PRELIMINARY ANNOUNCEMENT

4 June 2014

WORKSPACE GROUP PLC
FINAL RESULTS

WORKSPACE GROUP PLC
DRIVING VALUE

Workspace Group PLC ("Workspace"), London's leading provider of space to new and growing companies, announces its results for the year ended 31 March 2014.

HIGHLIGHTS

Financial Performance
- Profit before tax up 230% to £252.5m (2013: £76.4m)
- Adjusted trading profit after interest up 14.5% to £20.5m (2013: £17.9m)
- EPRA net asset value per share up 43% to £4.96 (March 2013: £3.48)
- Adjusted underlying earnings per share up 14% to 13.9p (2013: 12.2p)
- Total dividend per share up 10% to 10.63p per share (2013: 9.67p), final dividend of 7.09p (2013: 6.45p)

Operating Performance
- Like-for-like rent roll up 8.5% in year to £47.4m (March 2013: £43.7m). Total rent roll up 10.6% to £58.3m (March 2013: £52.7m)
- Like-for-like rent per sq.ft. up 8.5% to £15.28 (March 2013: £14.08)
- Like-for-like occupancy stable at 90.0% (March 2013: 89.8%)

Property Valuation
- Underlying property valuation up 27% (£228m) in year to £1,078m, with 14% (£132m) increase in second half
- Total property return of 34.7% compared to 13.4% for IPD UK Property Index
- Like-for-like initial yield of 6.4% (March 2013: 7.3%)
- Like-for-like estimated rental values up 12.3% to £16.13 per sq.ft (March 2013: £14.36)
- Includes £73m uplift in value from residential-led redevelopment schemes

Asset Management Activity
- Seven refurbishments completed over the last 18 months at a cost of £27m.
- Eight further refurbishment projects underway at a total estimated cost of £74m
- Four residential planning consents obtained in the year for 1,417 residential units
- Sale of five residential redevelopments agreed in the year for £84m in cash, 112,000 sq.ft of new business space plus overage
- Three properties acquired for £33m in strategic London locations
- Sale of four non-core properties for £12m

Financing
- Refinancing completed during year providing a diversified funding base with all debt unsecured and an average maturity of 6.8 years (March 2013: 2.9 years)
- Average cost of debt 5.3% (2013: 5.0%)
- Loan-to-value ratio reduced to 31% (March 2013: 40%)
- Undrawn facilities of £72m (March 2013: £55m)

Glebe Proceeds Share
- Liability of £11m recognised (March 2013: £nil), equivalent to 7p per share, for properties we have sold or plan to sell for residential redevelopment
- EPRA NAV per share would reduce by 25p to £4.71 (March 2013: 22p to £3.26) if all the remaining properties in Glebe portfolio were sold. No provision made as no intention to sell these properties, with disposals at the sole option of Workspace.

Commenting, Jamie Hopkins, Chief Executive of Workspace said:

" This has been another very successful year of performance and results for Workspace. We have stuck to our strategy of supplying London's new and growing companies with high quality properties that are in the right locations and that offer the services and facilities that suit their needs.

London is changing fast. New areas are emerging and establishing, occupiers are generally more fleet of foot and modern communication channels have revolutionised the way businesses operate. Workspace is embracing this change via its refurbishment and redevelopment activity as well as making selective property acquisitions in strategic locations across the capital.

Combining our knowledge of London and our customers' needs leaves us ideally placed to continue to grow our business and I look forward to the future with confidence. "

- Ends -

Date: 4 June 2014
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There will be a results presentation to analysts and investors hosted by the Workspace Executive Team at 0900 on Wednesday 4 June 2014. The venue for the presentation is the London Stock Exchange, 10 Paternoster Square, London EC4M 7LS. There is also a conference call facility in conjunction with the presentation.

There is also a webcast and conference all facility in conjunction with the presentation.

Webcast

Please register for the webcast here

Conference Call

Dial in: 020 3159 9716
Pin: 326162 #

CHAIRMAN'S STATEMENT

Workspace has had another year of successful growth, delivering a strong operational and financial performance through our established strategy of driving rent, occupancy and asset value across our London portfolio. Not only are we benefiting from our focused refurbishment and redevelopment programme but we have continued to strengthen the direct relationships we have with our customers by becoming an essential partner, thus helping their businesses to grow faster.

Revenues and profits grew strongly during the year. Group net rental income was £50.3m, an underlying increase of 9.6%, trading profit after interest was £20.5m, an increase of 14.5%, and EPRA NAV per share was £4.96, an increase of 43% on 2013.

We are proposing a final dividend of 7.09p per share (a total of 10.63p for the year) to be paid on 1 August 2014, an increase of 10% on last year. Workspace's proven long-term value generation is reflected in this progressive dividend stream.

During the year we successfully completed a refinancing which gives us far greater operational flexibility to execute our capital expenditure programme to redevelop and refurbish existing assets and create buildings that complement our strategy. We also made selective acquisitions where we see the opportunity to create added value by applying our operating model, accelerated our mixed-use planning applications and successfully disposed of a number of non-core properties.

We continue to be mindful of the role we play in the communities in which our properties are based. Our buildings are our biggest environmental impact and we are committed to making the most of opportunities to reduce energy use, benefiting the environment and reducing energy costs. Our 2014 Corporate Social Responsibility report outlines the progress we have made against our 2013 targets and sets new targets for the future.

In a similar vein, we always try to ensure that when refurbishing an existing property or progressing a redevelopment we do so in a way that helps to act as a catalyst in either boosting or regenerating the economy of the local area. Our aim is always a positive legacy.

Jamie and the executive team work hard to grow the business for our customers, investors and employees and they have been ably supported by our strong and diversified Board. Bernard Cragg retires from the Board in July and we thank him for his guidance and contribution to our growth over the last 11 years.

Of course none of the growth or initiatives we have reported would be possible without the dedication and expertise of all our employees and I would like to thank them for another year of success.

We continue to execute a very consistent strategy in support of clear objectives and this year's results show the benefit of that approach.

CHIEF EXECUTIVE OFFICER'S STATEMENT

In many ways the story of the last twelve months is straightforward. We have stuck to our strategy of supporting London's new and growing companies by providing them with high-quality properties that are in the right locations and that offer the services and facilities that suit their needs. We have ensured that we refurbish and redevelop our portfolio to create a modern working environment in order to retain and attract customers and to drive rents. By doing that consistently and well we have grown our business, yet again reporting an increase in our core rent roll of 8.5% together with a 27% uplift to the capital value of our portfolio taking its value to over £1bn. A very successful year.

But ours is a property story with a difference.

Of course, at the core are our buildings. Spread across the capital, many of them well-known landmarks, we make sure that they provide our customers with the quality, flexible space they need and we do this in ways that minimise environmental impact. However, the management of our buildings doesn't end there because we also put in place the technology and communication channels on which our customers' day-to-day business and future growth depends. It is this twin approach that sets us apart. Not only that, but we are able to manage and evolve our properties in this way because we deal directly with our customers – there are no intermediaries – so we can tailor our space, management and services using this direct dialogue and knowledge. Our brand is very important to us.

Over the last few years, we have grown our relationships and relevance with customers quickly and one thing that has taught us is that their needs are constantly evolving. We know that because we have a constant dialogue with them: our on-site teams talk to them daily, we regularly survey them on their needs and opinions and of course we have regular online communication with them. These fast-growing businesses are thoughtful and nimble and always alive to the possibilities of new technology and increasingly-sophisticated processes. We intend to be there supporting them as they evolve, ensuring our buildings are providing exactly the right environment for their success.

Nowhere is that more visible than in our Club Workspace environments. Customers contact us directly to join and take advantage of our co-working spaces and the feedback our local teams receive as we begin each new relationship helps to tailor our services and inform our thinking about future improvements to buildings. Having attracted these customers many stay with us as they grow, moving into dedicated space often in the same building. By the end of this year we will have eleven of these co-working centres across our estate, housed in space we have that is generally less easy to rent out – a win win for us.

Our refurbishment and redevelopment pipeline remains strong with great results achieved throughout the year. For example, our Pill Box property in east London underwent a full refurbishment and internal redesign, creating modern and vibrant space as well as adding a café, gym and bike store – things we know our customers value. Further, a major redevelopment of ScreenWorks in Islington will see us open a brand new office building, creating an exciting destination for our customer base in the heart of a thriving business community.

On top of all of this we are actively looking to acquire more of the right kind of properties and grow our business. Opportunities where we can leverage and apply our marketing and asset management skills to drive rents and values. Within the last six months we have successfully purchased three properties in strategic locations across the Capital and we continue to search out more.

