HALF YEAR RESULTS

9 November 2016

WORKSPACE GROUP PLC
INTERIM RESULTS

WORKSPACE GROUP PLC

STRONG CUSTOMER DEMAND CONTINUES TO DRIVE INCOME GROWTH
40% INCREASE IN INTERIM DIVIDEND

Highlights

Financial Performance

- Net rental income up 6% to £38.0m (30 September 2015: £35.9m)
- Adjusted trading profit after interest up 16% to £23.6m (30 September 2015: £20.4m)
- Adjusted underlying earnings per share up 15.2% to 14.4p (30 September 2015: 12.5p)
- Interim dividend per share increased by 40% to 6.80p (30 September 2015: 4.86p)
- Profit before tax of £7.1m (30 September 2015: £163.4m)
- EPRA net asset value per share down 0.9% to £9.15 (31 March 2016: £9.23)

Operating Performance

- Total rent roll up 8.4% in the six months to £84.8m (31 March 2016: £78.2m)
- Like-for-like rent roll up 5.5% to £51.5m (31 March 2016: £48.8m)
- Like-for-like rent per sq. ft. up 4.5% to £24.93 (31 March 2016: £23.86)
- Like-for-like occupancy at 90.3% (31 March 2016: 90%)
- Rent roll at completed projects up 46% to £13.4m (31 March 2016: £9.2m)

Property Valuation

- Property portfolio valued at £1,780m (31 March 2016: £1,779m) down 0.9% (£16m) on an underlying basis
- Like-for-like capital value per sq. ft. down 0.5% to £374 (31 March 2016: £376)
- Like-for-like initial yield of 5.3% (31 March 2016: 5.0%) and equivalent yield of 6.6% (31 March 2016: 6.4%)

Active Asset Management

- Planning consents achieved for two refurbishments in Hackney and Ladbroke Grove and a mixed-use redevelopment in Stratford
- Sale of three residential redevelopments agreed in October 2016, at a premium to 31 March 2016 valuation
- Remaining eight properties in the BlackRock Workspace Property Trust (“BWPT”) sold in May and June 2016

Financing

- Bank revolver facility extended by 12 months to June 2021
- Undrawn bank facilities and cash of £122m (31 March 2016: £134m)
- Average interest cost 5.5% (31 March 2016: 5.1%), expected to reduce in second half following repayment of £45m of term debt in September 2016
- Loan to value at 14% (31 March 2016: 16%)

Commenting on the results, Jamie Hopkins, Chief Executive Officer said:

"Workspace has delivered another half of good like-for-like rental growth as demand for our space remains strong. In addition, our completed refurbishments and redevelopments are attracting very strong customer demand, with overall rent roll at these properties increasing by 46% in the six months. As London continues to change and more traditional businesses are embracing new ways of working, Workspace's high quality office space in well-connected locations, flexible terms and facilities to support business growth have never been more relevant.

We have made good progress on our project pipeline with three planning consents achieved in areas of high customer demand across London. We were also delighted to exchange on the sale of three residential redevelopments in October 2016. Our balance sheet remains strong with loan to value at only 14% and we continue to actively pursue acquisition opportunities that meet our investment criteria.

The strong operating momentum, alongside our extensive pipeline of refurbishment and redevelopment projects, has given the Board the confidence to propose a 40% increase to the interim dividend, very much reiterating our progressive dividend policy.

As we look forward to the second half of the year, we remain alert to the potential challenges of operating in uncertain economic conditions and times of political change. However, we remain confident in the resilience of our customer base and are committed to our strategy of driving income growth and enhancing shareholder value over the long-term."

For media and investor enquiries, please contact:

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Note

The highlights include GAAP and non-GAAP performance measures. The performance indicators we report are those which are used to monitor and manage the business. Reconciliation of the non-GAAP measures is detailed within the business review and notes to the financial statements.

