	06.06.2013	–
04 August 2011	–	780,180	–	04.08.2014	–
18 June 2012	–	886,774	–	18.06.2015	–
19 November 2012	–	276,642	–	19.11.2015	–
ESOS				Exercisable between	
30 June 2003	£8.25	18,950	18,950	30.06.2006	30.06.2013
30 June 2004	£13.16	14,624	14,624	30.06.2007	30.06.2014
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	
22 July 2008	£8.89	366	–	01.09.2013	01.03.2014
21 July 2009	£1.15	72,272	–	01.09.2014	01.03.2015
20 July 2010	£1.66	30,883	–	01.09.2013	01.03.2014
20 July 2010	£1.66	2,983	–	01.09.2015	01.03.2016
14 December 2011	£1.91	37,026	–	01.02.2015	01.08.2015
30 July 2012	£1.93	163,374	–	01.09.2015	01.03.2016
30 July 2012	£1.93	26,424	–	01.09.2017	01.03.2018
SIP				Exercisable between	
22 March 2013	–	51,800	–	22.03.2016	22.03.2018
Total		**4,073,483**	**709,298**		

* These shares were converted to nil cost options on 12 June 2012 and can be exercised at any time up to 12 June 2017.

24. SHARE-BASED PAYMENTS continued

The weighted average exercise price for vested and exercisable shares at 31 March 2013 is: LTIP – £nil (2012: £nil), ESOS – £13.22 (2012: £11.05).

The share awards/options outstanding at 31 March 2013 had a weighted average remaining contractual life of: LTIP – 1.1 years (2012: 1 year), ESOS – nil years (2012: nil years), SAYE – 2.2 years (2012: 1.1 years), SIP – 3 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:

	2013 £m	2012 £m
Equity settled share based payments	**1.4**	0.8
Cash settled share based payments	**0.4**	0.2
	1.8	1.0

The total liability at the end of the period in respect of cash-settled share based schemes was £0.9m (2012: £0.6m).

25. RELATED PARTY TRANSACTIONS

	2013 £m	2012 £m
Transactions year ended 31 March:		
Net investment into joint ventures (note 12)	**7.7**	4.8
Sale of property to joint ventures	**3.2**	–
Fee income and recharges to joint ventures	**0.9**	0.5
Distributions received from joint ventures (note 12)	**0.9**	0.4
Balances with joint ventures at 31 March:		
Amounts payable to joint ventures (note 15)	**(0.5)**	(0.5)

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:	**2013 £m**	2012 £m
Salaries and short-term employee benefits	**2.9**	2.5
Pensions and other post-employment benefits	**0.2**	0.1
Share-based payments	**0.7**	0.4
	3.8	3.0

26. CAPITAL COMMITMENTS

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

	2013 £m	2012 £m
Funding of joint venture	**1.7**	7.9
Purchases, construction or redevelopment of investment property	**18.2**	5.9

27. CONTINGENT LIABILITY

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

The proceed share provides for the former lenders to Workspace Glebe to share in net cash proceeds from disposals from the Glebe property portfolio once Workspace has received its priority return. The priority return at 31 March 2013 is £92m. For proceeds up to £170m the lenders share is 50%, from £170m up to £200m it is 30% and nil thereafter. The maximum payable under this proceed share is £48m. All disposals are at the option of Workspace and there are no time limits. Cumulative cash proceeds from disposals to date are £nil.

The total valuation of the Glebe portfolio at 31 March 2013 was £164m (March 2012: £136m). 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. These are currently valued at £81m. Properties with redevelopment potential are currently valued at £83m. If the redevelopment properties were sold for cash at the March 2013 valuation, there would be no liability under the proceed share. In the unlikely scenario that all the properties in the Glebe portfolio were sold there would be a potential liability net of costs of £32m (31 March 2012: £22m).

28. PRINCIPAL SUBSIDIARY UNDERTAKINGS

Except where indicated otherwise, the Company (incorporated in the UK) wholly owns the following active subsidiary undertakings incorporated 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	Website Service

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

A full list of subsidiary undertakings at 31 March 2013 will be appended to the Company's next annual return.

29. 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 £0.5m (2012: £0.4m) representing contributions payable by the Group to the fund and is charged through operating profit.