London is changing fast and I believe this pattern will continue. Infrastructure investment such as Crossrail and the Northern Line extension will further enhance this change. New areas are emerging and establishing across London, breaking down the traditional 'core' territories . Occupiers are generally more fleet of foot, demand more flexibility and less commitment and will locate their businesses where they want to be not where they think they should be. Modern communication channels have revolutionised the way businesses operate with a significant amount now conducted online. Workspace embraces this change and I believe we are well positioned to benefit from this development across the Capital.

Combining our knowledge of London and of every customer, with the right buildings in the right locations, and managing all of these elements directly with our own people and the latest technology is the Workspace blueprint for future growth.

OCCUPANCY AND RENT ROLL

Like-for-like portfolio

The like-for-like property portfolio, which excludes properties impacted by refurbishment or redevelopment, has seen good growth over the year reflecting the strength of demand from both existing and new customers for space at our properties.

Like-for-like occupancy is stable at around 90% with a good growth in rental pricing from both renewals and new lettings. Rent per sq. ft. is up 8.5% since March 2013 to £15.28. This increase in pricing has delivered a similar strong growth in like-for-like rent roll of 8.5% (£3.7m) to £47.4m over the year.

Like-for-like properties	Mar 2014	Dec 2013	Sep 2013	Jun 2013	Mar 2013
Number of Properties	63	63	63	63	63
Occupancy	90.0%	90.6%	90.8%	90.2%	89.8%
Rent roll	£47.4m	£46.2m	£45.4m	£44.7m	£43.7m
Rent per sq. ft.	£15.28	£14.72	£14.44	£14.21	£14.08

The majority of the rent roll in the like-for-like portfolio comes from our office properties where demand has been particularly strong with rent roll growing by 10% to £37.7m (with rent per sq. ft. up 9.6%) compared to 3% growth in rent at our industrials (rent per sq. ft. up 3.9%).

March 2014	Offices	Industrials
No	38	25
Occupancy	89.2%	91.2%
Rent Roll	£37.7m	£9.7m
Rent per sq. ft.	£19.24	£8.50

In the next phase of our refurbishment and redevelopment activity in the current financial year, six properties with rent roll of £7.6m will be transferred out of the like-for-like category. This comprises five planned refurbishments at Hatton Square Business Centre, Barley Mow Centre, Enterprise House, Linton House and Bounds Green Industrial Estate and one mixed-use redevelopment at Poplar Business Park. Prior year like-for-like comparatives will be restated in due course.

Completed Projects

We have completed seven refurbishments over the last 18 months at a total cost of £27m providing some 120,000 sq. ft. of upgraded space and 90,000 sq. ft. of new space. This has delivered a £2.6m uplift in rent roll in the year to £5.9m at March 2014 as detailed below:

	Rent uplift in year	March 2014 occupancy
Canalot Studios (Completed September 2012)	£0.5m	84.7%
Chester House, Kennington Park (Completed April 2013)	£0.4m	100.0%
Leyton Industrial Village Phase 1 (Completed April 2013)	£0.3m	83.0%
Whitechapel Technology Centre (Completed April 2013)	£0.2m	84.0%
Exmouth House (Completed September 2013)	£0.8m	90.0%
Westminster Business Square Phase 1 (Completed September 2013)	£0.1m	97.4%
Pill Box (Completed February 2014)	£0.3m	25.8%
Total	£2.6m	80.8%

The most recent project completed was the 50,000 sq.ft refurbishment of the Pill Box, E2. This was an 18 month project which completed in February 2014 at a total cost of £8.7m. Letting progress to date at the Pill Box has been well ahead of our expectations in terms of both demand and pricing. Occupancy has reached 32% by the end of April 2014 at an average rent per sq. ft. of £26 compared to our initial expectation of £22.

Assuming all these completed schemes were at 90% occupancy (although some are already higher) the rent roll at current estimated rents would be £7.2m, a further uplift of £1.3m on the rent roll at March 2014.

Total Portfolio

Overall occupancy was 85.8% at March 2014 (March 2013: 87.0%). Total rent roll has increased over the year by £5.6m (10.6%) to £58.3m (March 2013: £52.7m) as detailed below:

	£m
Rent roll at 31 March 2013	52.7
Like-for-like portfolio	3.7
Completed projects	2.6
Refurbishments and redevelopments	(0.7)
Acquisition	1.1
Disposals	(1.1)
Rent roll at 31 March 2014	**58.3**

Rent roll growth from the like-for-like portfolio and completed projects of £6.3m in total was offset by a loss of rent of £0.7m from refurbishment and redevelopment projects. The majority of the rent reduction was at The Biscuit Factory (part) and The Faircharm where we are running down occupancy to achieve vacant possession ahead of redevelopment. The acquisition of Verulam House ("60 Grays Inn Road") in November 2013 has added £1.1m to the rent roll; offset by a similar loss of rent of £1.1m from four non-core disposals completed in the year.

Total contracted rent roll, which includes stepped rents and rent free periods, was £1.9m more than the cash rent roll at £60.2m. Of this uplift in rent 63% (£1.2m) is expected to convert to cash rent roll over the next year.

ENQUIRIES AND LETTINGS

Our enquiries are an important indicator of the health of demand in London from new and growing companies looking for business space. Enquiry levels over the year have been consistently high at around 1,000 per month (excluding the seasonal dip in December) reflecting the robust strength of customer demand.

Lettings are running at an average of 85 per month (2013: 84 per month). Lettings in the final quarter of the year increased to an average of 103 per month, which included 37 deals at the Pill Box following its opening in February 2014. Continued high levels of enquiries and lettings are being seen in the first quarter of the current financial year.

	Quarter Ended			
Average number per month	**March 2014**	Dec 2013	Sept 2013	June 2013
Enquiries	**1,292**	917	1,010	1,033
Lettings	**103**	80	84	74

PROFIT PERFORMANCE

Adjusted Trading Profit after Interest for the year is £20.5m, up 14.5% compared to the prior year. This excludes the exceptional finance costs of £1.9m associated with the refinancing of debt facilities completed in July 2013.

£m	**31 March 2014**	**31 March 2013**
Net rental income – underlying	50.0	45.6
Net rental income – disposals	0.3	1.5
Joint venture income	1.1	1.1
Administrative expenses- underlying	(9.9)	(9.2)
Administrative expenses- share related incentives	(2.5)	(1.8)
Net finance costs (excluding exceptional finance costs)	(18.5)	(19.3)
Adjusted Trading Profit after Interest	20.5	17.9

Underlying net rental income, excluding disposals was up £4.4m (9.6%) for the year at £50.0m. This reflects income growth of £3.3m (9%) at like-for-like properties and growth of £1.6m from completed refurbishments. This growth is partly offset by a reduction of £0.8m in income from properties undergoing refurbishment and redevelopment. The acquisition of 60 Gray's Inn Road in November 2013 has contributed £0.3m to underlying net rental income in the year.

The reduction in net rental income from disposals of £1.2m relates to four non-core property disposals made during the current year and the five disposals made in the prior year.

Joint venture (JV) income represents our 20.1% share of net rental income from the properties in the BlackRock Workspace JV. The portfolio comprised of 14 properties with a rent roll of £6.4m at March 2014.

Underlying administrative expenses have increased by £0.7m (8%) in the year due an increase in head office headcount by six to support the growth of the business and salary increases averaging 3%.

Share related incentive costs have increased by £0.7m (39%) due to higher than expected vesting levels as a result of the strong share price performance.

Net finance costs, excluding exceptional costs, have reduced by £0.8m year on year. The average level of debt (excluding cash) over the year was £332m (2013: £338m) and average interest cost excluding amortisation costs was 5.3% (2013: 5.0%). The running cost of debt at April 2014 was 5.1%.

Profit before tax has increased by 230% (£176.1m) in the year to £252.5m.

£m	**31 March 2014**	**31 March 2013**
Adjusted Trading Profit after Interest	20.5	17.9
Exceptional finance costs	(1.9)	-
Change in fair value of investment properties	221.9	59.0
Other Items	12.0	(0.5)
Profit before tax	252.5	76.4
Underlying earnings per share	13.9p	12.2p
EPRA earnings per share	7.9p	12.2p

The exceptional finance costs of £1.9m relate to the write off of unamortised costs on bank facilities that have now been refinanced.

The change in fair value of investment properties of £221.9m reflects the movement in the total CBRE valuation in the year of £228.4m, but excludes the movement in overage of £4.2m (reported within other income), the movement in cash received on part disposals of £1.5m and the revaluation gain from the disposal of Pensbury of £0.8m in the second half of the year (both of which are reported within profit /(loss) on disposal of investment properties).

Other items include a £4.2m increase in the valuation of expected overage at our redevelopments, a £2.2m increase in the fair value of our derivative financial instruments, profit on sale of investment properties of £1.6m and our share of the increase in valuation and property disposal proceeds relating to the BlackRock Workspace JV of £4.0m.