Notes to Editors

About Workspace Group PLC:

- Workspace is a FTSE250 Property Company and has been listed on the London Stock Exchange since 1993
- Workspace provides the right properties to attract its customers and the right services to retain them and help them grow their businesses
- Workspace has a unique business model, maintaining direct relationships with customers and managing all of its operational activity – from marketing, viewings, lettings and lease renewals – in-house
- Workspace is growing through deep market knowledge, operational excellence and strong customer relationships
- Workspace is a member of the European Public Real Estate Association
- For more information on Workspace, please visit www.workspace.co.uk

Details of results presentation
There will be a results presentation to analysts and investors hosted by the Workspace Executive Team on Wednesday 9th November 2016 at 9.30am. The venue for the presentation is The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. There is also a webcast and conference call facility in conjunction with the presentation.

Webcast: The live webcast will be available here:
https://secure.emincote.com/client/workspace/workspace006

Conference call details:
Dial in: +44 20 3059 8125

BUSINESS REVIEW

RENT ROLL PERFORMANCE

Total cash rent roll is up 8.4% (£6.6m) in the six months to 30 September 2016 as detailed below.

	£m
Rent roll at 31 March 2016	78.2
Growth at like-for-like properties	2.7
Increase at completed projects	4.2
Reduction at current projects	(1.8)
Increase at acquired properties	1.5
Rent roll at 30 September 2016	**84.8**

Like-for-Like Portfolio

The like-for-like portfolio represents 61% of the Group's total rent roll as at 30 September 2016. It comprises properties with stabilised occupancy over the previous twelve months, excluding those impacted by recent significant refurbishment or redevelopment activity. Prior quarter comparatives are restated as properties are transferred to and from the refurbishment and redevelopment categories.

The like-for-like rent roll has continued to grow, up 2.6% (£1.3m) in the second quarter and up 5.5% (£2.7m) in the six months to £51.5m. Like-for-like rent per sq. ft. is up 4.5% to £24.93 in the six months to 30 September 2016 and like-for-like occupancy has increased by 0.3% to 90.3%.

Like-for-like properties	**30 Sep 2016**	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Number of properties	**35**	35	35	35	35
Occupancy	**90.3%**	89.6%	90.0%	90.6%	90.4%
Rent roll	**£51.5m**	£50.2m	£48.8m	£46.7m	£45.6m
Rent per sq. ft.	**£24.93**	£24.57	£23.86	£22.92	£22.49
ERV	**£65.0m**	-	£62.8m	-	£54.8m

At the estimated rental values at 30 September 2016 and assuming 90% occupancy, the rent roll would be £58.5m, £7.0m higher than the 30 September 2016 rent roll.

Completed Projects

Our properties are designed to meet our customers' evolving needs and include secure, business grade connectivity, breakout space, on-site cafes, meeting rooms, showers and cycle storage. Metal Box Factory on the Southbank has been rated Wired Certified Platinum by WiredScore, the highest achievable rating, and has attracted some of London's most digitally disruptive, fast-growing businesses. Recent lettings include Mozilla, creator of the Firefox web browser.

The strong demand for the space at these completed schemes has resulted in the rent roll increasing by 46% (£4.2m) over the last six months to £13.4m and occupancy reaching 83% (31 March 2016: 72%).

	Launched	Rent increase in six months	Occupancy at 30 September 2016
Metal Box Factory, Southbank	January 2015	£0.9m	91%
The Light Bulb, Wandsworth	March 2015	£0.2m	95%
Vox Studios, Vauxhall	January 2016	£1.4m	84%
The Print Rooms, Southbank	January 2016	£0.5m	85%
Grand Union Studios, Ladbroke Grove	March 2016	£1.2m	55%
Total		£4.2m	83%

If all five buildings were at 90% occupancy at the estimated rental values at 30 September 2016, the rent roll would be £16.4m, £3.0m higher than the 30 September 2016 rent roll.

Current Projects

There was a reduction of £1.3m in rent roll to £10.9m at 30 September 2016 at properties being refurbished. The most significant reduction in rent roll of £0.7m was at Cremer Business Centre, Hoxton where we have obtained vacant possession ahead of demolition of the existing building. The short-term reduction in rent and occupancy during refurbishment at these properties will be replaced in due course by an uplift in income as the projects complete.