The Group's commitment with regard to pension contributions range from 6% to 16.5% of an employee's salary and employee contributions range from 3% to 15%. The pension scheme is open to every employee after three months' qualifying service. The number of employees in the scheme at the year end was 91 (2012: 98).

30. OPERATING LEASES

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

Motor vehicles and office equipment:	2013 £m	2012 £m
Due within one year	0.1	0.1
Due between two and five years	0.1	0.1
	0.2	0.2

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 follows:

	2013 £m	2012 £m
Within one year	21.2	18.0
Between two and five years	1.5	1.1
Beyond five years	0.6	0.9
	23.3	20.0

31. POST BALANCE SHEET EVENTS

In April 2013 the Group completed the sale of Phase 1 of the redevelopment of Bow Enterprise Park to Peabody Enterprises for consideration comprising £11.5m in cash, 15,000 sq. ft. of new industrial space and overage on the residential component.

In May 2013 the Group secured two major mixed use planning permissions at Faircharm, Creekside and Tower Bridge Business Complex. The former is for a mixed use redevelopment of 148 apartments and 52,000 sq. ft. of new business space and the latter is for 800 residential units and 60,000 sq. ft. of new business space.

On 10 June 2013 the Group agreed the refinancing of £325m of bank debt currently provided by the RBS and Bayern Clubs. On 1 July 2013 the existing secured bank debt will be replaced by £352.5m of unsecured debt provided by the issue of £157.5m private placement notes, £45m provided by a UK Fund and £150m of new bank debt.

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

We have audited the Parent Company financial statements of Workspace Group PLC for the year ended 31 March 2013 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 61, the Directors are responsible for the preparation of the Parent Company 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 Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and 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.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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. 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Parent Company financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 March 2013;
- 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.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- 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 Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the Group financial statements of Workspace Group PLC for the year ended 31 March 2013.

BOWKER ANDREWS
(SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 June 2013

PARENT COMPANY BALANCE SHEET
AS AT 31 MARCH

	Notes	2013 £m	2012 £m
Fixed assets			
Investments	C	**268.5**	263.3
		268.5	263.3
Current assets			
Debtors	D	**207.1**	142.0
Cash at bank and in hand		**1.2**	23.0
		208.3	165.0
Creditors: amounts falling due within one year	E	**(88.2)**	(89.2)
Net current assets		**120.1**	75.8
Total assets less current liabilities		**388.6**	339.1
Creditors: amounts falling due after more than one year	F	**(56.4)**	–
		332.2	339.1
Capital and reserves			
Called up share capital	G	**144.9**	144.1
Share premium account	G	**58.8**	59.2
Investment in own shares	G	**(8.9)**	(8.7)
Merger reserve	G	**8.7**	8.7
Share based payment reserve	G	**6.6**	5.2
Profit and loss account	G	**122.1**	130.6
Total shareholders' funds	H	**332.2**	339.1

The notes on pages 93 and 94 form part of these financial statements.

The financial statements on pages 92 to 94 were approved by the Board of Directors on 11 June 2013 and signed on its behalf by:

J HOPKINS
G CLEMETT
Directors

Workspace Group PLC
Registered number 2041612

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) INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Interests in subsidiary undertakings 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 in subsidiaries 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 also established in the year 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.

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 £4.5m (2012: £2.7m).

Auditors' remuneration of £10,000 (2012: £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

Cost	£m
Balance at 1 April 2012	310.4
Additions in the year	3.0
Balance at 31 March 2013	313.4

Impairment	£m
Balance at 1 April 2012	47.1
Reversal of impairment loss	(2.2)
Balance at 31 March 2013	44.9

Net book value at 31 March 2013	**268.5**
Net book value at 31 March 2012	263.3

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

Refer to note 28 to the consolidated financial statements for the list of subsidiary undertakings.

D. DEBTORS

	2013 £m	2012 £m
Amounts owed by subsidiary undertakings	**206.3**	141.5
Prepayments and accrued income	**–**	0.2
Corporation tax asset	**0.8**	0.3
	207.1	142.0

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

E. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £m	2012 £m
Amounts owed to subsidiary undertakings	**86.2**	88.8
Taxation and social security	**0.4**	0.4
Accruals and deferred income	**1.6**	–
	88.2	89.2

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

F. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £m	2012 £m
6% Retail Bond	**57.5**	–
Less cost of raising finance	**(1.1)**	–
	56.4	–

The 6% Retail Bond was issued on 9 October 2012. It is unsecured and repayable on 9 October 2019.