Adjusted underlying earnings per share, based on the Adjusted Trading Profit after Interest is up 14% to 13.9p (2013:12.2p). EPRA earnings per share of 7.9p is a reduction of 34% from the prior year. This is due to the inclusion in the EPRA defined EPS calculation of the Glebe proceeds share liability of £11m and the increase in expected overage on redevelopments of £4.2m.

DIVIDEND

The Board has proposed a final dividend of 7.09 pence per share, (2013: 6.45 pence) which will be paid on 1 August 2014 to shareholders on the register at 11 July 2014. This dividend will be paid as a normal dividend (non-PID). The total dividend for the year is 10.63 pence, a 10% increase on the prior year (2013: 9.67p) which is covered 1.3 times by underlying earnings per share.

PROPERTY VALUATION

At 31 March 2014 the wholly owned portfolio was independently valued by CBRE at £1,078m, an underlying increase of 27% (£228m) in the year, with an increase of 14% (£132m) in the second half of the year. The main movements in the valuation and metrics over the year are set out below:

	£m
Valuation at 31 March 2013	830
Revaluation surpluses:	
6 Months to September 2013	96
6 Months to March 2014	132
Capital expenditure	32
Acquisitions	19
Property Disposals	(12)
Capital Receipts	(19)
Valuation at 31 March 2014	**1,078**

Total Portfolio	31 March 2014	31 March 2013
Net Initial Yield	6.2%	6.9%
Equivalent Yield	7.3%	8.1%
Capital Value per sq. ft.	£240	£177

Set out below is a summary of the valuation by property type.

At March 2014	No. of properties	Revaluation surplus	Valuation
Like-for-like*	62	£130m	£692m
Redevelopments	9	£73m	£206m
Refurbishments	8	£25m	£154m
Acquisitions/Other	4	£0m	£26m
Total	83	£228m	£1,078m

**excludes Poplar Business Park which has been transferred to the redevelopment category.*

The £130m (23%) increase in value of the like-for-like properties came from an uplift in rental pricing (representing around 40% of the uplift) and a tightening in valuation yields (representing around 60% of the uplift). Looking at these in turn:

- We have achieved strong growth in rent roll and pricing levels, particularly at our office properties, with rent per sq. ft. up 8.5% to £15.25 and estimated rental value (ERV) per sq. ft. up 12.3% to £16.13.

- Net initial yield has tightened from 7.3% to 6.4% in the year (with the equivalent yield moving from 8.1% to 7.2%) reflecting the strength of demand and the investment we have made in upgrading the quality of our properties (£9m capital expenditure in the year). The capital value per sq. ft. of the like-for-like portfolio is £205 (March 2013: £164).

The most significant uplifts in value of like-for-like properties are detailed below, with the top eight properties representing 55% of the total uplift:

Like-for-like	Uplift in Year	Rent Roll Growth	March 2014 Net Initial Yield
Enterprise House, SE1	40%	11%	5.4%
Southbank House, SE1	40%	9%	6.1%
Kennington Park, SW9	35%	4%	6.2%
Clerkenwell Workshops, EC1	34%	16%	6.3%
The Leathermarket, SE1	26%	9%	6.5%
Barley Mow Centre, W4	22%	22%	7.1%
Uplands Business Park, E17	22%	4%	7.0%
Westbourne Studios, W10	20%	2%	6.6%

The uplift in the value of our redevelopment properties of £73m reflects the good progress we have made in securing residential planning consents; and the strength of demand from residential developers for the consented schemes. £51m (70%) of the uplift in the year is from schemes that have been contracted for sale to residential developers, these properties representing £149m (72%) of the total redevelopment valuation. The most notable uplifts in value are set out below:

Redevelopment	Uplift in Year	March 2014 Valuation
The Biscuit Factory (part), SE16	£31m	£58m
Bow Enterprise Park, E3	£12m	£24m
Poplar Business Park, E14	£11m	£32m
The Faircharm, SE8	£7m	£16m
The Filaments, SW18	£5m	£24m
Other (4 properties)	£7m	£52m
	£73m	£206m

Refurbishment properties saw an underlying uplift in value of £25m with capital expenditure of £20m incurred in the year. We are benefiting from the substantial investment we are making in repositioning and expanding the amount of space at these properties in locations where there is increasingly strong demand. This demand has been reflected in higher expected rents and tighter valuation yields. Of the total valuation of refurbishments £101m (66%) relates to the value of the seven completed schemes. A summary of the most significant uplifts is set out below:

Refurbishment	Uplift in Year	March 2014 Valuation
Metal Box Factory, SE1	£7m	£37m
Exmouth House, EC1	£7m	£27m
Pill Box, E2	£5m	£16m
Chester House, Kennington Park, SW9	£5m	£16m
Other (4 Properties)	£1m	£58m
	£25m	£154m

ACQUISITIONS

In November 2013 we acquired 60 Gray's Inn Road, WC1 for £18.1m at a net initial yield of 4.3% off an average rent of £26 per sq. ft. This prominent office building offers 42,000 sq. ft. of net lettable space and complements our existing cluster of buildings in the Holborn/Clerkenwell area.

In April 2014 we acquired 12-13 Greville St, EC1N for £2.3m. This building is adjacent to our existing property at 14 Greville St and we are now progressing with a planning application for a new business centre on the combined site which will benefit greatly from the opening of the new Crossrail station at Farringdon.

In May 2014 we completed on the purchase of 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.

DISPOSALS

During the year we realised £12.4m from the disposal of four non-core properties at a profit of £1.6m compared to book value at 31 March 2013, at a net initial yield of 7.6%. 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 non-core properties at March 2014 was £53m (March 2013: £56m).

REFURBISHMENT ACTIVITY

We have invested £20m of capital expenditure on our refurbishment programme over the year; Four projects have been completed at Exmouth House, Pill Box, and the first phases at Leyton Industrial Village and Westminster Business Square. The level of capital expenditure is expected to increase in 2014/15 as we progress with the next phase of our pipeline, as detailed below:

	Project Cost	New Space (sq. ft.)	Upgraded Space (sq. ft.)	Expected Completion
Completing 2014/15				
Metal Box Factory, SE1	£16m	20,000	82,000	Sept 2014
Leyton Industrial Village (Phase 2), E10	£2m	21,000	-	May 2014
Bounds Green Industrial Estate, N11	£2m	15,000	-	Dec 2014
Enterprise House, SE1	£3m	-	61,000	Jan 2015

Completing post 2014/15				
Hatton Square Business Centre, EC1	£21m	64,000	-	Oct 2016
Barley Mow Centre, W4	£7m	20,000	-	Feb 2016
Linton House, SE1	£8m	16,000	30,000	Oct 2015
Westminster Business Square (Phase 2),SE11	£15m	44,000	-	Dec 2015
	£74m	200,000	173,000	

The total estimated cost for current projects is £74m, of which £13m had been incurred to the end of March 2014. A total of 200,000 sq. ft. of new space and 173,000 sq. ft. of upgraded space will be delivered from these projects. Once these schemes are completed and have reached 90% occupancy the rent roll would be £14.8m at current estimated rents, an uplift of £6.7m on the rent roll at March 2014.

REDEVELOPMENT ACTIVITY

Many of our properties are in areas across London where there is strong demand for mixed use redevelopment. These schemes generally require demolition of an existing building to deliver new residential and commercial space. Our model is to use our expertise and knowledge to obtain a mixed use planning consent at one of our properties and then agree terms with a residential developer to undertake the redevelopment and construction at no cost or risk to Workspace. We receive back a combination of cash, new commercial space and overage in return for the sale of the residential component to the developer.

It has been a busy and successful year, highlights include:

- Obtaining four mixed use planning consents at The Biscuit Factory (May 2013), The Faircharm Phase 1 (May 2013), Poplar Business Park (September 2013), and The Filaments Phase 2 (April 2014) for a total of 1,417 residential units.

- Agreeing the sale of five redevelopment schemes at Bow Enterprise Park Phase 1 (April 2013), The Biscuit Factory – part (October 2013), Lombard House car park (December 2013) Bow Enterprise Park Phase 2 (April 2014) and The Faircharm Phase 1 (May 2014) for a total of £84m in cash and the return 112,000sq. ft. of new business space (plus overage).

An overall summary of the redevelopment programme is set out below. It excludes a number of properties where we are in active discussions with the relevant local authorities for potential mixed use redevelopment but do not yet have planning consent.