There was a reduction of £0.5m in rent roll to £2.7m at 30 September 2016 at properties in the redevelopment category. This includes a £0.4m reduction in rent roll at Lombard Business Centre, Croydon where we obtained vacant possession in the first half prior to its sale in October 2016 for residential redevelopment.

Acquisitions

Acquisitions are held separately from our like-for-like category until we have at least twelve months of stabilised occupancy following any upgrade and refurbishment works. There was a net increase of £1.5m in rent roll in the first half to £6.3m at 30 September 2016. The increase in rent roll includes:

- £0.7m uplift at the former Mecca bingo building on Garratt Lane in Earlsfield which we have let to a trampoline operator while we progress discussions with Wandsworth Borough Council for a major mixed-use redevelopment
- £0.4m uplift at 160 Fleet Street, Midtown following completion of the upgrade works with occupancy reaching 91% by the end of September 2016
- £0.3m uplift at Cannon Wharf, Surrey Quays which opened in December 2015 with occupancy at 61% by the end of September 2016.

ENQUIRIES AND LETTINGS

Enquiry levels have averaged 1,025 per month in the six months to 30 September 2016 with good levels of demand through the second quarter of the year and continued strong letting activity.

	Quarter Ended				
Average number per month	**30 Sept 2016**	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sept 2015
Enquiries	**999**	1,050	1,070	994	1,034
Lettings	**103**	106	116	73	108

The healthy level of demand has continued into the second half of the current financial year with 1,108 enquiries in October 2016.

PROFIT PERFORMANCE

Adjusted trading profit after interest for the six months (which includes our share of the trading profit of joint ventures) is £23.6m, up 16% compared to the prior year.

£m	**30 Sept 2016**	30 Sept 2015
Net rental income	**38.0**	35.9
Joint venture income	**0.3**	0.5
Administrative expenses - underlying	**(6.5)**	(5.7)
Administrative expenses – share related incentives	**(0.9)**	(1.9)
Net finance costs*	**(7.3)**	(8.4)
Adjusted trading profit after interest	**23.6**	20.4

* excluding exceptional finance costs

Net rental income increased by 6% to £38.0m compared to the prior year despite a reduction in rental income of £2.3m from disposals, with the growth by property type detailed below:

£m	**30 Sept 2016**	30 Sept 2015
Like-for-like properties	**23.8**	21.2
Completed projects	**5.5**	2.9
Current projects	**6.3**	7.5
Acquisitions	**2.4**	2.0
Disposals	**-**	2.3
Total net rental income	**38.0**	35.9

Joint venture income represents our share of net rental income less associated administrative expenses, primarily from the BlackRock Workspace Property Trust (BWPT) which concluded in June 2016.

Total administration costs are down 2.6% (£0.2m) in the six months, although underlying costs (excluding share based costs) are up 14% (£0.8m) to £6.5m. The year-on-year increase in underlying costs includes an additional eight headcount across our project management, marketing and new business development teams alongside salary increases averaging 4% and inflationary cost increases. Share based costs are reduced by 53% (£1.0m) to £0.9m, due to the decline in share price.

Net finance costs have reduced by £1.1m (13.1%) in the year. Average borrowings over the period were £52m lower than in the prior year following the disposals completed in the first six months of the calendar year, although the average interest rate increased from 5.1% to 5.5% as a result of the costs associated with the undrawn bank revolver facility.

In September 2016, £45m of term debt maturing in 2022/23 with a current interest rate of 4% was cancelled early at a total cost of £1.4m. This was funded from surplus cash and the revolver facility at a marginal cost of 2%. As a result the average interest rate in the second half of the year, excluding the impact of acquisitions and disposals, should reduce to around 5%.
Total profit before tax for the six months is £7.1m compared to a profit of £163.4m in the prior year as detailed below:

£m	**30 September 2016**	30 September 2015
Adjusted trading profit after interest	**23.6**	20.4
Change in fair value of investment properties	**(14.6)**	137.9
Exceptional interest expense	**(1.4)**	-
Other items	**(0.5)**	5.1
Profit before tax	**7.1**	163.4
Adjusted underlying earnings per share	**14.4p**	12.5p

The change in fair value of investment properties of £14.6m reflects the underlying decrease in the CBRE property valuation in the first half of £15.8m, adjusted for the change in fair value of overage which is classified in the accounts as deferred consideration.