G. CAPITAL AND RESERVES
Movements and notes applicable to share capital, share premium account, investment in own shares, merger reserve and share based payment reserve are shown in notes 21 to 23 and in the consolidated statement of changes in equity of the consolidated financial statements.

Profit and loss account:	£m
Balance at 1 April 2012	130.6
Profit for the year	4.5
Dividends paid	(13.0)
Balance at 31 March 2013	**122.1**

H. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £m	2012 £m
Profit for the financial year	**4.5**	2.7
Dividends paid	**(13.0)**	(10.5)
Issue of shares (net of costs)	**0.4**	63.0
Investment in own shares	**(0.2)**	(0.7)
Share based payments	**1.4**	0.8
Net movement in shareholders' funds	**(6.9)**	55.3
Opening shareholders' funds	**339.1**	283.8
Closing shareholders' funds	**332.2**	339.1

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.

FIVE-YEAR PERFORMANCE
2009 – 2013

	31 March 2013 £m	31 March 2012 £m	31 March 2011 £m	31 March 2010 £m	31 March 2009 £m
Rents receivable	**51.4**	50.2	52.0	49.8	54.2
Service charges and other income	**18.1**	17.1	16.8	16.7	15.6
Revenue	**69.5**	67.3	68.8	66.5	69.8
Profit before interest including share of BWPT	**37.2**	35.1	36.3	35.3	38.4
Net interest payable^	**(19.3)**	(19.1)	(22.1)	(24.5)	(28.4)
Trading profit after interest	**17.9**	16.0	14.2	10.8	10.0
Profit/(loss) before taxation	**76.4**	48.5	52.8	26.0	(360.4)
Profit/(loss) after taxation	**76.4**	49.0	53.5	24.2	(360.4)
Basic earnings per share*	**53.3p**	36.3p	45.4p	21.8p	(1,304.5)p
Dividends per share*	**9.67p**	8.79p	7.99p	7.27p	15.92p
Dividends (total)	**13.9**	12.6	9.5	8.6	7.8
Investment properties	**825.9**	759.3	713.4	713.2	664.1
Other assets less liabilities	**2.1**	(11.1)	(12.8)	(39.5)	(54.1)
Net borrowings	**(327.6)**	(312.8)	(366.8)	(386.4)	(358.1)
Net assets	**500.4**	435.4	333.8	287.3	251.9
Gearing	**65%**	72%	110%	134%	142%
Gearing on EPRA net assets	**64%**	70%	106%	125%	129%
Basic NAV per share*	**£3.48**	£3.05	£2.83	£2.43	£2.34
EPRA NAV per share*	**£3.48**	£3.08	£2.86	£2.59	£2.58

* 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.

KEY PERFORMANCE INDICATORS

Workspace Group:	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Number of estates[1]	**86**	92	96	105	106
Lettable floorspace (m sq. ft.)■ [1]	**4.7**	5.0	5.1	5.5	5.0
Number of lettable units[1]	**4,626**	4,668	4,856	5,156	4,546
Average unit size (sq. ft.)[1]	**1,011**	1,070	1,049	1,067	1,099
Rent roll of occupied units[1]	**£52.7m**	£50.2m	£48.9m	£50.7m	£50.8m
Average rent per sq. ft.[1]	**£12.98**	£11.79	£11.47	£11.22	£12.64
Overall occupancy[1]	**87.0%**	85.3%	83.6%	81.9%	80.3%
Enquiries (number)*	**12,440**	12,103	11,535	12,109	10,515
Lettings (number)*	**1,014**	981	1,051	1,203	1,035

BlackRock Workspace Property Trust (BWPT):	31 March 2013	31 March 2012	31 March 2011
Number of estates	**16**	11	8
Lettable floorspace (m sq. ft.)■	**0.5**	0.4	0.3
Number of lettable units	**435**	313	281
Average unit size (sq. ft.)	**1,260**	1,407	1,147
Rent roll of occupied units	**£7.0m**	£4.7m	£3.1m
Average rent per sq. ft.	**£14.20**	£11.82	£10.57
Overall occupancy	**90.4%**	89.8%	92.1%

■ Excludes storage space
1 Excluding BWPT which is shown separately
* Including BWPT