			Workspace receive			
	Developer	**Residential Units**	**Cash**	**New Space**	**Expected Delivery**	**Overage**
Contracted for sale						
The Filaments (Phase 1), SW18	Mount Anvil	209	-	53,000	Nov 2014	✓
ScreenWorks, N5	Taylor Wimpey	72	£5m	61,000	May 2014	✓
Bow Enterprise Park (Phase 1), E3	Peabody	267	£11m	10,000	Dec 2015	✓
Grand Union Centre, W10	Taylor Wimpey	145	£6m	60,000	Feb 2016	✓
Bow Enterprise Park (Phase 2), E3	Peabody	160	£11m	3,000	Dec 2016	-
The Biscuit Factory (part), SE16	Grosvenor	800	£51m	47,000	Oct 2016	✓
The Faircharm, SE8	L&Q	148	£10m	52,000	Jun 2016	-
Lombard House car park, CR0	Hexagon	22	£1m	-	-	-
		1,823	£95m	286,000		
Pipeline (with planning)						
Poplar Business Park, E14	-	392	-	70,000	-	-
The Filaments (Phase 2), SW18	-	77	-	18,000	-	-
Bow Enterprise Park (Phase 3), E3	-	130	-	38,000	-	-
		599	-	126,000		

In total we will receive £95m of cash from the redevelopment schemes that we have contracted for sale. The timing of cash receipts is in many cases dependent on when we obtain vacant possession or is paid on a staged basis. £17m was received during the last year, £42m is expected to be received in the current financial year and the balance over the following two financial years.

We will also receive 286,000 sq. ft. of new space on the contracted for sale schemes where we would expect to achieve rent roll of £5.4m, assuming 90% occupancy and current estimated rents. We expect to receive 114,000 sq. ft. of this space in the current financial year and the balance during 2015 to 2016. Current rent roll at these properties at March 2014 prior to redevelopment is £1.8m which will fall to £nil during redevelopment.

In a number of the sales we have overage clauses that entitle Workspace to additional payments if private residential sales exceed certain pre-agreed price levels. As at March 2014 the expected cash proceeds from overage was valued by CBRE at £5.8m.

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 £0.3m (March 2013: £0.3m).

A summary of the movements in cash flow is set out below:

	£m
Net cash from operations	26
Dividends paid	(14)
Capital expenditure	(30)
Property Acquisitions	(19)
Property disposals/capital receipts	29
Investment in joint ventures	2
Settlement and re-couponing of financial derivatives	(9)
Release of secured bank facility accounts	7
Refinancing costs	(3)
Net movement in year	(11)
Net debt at 31 March 2013	(327)
Net debt at 31 March 2014	(338)

FINANCING

During the year we successfully completed the refinancing of all our debt facilities to ensure diversity and flexibility of funding arrangements. The refinancing has achieved the following:

- A diversification of our sources of funding, moving away from a reliance on the bank debt market which now only represents some 20% of our drawn debt facilities.
- All facilities are now provided on an unsecured basis, giving us significant flexibility in effectively managing the property portfolio and allowing us to react quickly to asset management opportunities.
- An extended maturity profile, the weighted average maturity is just under seven years.
- Stability of our interest rate cost over the medium term, some 75% of our facilities are hedged for four years reducing to 35% at nine years.

At 31 March 2014 the Group had £410m of committed facilities with an average period to maturity of 6.8 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	£9m	June 2020
UK Fund	£45m	June 2022/2023
Retail Bond	£57.5m	October 2019
Bank debt	£150m	June 2018
Total	**£410m**	
Undrawn facilities (including cash)	£72m	

The Private Placement notes comprise $100m dollar (£64.5m) ten year notes, £84m of sterling ten year notes and £9m of seven year sterling floating rate notes. The US dollar notes have been fully hedged against sterling for ten years. The overall interest rate on the £148.5m ten year fixed rate notes is 5.6%. The UK Fund has provided a ten year floating rate facility which amortises by 50% (£22.5m) at the end of year nine. A seven year Retail Bond (listed on ORB) was issued in October 2012 and carries a coupon of 6.0%. The five year bank facilities are provided by three UK clearing banks (RBS, HSBC and Santander) at a floating rate over LIBOR. The bank term facilities of £50m and UK Fund Facility of £45m are hedged at a rate of 1.9% for five years to June 2018.

At 31 March 2014 overall loan to value was 31% giving us good headroom on all of bank, placement notes and bond covenants.

NET ASSETS

Net assets increased in the year from £500m to £726m with the main contributor being the £228m increase in the value of our investment portfolio. EPRA net asset value per share at 31 March 2014 was £4.96 (2013: £3.48), an increase of 43% in the year. The main movements in net asset value per share are set out below:

EPRA NAV per share	£
At 31 March 2013	3.48
Property valuation surplus	1.50
Trading Profit after Interest	0.14
Dividends paid in year	(0.10)
Glebe proceeds share liability	(0.07)
Other	0.01
At 31 March 2014	**4.96**

GLEBE PROCEEDS SHARE

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

The valuation of the Glebe portfolio has increased by £53m over the year to £217m at 31 March 2014. The majority of the increase has come from the uplift in valuation of The Biscuit Factory, SE16 where we obtained a residential planning consent in May 2013 on the northern part of the site.

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 31 March 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 £107m. Total estimated proceeds, including the cash already received from residential disposals of £14m, are £121m (March 2013: £83m).

The significant increase in estimated proceeds from disposals gives rise to a potential payment under the proceeds share arrangement. Net proceeds after deducting allowable sales costs are now estimated at £114m (March 2013: £79m). The excess of net proceeds over the priority return to Workspace of £92m is shared between Workspace and the former lenders to the JV in accordance with the proceeds share agreement. We have accordingly recognised a liability of £11m (March 2013: £ nil) representing 50% of the surplus in excess of £92m.

If we were to sell all the properties in the Glebe portfolio, including the business centre assets that we have no current intention to sell, the payment under the proceeds share agreement would reach the maximum payable under the agreement of £48m (March 2013: £32m) compared to the amount we have recognised of £11m. The increase of £37m would reduce the EPRA NAV per share reported at March 2014 by 25p to £4.71 (March 2013: 22p to £3.26).

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. It has continued to perform well during the year with rent roll growth of £0.3m (5%) (excluding disposals) to £6.4m in the year and occupancy at 87.7%. The property valuation has increased by 17% (excluding capital expenditure and disposals) to £104.0m at 31 March 2014.

During the year Cam Road, Stratford was sold in April 2013 for £7.6m at an uplift of £0.6m on the March 2013 valuation and in October 2013 the JV sold Rudolf Place, SW8 for £4.9m, £1.6m higher than the March 2013 valuation. We also gained planning consent for a mixed use development at Toplin House, SW9 for an eleven unit residential development and a 3,000 sq. ft. roof extension to the main building.

In May 2014 Windmill Place, UB2 was sold for £2.5m, an uplift of £0.7m to March 2014 valuation.

KEY PROPERTY STATISTICS

	Quarter ending 31 March 2014	Quarter ending 31 December 2013	Quarter ending 30 September 2013	Quarter ending 30 June 2013	Quarter ending 31 March 2013
Workspace Group Portfolio					
Property valuation	**£1,078m**	-	£921m	-	£830m
Number of estates	**83**	83	83	84	86
Lettable floorspace (million sq. ft.)†	**4.5**	4.6	4.6	4.6	4.7
Number of lettable units	**4,653**	4,543	4,539	4,543	4,626
ERV	**£75.4m**	-	£68.9m	-	£67.4m
Cash rent roll of occupied units	**£58.3m**	£56.7m	£54.1m	£53.1m	£52.7m
Average rent per sq. ft.	**£15.12**	£14.11	£13.58	£13.26	£12.98
Overall occupancy	**85.8%**	87.1%	86.8%	86.9%	87.0%
Like-for-like lettable floorspace (million sq. ft.)	**3.5**	3.5	3.5	3.5	3.5
Like-for-like cash rent roll	**£47.4m**	£46.2m	£45.4m	£44.7m	£43.7m
Like-for-like average rent per sq. ft.	**£15.28**	£14.72	£14.44	£14.21	£14.08
Like-for-like occupancy	**90.0%**	90.6%	90.8%	90.2%	89.8%
BlackRock Workspace Property Trust					
Property valuation	**£104m**	£98m	£96m	£92m	£96m
Number of estates	**14**	14	15	15	16
Lettable floorspace (million sq. ft.)†	**0.5**	0.5	0.5	0.5	0.5
ERV	**£8.5m**	£8.3m	£8.3m	£8.4m	£8.4m
Cash rent roll of occupied units	**£6.4m**	£6.4m	£6.5m	£6.3m	£7.0m
Average rent per sq. ft.	**£14.66**	£14.57	£14.48	£13.96	£14.20
Overall occupancy	**87.7%**	89.1%	88.5%	88.0%	90.4%
EPRA Performance Measures					
EPRA Earnings per share	**7.9p**	-	-	-	12.2p
EPRA Net Asset Value	**£4.96**	-	-	-	£3.48
EPRA Net Initial Yield	**6.2%**	-	-	-	6.9%
EPRA Cost Ratio	**33%**	-	-	-	32%