The exceptional finance cost of £1.4m relates to the early repayment of £45m of term debt in September 2016 with break costs of £0.9m and the release of unamortised arrangement costs of £0.5m.

DIVIDEND

Our dividend policy is based on the growth in trading profits taking into account our investment and acquisition plans and the distribution requirements that we have as a Real Estate Investment Trust (REIT). We have seen a substantial growth in trading profits in recent years and the Board has taken the opportunity this year to increase the interim dividend by 40% to 6.80p per share (2015: 4.86p).

The intention is to grow the dividend on a covered trading profit basis, with a target of maintaining cover of at least 1.3 times adjusted underlying earnings per share. The interim dividend will be paid on 7 February 2017 as a REIT Property Income Distribution to shareholders on the register at 12 January 2017.

PROPERTY VALUATION

At 30 September 2016, the wholly owned portfolio was independently valued by CBRE at £1,780m, an underlying decrease of 0.9% (£16m) in the six months. The main movements in the valuation over the six months are set out below:

	£m
Valuation at 31 March 2016	1,779
Revaluation deficit	(16)
Capital expenditure	30
Capital receipts	(13)
Valuation at 30 September 2016	**1,780**

Set out below are the revaluation movements in the six months and valuations at 30 September 2016 by property type:

£m	No of Properties	Revaluation Uplift / (deficit)	Valuation
Like-for-like Properties	35	(7)	856
Completed Projects	5	13	269
Current Refurbishments	10	(12)	273
Current Redevelopments	11	4	192
Acquisitions	8	(14)	177
Overage	-	-	13
Total	**69**	**(16)**	**1,780**

Like-For-Like Properties

The 0.8% (£7m) decrease in value of the like-for-like properties came from an outward shift in yield reducing the valuation by £51m (based on net initial yield) mitigated by the uplift in rental pricing levels increasing the valuation by £44m.

	30 September 2016	31 March 2016	Change
Estimated Rental Value (ERV) per sq. ft.	**£28.38**	£27.64	+2.7%
Rent per sq. ft.	**£24.93**	£23.86	+4.5%
Equivalent Yield	**6.6%**	6.4%	Out by 0.2%
Net Initial Yield	**5.3%**	5.0%	Out by 0.3%
Capital Value per sq. ft.	**£374**	£376	-0.5%

Completed Projects

The uplift of 5% (£13m) in value of completed projects reflects the strong demand and higher than previously expected pricing levels that have been achieved at these properties. The largest increases in value over the six months have been at:

- The Light Bulb, up £3m
- Metal Box Factory, up £3m
- Grand Union Studios, up £3m

The overall valuation metrics for completed projects are set out below:

	30 September 2016
ERV per sq. ft.	**£50.88**
Rent per sq. ft.	**£44.56**
Equivalent Yield	**6.4%**
Net Initial Yield	**4.8%**
Capital Value per sq. ft.	**£715**

Current Refurbishments

We have seen a decrease of 4% (£12m) in the value of refurbishments underway. The most significant reductions have been at:

- The Leather Market, London Bridge (valuation down £5m) and Southbank House, Vauxhall (down £4m) where we are undertaking major upgrade and refurbishment works whilst continuing to operate them as business centres. This has obviously impacted on both rental levels and occupancy in the short-term.
- Cremer Business Centre, Hoxton (down £2m) where we have planning consent for a new business centre and have recently obtained vacant possession ahead of demolition of the existing building.

Current Redevelopments

The uplift of 2% (£4m) in the value of redevelopment projects includes an uplift of £3m at the Arches, Southall where we exchanged sale for a residential redevelopment in October 2016.