† Excludes storage space

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH

	Notes	2014 £m	2013 £m
Revenue	1	**73.6**	69.5
Direct costs	1	**(23.3)**	(22.4)
Net rental income	1	**50.3**	47.1
Administrative expenses	2	**(12.4)**	(11.0)
Trading profit excluding share of joint ventures		**37.9**	36.1
Profit/(loss) on disposal of investment properties	3(a)	**1.6**	(2.2)
Other income	3(b)	**4.2**	–
Change in fair value of investment properties	10	**221.9**	59.0
Operating profit	2	**265.6**	92.9
Finance income	4	**0.1**	0.2
Finance costs	4	**(18.6)**	(19.5)
Exceptional finance costs	4	**(1.9)**	-
Total finance costs		**(20.5)**	(19.5)
Change in fair value of derivative financial instruments	4	**2.2**	1.1
Gains from share in joint ventures	12	**5.1**	1.7
Profit before tax		**252.5**	76.4
Taxation	6	**(0.1)**	–
Profit for the year after tax		**252.4**	76.4
Attributable to:			
-Owners of the parent		**241.4**	76.4
-Non-controlling interests	19	**11.0**	-
		252.4	76.4
Basic earnings per share (pence)	8	**166.8p**	53.3p
Diluted earnings per share (pence)	8	**163.3p**	52.1p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH

	Notes	2014 £m	2013 £m
Profit for the financial year		**252.4**	76.4
Items that may be classified subsequently to profit or loss:			
Change in fair value of derivative financial instruments (cash flow hedge)	16(f)	**(2.9)**	-
Total comprehensive income for the year		**249.5**	76.4
Attributable to:			
-Owners of the parent		**238.5**	76.4
-Non-controlling interests	19	**11.0**	-
		249.5	76.4

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH

	Notes	**2014** **£m**	2013 £m
Non-current assets			
Investment properties	10	**1,068.3**	825.9
Intangible assets		**0.4**	0.5
Property, plant and equipment	11	**2.0**	1.7
Investment in joint ventures	12	**23.1**	20.7
Trade and other receivables	13	**11.2**	6.1
		1,105.0	854.9
Current assets			
Trade and other receivables	13	**7.1**	13.0
Cash and cash equivalents	14	**3.7**	11.8
Corporation tax asset		**0.3**	0.8
		11.1	25.6
Total assets		**1,116.1**	880.5
Current liabilities			
Derivative financial instruments	16(e) & (f)	**-**	(11.1)
Trade and other payables	15	**(36.0)**	(31.3)
		(36.0)	(42.4)
Non-current liabilities			
Borrowings	16(a)	**(335.8)**	(337.7)
Derivative financial instruments	16(e) &(f)	**(7.2)**	-
Other non-current liabilities	18	**(11.0)**	–
		(354.0)	(337.7)
Total liabilities		**(390.0)**	(380.1)
Net assets		**726.1**	500.4
Shareholders' equity			
Share capital	20	**145.6**	144.9
Share premium		**58.2**	58.8
Investment in own shares	22	**(8.9)**	(8.9)
Other reserves	21	**14.0**	15.3
Retained earnings		**517.2**	290.3
Total shareholders' equity		**726.1**	500.4
Non-controlling interests	18 & 19	**-**	-
Total equity		**726.1**	500.4
EPRA net asset value per share	9	**£4.96**	£3.48

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	Non-controlling interests £m	Total £m
		Attributable to owners of the Parent							
Balance at 1 April 2012		144.1	59.2	(8.7)	13.9	226.9	435.4	-	435.4
Profit for the year		–	–	–	–	76.4	76.4	-	76.4
Total comprehensive income		–	–	–	–	76.4	76.4	-	76.4
Transactions with owners:									
Share issues	20	0.8	(0.4)	–	–	–	0.4	-	0.4
Own shares purchase	22	–	–	(0.2)	–	–	(0.2)	-	(0.2)
Dividends paid	7	–	–	–	–	(13.0)	(13.0)	-	(13.0)
Share based payments		–	–	–	1.4	–	1.4	-	1.4
Balance at 31 March 2013		144.9	58.8	(8.9)	15.3	290.3	500.4	-	500.4
Profit for the year		**-**	**-**	**-**	**-**	**241.4**	**241.4**	**11.0**	**252.4**
Change in fair value of derivatives	21	**-**	**-**	**-**	**(2.9)**	**-**	**(2.9)**	**-**	**(2.9)**
Total comprehensive income		**-**	**-**	**-**	**(2.9)**	**241.4**	**238.5**	**11.0**	**249.5**
Transactions with owners:									
Share issues	20	**0.7**	**(0.6)**	**-**	**-**	**-**	**0.1**	**-**	**0.1**
Dividends paid	7	**-**	**-**	**-**	**-**	**(14.5)**	**(14.5)**	**-**	**(14.5)**
Distributions	18 & 19	**-**	**-**	**-**	**-**	**-**	**-**	**(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
FOR THE YEAR ENDED 31 MARCH

	Notes	**2014 £m**	2013 £m
Cash flows from operating activities			
Cash generated from operations	17	**43.0**	38.6
Interest received		**0.1**	0.3
Interest paid		**(17.4)**	(16.6)
Tax refunded/(paid)		**0.4**	(0.2)
Net cash inflow from operating activities		**26.1**	22.1
Cash flows from investing activities			
Purchase of investment properties		**(19.2)**	-
Capital expenditure on investment properties		**(28.9)**	(27.3)
Proceeds from disposal of investment properties (net of sale costs)		**29.1**	16.7
Purchase of intangible assets		**(0.1)**	(0.3)
Purchase of property, plant and equipment		**(0.9)**	(1.0)
Net investment in joint ventures	12	**1.6**	(7.7)
Movement in short-term funding balances with joint ventures		**(0.5)**	–
Distributions received from joint ventures	12	**1.1**	0.9
Net cash outflow from investing activities		**(17.8)**	(18.7)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**0.1**	0.4
Finance costs for new/amended borrowing facilities		**(3.5)**	(1.1)
Settlement and re-couponing of derivative financial instruments		**(8.5)**	(2.1)
Repayment of bank borrowings		**(280.0)**	(68.0)
Drawdown of bank borrowings		**80.0**	10.0
Drawdown of other borrowings		**202.5**	57.5
Payment of priority fee		**-**	(0.9)
Inflow/(outflow) on bank facility rental income accounts		**7.4**	(0.7)
Own shares purchase		**-**	(0.2)
Dividends paid	7	**(14.4)**	(13.0)
Net cash outflow from financing activities		**(16.4)**	(18.1)
Net decrease in cash and cash equivalents		**(8.1)**	(14.7)
Cash and cash equivalents at start of year	17	**11.8**	26.5
Cash and cash equivalents at end of year	17	**3.7**	11.8

NOTES TO THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

The financial information in this report has been prepared under International Financing Reporting Standards (IFRS) as adopted by the European Union but is abridged and does not constitute the Group's full Financial Statements for the years ended 31 March 2014 and 31 March 2013.

Full Financial Statements for the year ended 31 March 2013 were prepared under IFRS, received an unqualified auditors' report, did not draw attention to any matters by way of emphasis, did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

The accounting policies are consistent with those contained in the Group's last annual report and accounts for the year ended 31 March 2013, with exception of the following:

Standard or interpretation	Content
Amendment: IAS 1	Financial statement presentation regarding other comprehensive income
Amendment: IAS 34	Interim financial reporting
Amendment: IAS 12	Income taxes on deferred tax
IFRS 13	Fair value measurement
Amendment: IFRS 7	Financial instruments: disclosures, on offsetting financial assets and liabilities
Annual improvements 2011	Changes to IFRS 1/IAS 1/IAS 16/IAS 32/IAS 34

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

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

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

GLEBE PROCEEDS SHARE AGREEMENT

There has also been a change in Accounting Policy for the Glebe Proceeds Share Agreement. Previously, the Group considered the proceeds share agreement as a contingent liability, with a provision under IAS 37 only being recognised if the obligation under the agreement was triggered or it was otherwise considered probable that an outflow of economic benefits would be required. The Group now accounts for the agreement as an equity instrument in accordance with IAS 32 representing a non-controlling interest (NCI).

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Where the Group enters into a contract that meets the definition of equity under IAS 32 and also represents an interest in a subsidiary's equity net assets that is not attributable to the parent, such a contract is accounted for as non-controlling interest. A non-controlling interest is recognised for the Glebe proceeds share agreement (see note 19). Profit or loss and comprehensive income and loss are attributed to non-controlling interest in line with the terms of the relevant contract. In measuring the amount attributable to the non-controlling interest, the Group takes into account the likelihood that a property will be sold and that a payment may be made. For the proceeds share agreement, amounts are attributed to the non-controlling interest when the Group has a legal or constructive obligation to sell the relevant properties. At this point, the non-controlling interest has a demonstrable interest in their portion of the fair value gains to be realised in relation to these properties. Amounts payable under the agreement are recognised as liabilities when a contractual obligation is established, with the corresponding entry being against the balance of non-controlling interest (that is, through equity).

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

Further details can be found in note 19.

Financial Statements for the year ended 31 March 2014 were approved by the Board of Directors on 3 June 2014 and will be presented to the members at the forthcoming Annual General Meeting. The auditors' report on these Financial Statements is unqualified, does not draw attention to any matters by way of emphasis, and does not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

1. ANALYSIS OF NET RENTAL INCOME AND SEGMENTAL INFORMATION

	2014			2013		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**55.3**	**(0.3)**	**55.0**	51.4	(0.2)	51.2
Service charges	**14.2**	**(16.3)**	**(2.1)**	14.1	(16.0)	(1.9)
Empty rates and other non recoverables	**0.4**	**(3.8)**	**(3.4)**	0.4	(3.4)	(3.0)
Services, fees, commissions and sundry income	**3.7**	**(2.9)**	**0.8**	3.6	(2.8)	0.8
	73.6	**(23.3)**	**50.3**	69.5	(22.4)	47.1

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:

	2014 £m	2013 £m
Depreciation[1]	**0.6**	0.4
Staff costs (including share based costs)[1] (see note 5)	**13.9**	11.9
Repairs and maintenance expenditure on investment properties	**3.3**	3.3
Trade receivables impairment	**0.2**	0.3
Amortisation of intangibles	**0.2**	0.1
Operating lease rentals payable	**0.1**	0.1
Audit fees payable to the Company's auditors	**0.2**	0.2

1.Charged to direct costs and administrative expenses.

Total administrative expenses are analysed below:	**2014 £m**	2013 £m
Staff costs	**6.6**	6.0
Cash settled share based costs	**0.9**	0.4
Equity settled share based costs	**1.6**	1.4
Other	**3.3**	3.2
	12.4	11.0

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

	2014 £m	2013 £m
Proceeds from sale of investment properties (net of sale costs)	**30.6**	19.6
Book value at time of sale (note 10)	**(29.0)**	(21.7)
	1.6	(2.1)
Unrealised profit on sale of properties to joint ventures	**-**	(0.1)
Pre-tax profit/(loss) on sale	**1.6**	(2.2)

£2.9m (2013: £6.2m) of the proceeds for the year were in the form of deferred consideration, of which £2.9m is outstanding at 31 March 2014 (31 March 2013: £2.9m) and is included in the Consolidated Balance Sheet under non-current and current trade and other receivables.

3(b). OTHER INCOME

	2014 £m	2013 £m
Change in fair value of deferred consideration	**4.2**	-
	4.2	-

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

4. FINANCE INCOME AND COSTS

	2014 £m	2013 £m
Interest income on bank deposits	**0.1**	0.2
Finance income	**0.1**	0.2
Interest payable on bank loans and overdrafts	**(6.3)**	(16.3)
Interest payable on other borrowings	**(11.8)**	(1.6)
Amortisation of issue costs of borrowings	**(1.1)**	(2.0)
Interest payable on finance leases	**(0.2)**	(0.2)
Interest capitalised on property refurbishments (note 10)	**0.8**	0.6
Foreign exchange gains on financing activities	**4.3**	-
Cash flow hedge - transfer from equity	**(4.3)**	-
Finance costs - underlying	**(18.6)**	(19.5)
Issue costs written off on re-financing	**(1.9)**	-
Total finance costs	**(20.5)**	(19.5)
Change in fair value of financial instruments through the income statement	**2.2**	1.1
Net finance costs	**(18.2)**	(18.2)

5. EMPLOYEES AND DIRECTORS

Staff costs for the Group during the year were:	2014 £m	2013 £m
Wages and salaries	**9.7**	8.6
Social security costs	**1.1**	1.0
Other pension costs	**0.6**	0.5
Cash settled share based costs	**0.9**	0.4
Equity settled share based costs	**1.6**	1.4
	13.9	11.9

The monthly average number of people (including Executive Directors) employed during the year was:	2014 Number	2013 Number
Executive Directors	**2**	2
Head office staff	**74**	68
Estates and property management staff	**106**	100
	182	170

6. TAXATION

	2014 £m	2013 £m
Current tax:		
UK corporation tax	**-**	(0.2)
Adjustments to tax in respect of previous periods	**0.1**	0.2
Total taxation charge	**0.1**	–

The tax on the Group's profit for the period differs from the standard applicable corporation tax rate in the UK - 23% (2013: 24%). The differences are explained below:

	2014 £m	2013 £m
Profit on ordinary activities before taxation	**252.5**	76.4
Adjust gains from share in joint ventures	**(5.1)**	(1.7)

	2014	2013
	247.4	74.7
Tax at standard rate of corporation tax in the UK of 23% (2013: 24%)	**56.9**	17.9
Effects of:		
REIT exempt income	**(4.8)**	(2.8)
Changes in fair value not subject to tax as a REIT	**(51.6)**	(14.4)
Share scheme adjustments	**(1.1)**	(0.1)
Contaminated land relief	**-**	(0.3)
Other income	**(0.9)**	-
Adjustments to tax in respect of previous periods	**0.1**	0.2
Losses carried forward/(brought forward)	**1.5**	(0.5)
Total taxation charge	**0.1**	–

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

The Group currently has £5.3m (2013: £4.2m) of tax losses carried forward calculated at a corporation tax rate of 21% (2013: 23%) 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. A further reduction in the main rate of corporation tax to 20% by 1 April 2015 has been enacted. If the 20% rate had been applied to tax losses at the Balance Sheet date it would have reduced losses by £0.3m.

7. DIVIDENDS

Ordinary dividends paid	Payment date	Per share	**2014 £m**	2013 £m
For the year ended 31 March 2012:				
Final dividend	August 2012	5.86p	**-**	8.4
For the year ended 31 March 2013:				
Interim dividend	February 2013	3.22p	**-**	4.6
Final dividend	August 2013	6.45p	**9.3**	-
For the year ended 31 March 2014:				
Interim dividend	February 2014	3.54p	**5.2**	-
Dividends for the year			**14.5**	13.0
Timing difference on payment of withholding tax			**(0.1)**	-
Dividends cash paid			**14.4**	13.0

In addition the Directors are proposing a final dividend in respect of the financial year ended 31 March 2014 of 7.09p per ordinary share which will absorb an estimated £10.3m of revenue reserves and cash. If approved by the shareholders at the AGM, it will be paid on 1 August 2014 to shareholders who are on the register of members on 11 July 2014. The dividend will be paid as a normal distribution (non-PiD).

8. EARNINGS PER SHARE

Earnings used for calculating earnings per share:	**2014 £m**	2013 £m
Basic and diluted earnings (attributable to owners of the parent)	**241.4**	76.4
Change in fair value of investment property	**(221.9)**	(59.0)
(Profit)/loss on disposal of investment properties	**(1.6)**	2.2
Movement in fair value of derivative financial instruments	**(2.2)**	(1.1)
Group's share of EPRA adjustments of joint ventures	**(4.0)**	(0.6)
EPRA adjusted earnings	**11.7**	17.9
Adjustment for non-recurring items	**8.8**	-
Adjusted underlying earnings (before tax)	**20.5**	17.9

Earnings have been adjusted and calculated on a diluted basis to derive an earnings per share measure as defined by the European Public Real Estate Association (EPRA) and an underlying earnings measure with additional company adjustments for non-recurring items. The adjustments are for other income of £4.2m, exceptional finance costs of £1.9m, tax of £0.1m and profit attributable to non-controlling interests of £11.0m.

Number of shares used for calculating earnings per share:	2014 Number	2013 Number
Weighted average number of shares (excluding own shares held in trust)	**144,705,947**	143,404,929
Dilution due to share option schemes	**3,122,782**	3,351,045
Weighted average number of shares for diluted earnings per share	**147,828,729**	146,755,974

In pence:	2014	2013
Basic earnings per share	**166.8p**	53.3p
Diluted earnings per share	**163.3p**	52.1p
EPRA diluted earnings per share	**7.9p**	12.2p
Adjusted underlying diluted earnings per share	**13.9p**	12.2p

9. NET ASSETS PER SHARE

Net assets used for calculating net assets per share:	2014 £m	2013 £m
Net assets at end of year (basic)	**726.1**	500.4
Derivative financial instruments at fair value	**7.2**	11.1
EPRA net assets	**733.3**	511.5

Number of shares used for calculating net assets per share:	2014 Number	2013 Number
Shares in issue at year-end	**145,616,695**	144,936,155
Less own shares held in trust at year-end	**(157,846)**	(1,270,602)
Number of shares for calculating basic net assets per share	**145,458,849**	143,665,553
Dilution due to share option schemes	**2,526,414**	3,448,522
Number of shares for calculating diluted adjusted net assets per share	**147,985,263**	147,114,075

	2014	2013
EPRA net assets per share	**£4.96**	£3.48

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

10. INVESTMENT PROPERTIES

	2014 £m	2013 £m
Balance at 1 April	**825.9**	759.3
Purchase of investment properties	**19.0**	-
Capital expenditure	**29.7**	28.7
Capitalised interest on refurbishments (note 4)	**0.8**	0.6
Disposals during the year	**(29.0)**	(21.7)
Change in fair value of investment properties	**221.9**	59.0
Balance at 31 March	**1068.3**	825.9

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

Capitalised interest is included at a rate of capitalisation of 5.1% (2013: 5.0%). The total amount of capitalised interest included in investment properties is £5.0m (2013: £4.2m).