Acquisitions

The reduction in value of acquisition properties of 7% (£14m) includes properties where we have, or will soon potentially be obtaining, void space in part or the whole of buildings ahead of planned upgrade and refurbishment works. At Edinburgh House, Vauxhall we obtained vacant possession of the entire building in March 2016 ahead of a planned major refurbishment and at Gray's Inn Road, Midtown and Angel House, Islington we are upgrading space on a floor-by-floor basis as space comes available.

ACQUISITION ACTIVITY

We continue to track acquisition opportunities across London where we believe we can add value and leverage our operating platform. We have a disciplined approach with defined investment return criteria. While a number of opportunities were investigated in the first half, only one acquisition was completed.

In June 2016, we exchanged contracts to acquire 29,000 sq. ft. of commercial space at 175-179 Long Lane, SE1 for £9.5m (payable upon completion) at a capital value of £328 per sq. ft. This property is located adjacent to The Leather Market, our business centre near Borough High Street. The commercial space being acquired is part of a larger mixed-use development which is currently under construction and is expected to be completed in mid-2018.

DISPOSAL ACTIVITY

We completed the disposal of the remaining eight properties in Blackrock Workspace Property Trust ("BWPT") joint venture in May and June 2016 for £131m at a net initial yield of 4.7%. The disposals marked the conclusion of the joint venture with BlackRock in which Workspace made an initial investment of £20m in 2011. Based on the strong performance achieved over the five-year life of the joint venture, Workspace received a performance fee from BWPT of £25m.

In October 2016 we contracted to sell three mixed-use redevelopments:

- Arches, Southall which has planning consent for 110 residential units, was sold for £13.0m which was a 52% premium to the 31 March 2016 valuation.

- The second phase at The Light Bulb, Wandsworth comprising 77 residential units, was sold for £7.75m together with the return of 17,000 sq. ft. of new commercial space in line with the 31 March 2016 valuation.
- Lombard Business Centre, Croydon which has planning consent for 96 residential units, was sold for £5.75m in line with the 31 March 2016 valuation.

REFURBISHMENT ACTIVITY

During the first half we obtained two planning permissions for the extension and upgrade of Pall Mall Deposit, Ladbroke Grove and Mare Street Studios, Hackney. They will provide 115,000 sq. ft. of new and upgraded space at an estimated cost of £27m.

A summary of the current status of the refurbishment pipeline is set out below:

Projects	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	6	£31m	£65m	417k
With planning	4	-	£40m	219k
Design stage	6	-	£91m	363k
Total	16	£31m	£196m	999k

We would expect the capital expenditure on the refurbishment projects detailed above to be incurred relatively evenly over the next four years (subject to obtaining planning consent on the design stage schemes).

REDEVELOPMENT ACTIVITY

Many of our properties are in areas where there is strong demand for mixed-use redevelopment. Our model is to use our expertise, knowledge and local relationships to obtain a mixed-use planning consent 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.

In September 2016 we received planning consent at Stratford Office Village for a mixed-use redevelopment comprising 101 residential units and 13,000 sq. ft. of new commercial space.

A summary of the current status of contracted redevelopments is set out below:

	Number	Residential units	Cash received	Cash to come	Estimated overage to come	Commercial space (sq. ft.)
Completed	3	621	£30m	£3m	£11m	118k
Underway	4	1,278	£85m	£5m	£3m	84k
Total	7	1,899	£115m	£8m	£14m	202k

We received overage of £13m from the residential redevelopment at The Lightbulb in April 2016, in line with the 31 March 2016 valuation. We expect to receive the majority of the remaining cash and overage on the contracted schemes over the next 18 months.

At 30 September 2016 there were a further eight schemes with mixed-use planning consents for 1,169 residential units and 185,000 sq. ft. of new business space. Three of these schemes were exchanged for sale in October 2016.