The change in fair value of investment properties is recognised in the income statement.

Investment property includes buildings under finance leases of which the carrying amount is £3.5m (2013: £3.5m). Investment property finance lease commitment details are shown in note 16(g).

VALUATION

The Group's investment properties are held at fair value and were revalued at 31 March 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. This includes a physical inspection of all properties, at least once a year. In line with IFRS 13 all investment properties are valued on the basis of their highest and best use. For like-for-like properties their current use equates to the highest and best use. For properties undergoing refurbishment or redevelopment these are currently being used for business accommodation in their current state. However the valuation is based on the potential refurbishment and redevelopment as this represents the highest and best use.

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

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

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

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

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

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

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

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

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

	2014	2013
	£m	£m
Total per CBRE valuation report	**1078.0**	829.9
Deferred consideration on sale of property (note 13)	**(13.2)**	(7.5)
Head leases treated as finance leases under IAS 17	**3.5**	3.5
Total investment properties per balance sheet	**1068.3**	825.9

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

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

As noted in the Significant Judgements, Key Assumptions and Estimates section, property valuations are complex and involve data which is not publicly available and involves a degree of judgement. All 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 year.

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. Range	ERVs - per sq. ft. Weighted average	Equivalent yields Range	Equivalent yields Weighted average
Like-for-like	692	1	£3 - £65	£16	6.0% - 12.7%	7.2%
Refurbishments	154	2	£7 - £47	£25	6.5% - 7.9%	7.1%
Redevelopments	197	2	£5 - £27	£18	6.1% - 9.9%	7.5%
Other	21	1	£8 - £39	£33	6.8% - 15.4%	8.2%
Head leases	4	n/a				
	1,068					

1= income capitalisation method
2= residual value method

Sensitivity analysis:-

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

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+ 69 / - 69	- 23 / + 25
Refurbishments	+ 18 / - 18	- 6 / + 6
Redevelopments	+ 10 / - 10	- 3 / + 3
Other	+ 3 / - 3	- 1 / + 1

11. PROPERTY, PLANT AND EQUIPMENT

	Equipment and fixtures £m	Total £m
Cost or valuation		
Balance at 1 April 2012	5.3	5.3
Additions during the year	1.0	1.0
Balance at 31 March 2013	6.3	6.3
Additions during the year	0.9	0.9
Balance at 31 March 2014	**7.2**	**7.2**
Accumulated depreciation		
Balance at 1 April 2012	4.2	4.2
Charge for the year	0.4	0.4
Balance at 31 March 2013	4.6	4.6
Charge for the year	0.6	0.6
Balance at 31 March 2014	**5.2**	**5.2**
Net book amount at 31 March 2014	**2.0**	**2.0**
Net book amount at 31 March 2013	1.7	1.7

12. JOINT VENTURES

The Group’s investment in joint ventures represents:

	2014 £m	2013 £m
Balance at 1 April	**20.7**	12.3
Net cash investment	**(1.6)**	7.7
Unrealised surplus on sale of properties to joint venture	**-**	(0.1)
Share of gains	**5.1**	1.7
Distributions received	**(1.1)**	(0.9)
Balance at 31 March	**23.1**	20.7

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 Limited	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 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 work place consultancy both for Group properties and third parties.

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

	2014 **£m**	2013 £m
Investment properties	**22.9**	20.8
Current assets	**1.5**	1.2
Current liabilities	**(0.8)**	(0.8)
Net assets	**23.6**	21.2
Unrealised surplus on sale of properties to joint venture	**(0.5)**	(0.5)
Investment in joint venture	**23.1**	20.7

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

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Revenue	**1.9**	1.7
Direct costs	**(0.6)**	(0.5)
Net rental income	**1.3**	1.2
Administrative expenses	**(0.2)**	(0.1)
Profit on disposal of investment properties	**0.3**	-
Change in fair value of investment properties	**3.7**	0.6
Profit before tax	**5.1**	1.7
Taxation	**-**	–
Profit after tax	**5.1**	1.7

13. TRADE AND OTHER RECEIVABLES

Non-current trade and other receivables	**2014 £m**	2013 £m
Deferred consideration on sale of investment property:		
Balance at 1 April	**6.1**	4.6
Additions	**0.9**	1.5
Change in fair value	**4.2**	-
Balance at 31 March	**11.2**	6.1

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 overage has been fair valued by CBRE Limited on the basis of the residual value as at 31 March 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. The methodology and significant assumptions used in the valuation are consistent with those disclosed in note 10.The change in fair value recorded in the income statement was a profit of £4.2m (31 March 2013: £nil) (see note 3 (b)).

Current trade and other receivables	**2014 £m**	2013 £m
Trade receivables	**2.3**	2.5
Less provision for impairment of receivables	**(0.3)**	(0.4)
Trade receivables – net	**2.0**	2.1
Prepayments and accrued income	**2.8**	2.1
Bank facility rental income accounts	**-**	7.4
Amounts due from related parties	**0.3**	-
Deferred consideration on sale of investment property	**2.0**	1.4
	7.1	13.0

Bank facility rental income accounts were held by the banks as security for interest payments under the terms of our previous bank facilities. These have now been settled following the refinancing in July 2013.

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.

14. CASH AND CASH EQUIVALENTS

	2014 £m	2013 £m
Cash at bank and in hand	**2.0**	10.1
Restricted cash – tenants' deposit deeds	**1.7**	1.7
	3.7	11.8

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

	2014 £m	2013 £m
Trade payables	**4.4**	2.1
Other tax and social security payable	**2.5**	1.5
Tenants' deposit deeds (see note 14)	**1.7**	1.7
Tenants' deposits	**10.1**	8.7
Accrued expenses	**14.3**	14.0
Amounts due to related parties	**0.3**	0.5
Deferred income – rent and service charges	**2.7**	2.8
	36.0	31.3

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	**2014 £m**	2013 £m
Non-current		
Bank loans (unsecured)	**78.3**	-
6% Retail Bond (unsecured)	**56.6**	56.4
5.6% Senior US Dollar Notes 2023 (unsecured)	**60.4**	-
5.53% Senior Notes 2023 (unsecured)	**83.7**	-
Senior Floating Rate Notes 2020 (unsecured)	**9.0**	-
Other term loan (unsecured)	**44.3**	-
Bank loans (secured)	**-**	277.8
Finance lease obligations	**3.5**	3.5
	335.8	337.7

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

(B) NET DEBT

	2014 £m	2013 £m
Borrowings per (a) above	**335.8**	337.7
Adjust for:		
Finance leases	**(3.5)**	(3.5)
Cost of raising finance	**3.8**	3.3
Foreign exchange gains and hedge adjustment	**3.9**	-
	340.0	337.5
Cash at bank and in hand (note 14)	**(2.0)**	(10.1)
Net Debt	**338.0**	327.4

At 31 March 2014 the Group had £70m (2013: £45m) of undrawn bank facilities and £2m of unrestricted cash (2013: £10m).

(C) MATURITY

	2014 £m	2013 £m
Repayable between two years and three years	**-**	280.0
Repayable between four years and five years	**80.0**	–
Repayable in five years or more	**260.0**	57.5
	340.0	337.5
Cost of raising finance	**(3.8)**	(3.3)
Foreign exchange gains and hedge adjustment	**(3.9)**	-
	332.3	334.2
Finance leases		
Repayable in five years or more	**3.5**	3.5
	335.8	337.7

(D) INTEREST RATE AND REPAYMENT PROFILE

	Principal at period end £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	–	Base +2.25%	Variable	On demand
Non-current				
5.6% Senior US Dollar Notes	64.5	5.6%	Half Yearly	June 2023
5.53% Senior Notes	84.0	5.53%	Half Yearly	June 2023
Senior Floating Rate Notes	9.0	LIBOR +3.5%	Half Yearly	June 2020
Other term loan	22.5)	LIBOR +3.5%	Quarterly	May 2022
	22.5)	LIBOR +3.5%	Quarterly	May 2023
Term loan	50.0	LIBOR +2.5%	Quarterly	June 2018
Revolver loan	30.0	LIBOR +2.3%	Monthly	June 2018
6% Retail Bond	57.5	6%	Half Yearly	October 2019

(E) 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 fair value dealt with in equity.

(F) FAIR VALUES OF FINANCIAL INSTRUMENTS

	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	**78.3**	**78.3**	277.8	277.8
6% Retail Bond	**56.6**	**60.5**	56.4	59.0
Private Placement Notes	**153.1**	**153.1**	-	-
Other term loan	**44.3**	**44.3**	-	-
Finance lease obligations	**3.5**	**3.5**	3.5	3.5
	335.8	**339.7**	337.7	340.3
Financial liabilities at fair value through profit or loss				
Derivative financial instruments:				
Interest rate swaps	**0.5**	**0.5**	11.1	11.1
Financial liabilities at fair value through equity				
Derivative financial instruments:				
Cash flow hedge	**6.7**	**6.7**	-	-
	7.2	**7.2**	11.1	11.1

The fair value of the Retail Bond has been established from the quoted market price at 31 March 2014 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 year.

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

The amount of £11.1m outstanding in 2013 was due in 2015. However, this was classified as current as it was settled on refinancing shortly after the year end.

The total change in fair value of derivative financial instruments recorded in the income statement was a profit of £2.2m (2013: £1.1m). This is net of £8.5m (2013: £2.1m) paid in the year to settle some instruments on refinancing debt.

The total change in fair value of derivative financial instruments recorded in other comprehensive income was a loss of £2.9m (2013: £nil).

(G) FINANCE LEASES

Finance lease liabilities are in respect of leased investment property.

Minimum lease payments under finance leases fall due as follows:	**2014 £m**	2013 £m
Within one year	**0.2**	0.2
Between two and five years	**1.0**	0.9
Beyond five years	**21.0**	21.5
	22.2	22.6
Future finance charges on finance leases	**(18.7)**	(19.1)
Present value of finance lease liabilities	**3.5**	3.5

17. NOTES TO CASH FLOW STATEMENT

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

	2014 £m	2013 £m
Profit before tax	**252.5**	76.4
Depreciation	**0.6**	0.4
Amortisation of intangibles	**0.2**	0.1
Profit/(loss) on disposal of investment properties	**(1.6)**	2.2

Other income	**(4.2)**	-
Net gain from change in fair value of investment property	**(221.9)**	(59.0)
Equity settled share based payments	**1.6**	1.4
Change in fair value of financial instruments	**(2.2)**	(1.1)
Finance income	**(0.1)**	(0.2)
Finance expense	**20.5**	19.5
Gains from share in joint ventures	**(5.1)**	(1.7)
Changes in working capital:		
(Increase) in trade and other receivables	**(0.4)**	(0.5)
Increase in trade and other payables	**3.1**	1.1
Cash generated from operations	**43.0**	38.6

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

	2014 £m	2013 £m
Cash at bank and in hand	**2.0**	10.1
Restricted cash – tenants' deposit deeds	**1.7**	1.7
	3.7	11.8

18. OTHER NON-CURRENT LIABILITIES

	2014 £m	2013 £m
Amount payable re proceeds share arrangement	**11.0**	-

See note 19 for details of this payable.

19. 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 a proceeds share arrangement.

The proceeds share provides for the former lenders to Workspace Glebe to share in net cash proceeds from disposals from the Glebe property portfolio once Workspace has received its priority return. The priority return at 31 March 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 this proceed share is £48m. All disposals are at the option of Workspace and there are no time limits.

The total valuation of the Glebe portfolio at 31 March 2014 was £217m (31 March 2013: £164m). While a number of the assets have residential redevelopment potential a substantial part of the portfolio is comprised of investment properties that Workspace has no current plans to sell. The current value of the properties that have redevelopment potential and management consider probable to be sold for cash is £107m. Total proceeds including cash received to date from disposals of £14m would therefore be £121m (31 March 2013: £83m). It is estimated that net proceeds after costs that would be realised is £114m. On this basis, the Group has a legal or constructive obligation to pay the lenders £11m at 31 March 2014.

We have reviewed and changed our accounting policy for the Glebe proceeds share agreement. Previously, the Group considered the proceeds share agreement as a contingent liability, with a provision under IAS 37 only being recognised if the obligation under the agreement was triggered or it was otherwise considered probable that an outflow of economic benefits would be required. The Group now accounts for the agreement as an equity instrument in accordance with IAS 32 representing a non-controlling interest (NCI).

There is no impact of this change in policy on the prior year. The NCI had an initial fair value on acquisition of £nil with no subsequent attributions of profit or distributions until the current year. The effect in the current year is to recognise a NCI of £11m and a subsequent distribution to the NCI of £11m. This has resulted in a non-current liability of £11m on the balance sheet (see note x). Under the previous treatment, the Group would have recognised a provision of £11m in the current year with a corresponding entry through other income and expenses. This change in policy has no impact on EPRA NAV.

In the highly unlikely scenario that all properties in the Glebe portfolio were sold, the maximum amount payable under the proceeds share agreement of £48m would be due to the lenders (31 March 2013: £32m). This would be reflected in an increase in the amount attributable to NCI at 31 March 2014 of £37m (31 March 2013: £32m) with a net impact of reducing EPRA NAV per share by 25p (31 March 2013: 22p).

20. SHARE CAPITAL

	2014 Number	2013 Number
Issued: Fully paid ordinary shares of £1 each	**145,616,695**	144,936,155

	2014 £m	2013 £m
Issued: Fully paid ordinary shares of £1 each	**145.6**	144.9

Movements in share capital were as follows:	2014 Number	2013 Number
Number of shares at 1 April	**144,936,155**	144,091,418
Issue of shares	**680,540**	844,737
Number of shares at 31 March	**145,616,695**	144,936,155

The shares issued during the year were to satisfy the exercise of share options.

	£m	£m
Balance at 1 April	**144.9**	144.1
Issue of shares	**0.7**	0.8
Balance at 31 March	**145.6**	144.9

21. OTHER RESERVES

	Equity settled share based payments £m	Merger Reserve £m	Hedging Reserve £m	Total £m
Balance at 1 April 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
Share based payments	1.6	–	-	1.6
Change in fair value of derivative financial instruments (cash flow hedge)	-	-	(2.9)	(2.9)
Balance at 31 March 2014	**8.2**	**8.7**	**(2.9)**	**14.0**

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

22. INVESTMENT IN OWN SHARES

The Company has an Employee Share Ownership Trust (ESOT) to purchase shares in the market for distribution at a later date in accordance with the terms of the Executive Share Option Scheme and Long Term Equity Incentive Plan. The shares are held by an independent trustee and the rights to dividends on the shares have been waived except where the shares are beneficially owned by participants. No shares were purchased for the Trust during the year but 1,109,836 shares were transferred to employees on the exercise of share options. At 31 March 2014 the number of shares held by the Trust totalled 108,966 (2013: 1,218,802). At 31 March 2014 the market value of these shares was £0.6m (2013: £4.2m) compared to a nominal value of £0.1m (2013: £1.2m).

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

	2014 £m	2013 £m
Balance at 1 April	**8.9**	8.7
Acquisition of ordinary shares	**-**	0.2
Balance at 31 March	**8.9**	8.9

23. CAPITAL COMMITMENTS

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

	2014 £m	2013 £m
Funding of joint venture	**3.3**	1.7
Purchases, construction or redevelopment of investment property	**8.9**	18.2

24. POST BALANCE SHEET EVENTS

Bow Enterprise Park, E3 – Contracts were exchanged in April 2014 with Peabody Enterprises for the second phase of the redevelopment of this site with consideration comprising £11m in cash and 3,000 sq. ft. of new commercial space.

12/13 Greville Street, London, EC1 – The purchase of this property for a consideration of £2.3m was completed in April 2014.

The Filaments, SW18 – in April 2014 a mixed use planning permission was secured for the second phase of the redevelopment of this estate. This scheme comprises 77 apartments and 18,000 sq. ft. of commercial space. We would expect to receive back a combination of cash and new commercial space (at no cost or risk to Workspace) from the sale of the residential component to a residential developer.

The Faircharm, SE8 – contracts were exchanged in May 2014 with London & Quadrant Housing Association for the redevelopment of this estate with consideration comprising £9.5m in cash and 52,000 sq. ft. of new business space.

The Biscuit Factory (part), SE16 - £17.9m of cash was received in May 2014 for the sale of the first phase of the redevelopment to Grosvenor Britain and Ireland.

Vestry Street Studios, N1 – The purchase of this property for a consideration of £12.6m was completed in May 2014.

RESPONSIBILITY STATEMENT

The 2014 Annual Report, which will be issued mid-June 2014, contains a responsibility statement in compliance with DTR 4.1.12. This states that on 3 June 2014, the date of approval of the Annual Report, the Directors confirm that to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

- The Business Review contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, with a description of the principal risks and uncertainties that the Group faces included in a separate section.

The Directors of Workspace Group PLC will be listed in the Group's 2014 Annual Report. A list of current Directors is maintained on the Group's website: www.workspace.co.uk.