CASH FLOW

The Group generates strong operating cash flow in line with trading profit, with good levels of cash collection and bad debts low in the first half of the year at £0.1m (31 March 2016: £0.2m). A summary of the movements in cash flow are set out below:

	£m
Net cash from operations after interest	22
Dividends paid	(15)
Capital expenditure	(30)
Capital receipts	13
Distributions and proceeds from joint ventures	46
Other items	(3)
Net movement in year	33
Debt at 31 March 2016 (net of cash)	(276)
Debt at 30 September 2016 (net of cash)	**(243)**

FINANCING

The Group had £246m of drawn debt with £365m of committed, unsecured facilities as detailed below:

	Drawn Amount	Facility	Maturity
Private placement notes	£148.5m	£148.5m	June 2023
Private placement notes	£9m	£9m	June 2020
Retail bond	£57.5m	£57.5m	October 2019
Bank facilities	£31m	£150m	June 2021
Total facilities	**£246m**	**£365m**	

The Private Placement notes comprise $100m (£64.5m) of US dollar 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 £9m of Sterling Floating rate notes have a margin of 3.5% over Libor. A seven year £57.5m Retail Bond (listed on ORB) was issued in October 2012 and carries a coupon of 6.0%.

In June 2016 we exercised the option for the first extension of the maturity term of our £150m revolver facility by a year to June 2021. In September 2016 we repaid £45m of UK fund term debt incurring break costs of £0.9m.

At 30 September 2016, undrawn facilities (including cash) were £122m, loan to value was 14% (31 March 2016: 16%) and interest cover (based on net rental income) was 4.9 times, giving us good headroom on all of bank, placement notes and bond covenants. The average maturity of our facilities is 5.3 years (31 March 2016: 5.9 years).

NET ASSETS

EPRA net asset value per share at 30 September 2016 was £9.15 (31 March 2016: £9.23), a reduction of 0.9% over the six months.

	£
At 31 March 2016	9.23
Property valuation deficit	(0.10)
Trading profit after interest	0.14
Dividends paid	(0.10)
Other	(0.02)
At 30 September 2016	**9.15**

KEY PROPERTY STATISTICS

	Quarter ended 30 Sept 2016	Quarter ended 30 Jun 2016	Quarter ended 31 March 2016	Quarter ended 31 Dec 2015	Quarter ended 30 Sept 2015
Workspace Group Portfolio					
Property valuation	**£1,780m**	-	£1,779m	-	£1,631m
Number of estates	**69**	69	69	77	75
Lettable floorspace (million sq. ft.)	**3.7**	3.7	3.8	4.2	4.2
Number of lettable units	**4,521**	4,513	4,554	4,725	4,663
Cash rent roll of occupied units	**£84.8m**	£82.0m	£78.2m	£80.8m	£79.0m
Average rent per sq. ft.	**£26.86**	£26.06	£24.32	£22.39	£21.11
Overall occupancy	**84.2%**	84.5%	85.8%	85.8%	89.8%
Like-for-like lettable floor space (million sq. ft.)	**2.3**	2.3	2.3	2.3	2.3
Like-for-like cash rent roll	**£51.5m**	£50.2m	£48.8m	£46.6m	£45.6m
Like-for-like average rent per sq. ft.	**£24.93**	£24.57	£23.86	£22.92	£22.49
Like-for-like occupancy	**90.3%**	89.6%	90.0%	90.6%	90.4%

Note:
The like-for-like category has been restated in the first half of 2016/17 for the following:

- The exclusion of Pall Mall Deposit, Ladbroke Grove and Southbank House, Vauxhall and the Chocolate Factory, Wood Green which are subject to major refurbishment activity.
- The inclusion of Cargo Works, Southbank and Peer House, Midtown which have reached stabilised occupancy levels over the last 12 months, post refurbishment and acquisition respectively.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	**Unaudited 6 months ended 30 September 2016 £m**	Unaudited 6 months ended 30 September 2015 £m	Audited Year ended 31 March 2016 £m
Revenue	1	**53.4**	49.3	101.2
Direct costs	1	**(15.4)**	(13.4)	(27.1)
Net rental income	1	**38.0**	35.9	74.1
Administrative expenses		**(7.4)**	(7.6)	(14.6)
Trading profit excluding share of joint ventures		**30.6**	28.3	59.5
(Loss) / profit on disposal of investment properties	2(a)	**(0.1)**	0.1	8.1
Loss on disposal of joint ventures	2(b)	**(0.1)**	(0.1)	(0.1)
Other income	2(c)	**1.1**	2.2	39.0
Other expenses	2(c)	**(1.2)**	-	-
Change in fair value of investment properties	8	**(14.6)**	137.9	296.6
Operating profit	2	**15.7**	168.4	403.1
Finance income	3	**0.1**	0.1	0.1
Finance costs	3	**(7.4)**	(8.5)	(17.0)
Exceptional finance costs	3	**(1.4)**	-	-
Change in fair value of derivative financial instruments	13(f)	**-**	0.9	0.9
Gains from share in joint ventures	12(a)	**0.1**	2.5	4.2
Profit before tax		**7.1**	163.4	391.3
Taxation	4	**-**	-	(2.4)
Profit for the period after tax		**7.1**	163.4	388.9
Basic earnings per share (pence)	6	**4.4p**	101.2p	240.3p
Diluted earnings per share (pence)	6	**4.3p**	99.8p	237.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	**Unaudited 6 months ended 30 September 2016 £m**	Unaudited 6 months ended 30 September 2015 £m	Audited Year ended 31 March 2016 £m
Profit for the period		**7.1**	163.4	388.9
Other comprehensive income:				
Items that may be classified subsequently to profit or loss:				
Change in fair value of derivative financial instruments (cash flow hedge)	13(f)	**4.6**	1.4	1.4
Total comprehensive income for the period		**11.7**	164.8	390.3

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2016

	Notes	**Unaudited 30 September 2016 £m**	Audited 31 March 2016 £m	Unaudited 30 September 2015 £m
Non-current assets				
Investment properties	8	**1,764.8**	1,749.4	1,614.4
Intangible assets		**0.6**	0.6	0.5
Property, plant and equipment		**2.5**	2.0	2.0
Investment in joint ventures	9	**0.2**	22.3	21.2
Other investments		**3.0**	4.2	1.0
Trade and other receivables	10	**6.4**	14.2	11.2
Derivative financial instruments	13(e) & (f)	**11.2**	3.9	0.1
		1,788.7	1,796.6	1,650.4
Current assets				
Trade and other receivables	10	**28.4**	52.0	23.6
Cash and cash equivalents	11	**6.5**	27.8	8.6
		34.9	79.8	32.2
Total assets		**1,823.6**	1,876.4	1,682.6
Current liabilities				
Trade and other payables	12	**(50.4)**	(48.4)	(45.2)
Deferred tax		**(1.1)**	(1.1)	-
		(51.5)	(49.5)	(45.2)
Non-current liabilities				
Borrowings	13(a)	**(258.4)**	(309.3)	(338.3)
		(258.4)	(309.3)	(338.3)
Total liabilities		**(309.9)**	(358.8)	(383.5)
Net assets		**1,513.7**	1,517.6	1,299.1
Shareholders' equity				
Share capital		**163.2**	162.4	162.1
Share premium		**135.4**	135.9	136.1
Investment in own shares		**(8.9)**	(8.9)	(8.9)
Other reserves		**24.4**	19.0	18.2
Retained earnings		**1,199.6**	1,209.2	991.6
Total shareholders' equity		**1,513.7**	1,517.6	1,299.1
EPRA net asset value per share	7	**£9.15**	£9.23	£7.92

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Notes	Attributable to owners of the Parent						
		Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total Share-holders' equity £m	Total equity £m
Balance at 1 April 2016		**162.4**	**135.9**	**(8.9)**	**19.0**	**1,209.2**	**1,517.6**	**1,517.6**
Profit for the period		-	-	-	-	7.1	7.1	7.1
Change in fair value of derivatives		-	-	-	4.6	-	4.6	4.6
Total comprehensive income		-	-	-	4.6	7.1	11.7	11.7
Transactions with owners:								
Share issues		0.8	(0.5)	-	-	(0.2)	0.1	0.1
Dividends paid	5	-	-	-	-	(16.5)	(16.5)	(16.5)
Share based payments		-	-	-	0.8	-	0.8	0.8
Balance at 30 September 2016		163.2	135.4	(8.9)	24.4	1,199.6	1,513.7	1,513.7
Balance at 1 April 2015		161.1	130.8	(8.8)	15.7	841.5	1,146.3	1,146.3
Profit for the year		-	-	-	-	163.4	163.4	163.4
Change in fair value of derivatives		-	-	-	1.4	-	(1.4)	(1.4)
Total comprehensive income		-	-	-	1.4	163.4	164.8	164.8
Transactions with owners:								
Share issues		1.0	(0.7)	-	-	(0.1)	0.2	0.2
Dividends paid	5	-	-	-	-	(13.2)	(13.2)	(13.2)
Reclassification		-	-	-	-	-	-	11.0
Own shares purchase		-	-	(0.1)	-	-	(0.1)	(0.1)
Share based payments		-	-	-	1.1	-	1.1	1.1
Balance at 30 September 2015		162.1	136.1	(8.9)	18.2	991.6	1,299.1	1,299.1
Balance at 1 April 2015		161.1	136.8	(8.8)	15.7	841.5	1,146.3	1,146.3
Profit for the year		-	-	-	-	388.9	388.9	388.9
Change in fair value of derivatives		-	-	-	1.4	-	1.4	1.4
Total comprehensive income		-	-	-	1.4	388.9	390.3	390.3
Transactions with owners:								
Share issues		1.3	(0.9)	-	-	(0.1)	0.3	0.3
Own shares purchase (net)		-	-	(0.1)	-	-	(0.1)	(0.1)
Dividends paid	5	-	-	-	-	(21.1)	(21.1)	(21.1)
Share based payments		-	-	-	1.9	-	1.9	1.9
Balance at 31 March 2016		162.4	135.9	(8.9)	19.0	1,209.2	1,517.6	1,517.6

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 30 SEPTEMBER 2016

	Notes	**Unaudited 6 months ended 30 September 2016 £m**	Unaudited 6 months ended 30 September 2015 £m	Audited Year ended 31 March 2016 £m
Cash flows from operating activities				
Cash generated from operations	14	**30.2**	27.5	67.6
Interest received		**0.1**	0.1	0.1
Interest paid		**(8.1)**	(9.2)	(17.9)
Net cash inflow from operating activities		**22.2**	18.4	49.8
Cash flows from investing activities				
Purchase of investment properties		**–**	(57.9)	(107.4)
Capital expenditure on investment properties		**(29.0)**	(26.6)	(55.4)
Proceeds from disposal of investment properties (net of sale costs)		**–**	13.6	123.0
Purchase of intangible assets		**(0.3)**	(0.1)	(0.4)
Purchase of property, plant and equipment		**(0.5)**	(0.3)	(0.8)
Capital distributions from joint ventures		**2.7**	6.3	6.3
Proceeds from disposal of joint ventures		**17.7**	3.1	3.1
Other income (overage receipts)		**12.8**	0.8	0.7
Purchase of investments		**–**	–	(1.7)
Performance fee from joint venture		**24.5**	–	–
Movement in funding balances with joint ventures		**(0.3)**	0.2	0.2
Income distributions from joint ventures		**0.8**	0.6	1.2
Net cash outflow from investing activities		**28.4**	(60.3)	(31.2)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**0.1**	0.2	0.3
Finance costs for new/amended borrowing facilities		**(0.8)**	(1.0)	(1.0)
Exceptional finance costs		**(1.4)**	–	–
Settlement and re-couponing of derivative financial instruments		**–**	(1.7)	(1.7)
Repayment of bank borrowings	13(b)	**(54.0)**	23.0	(10.0)
Own shares purchase (net)		–	(0.1)	(0.1)
Dividends paid	5	**(15.8)**	(12.5)	(20.9)
Net cash (outflow) / inflow from financing activities		**(71.9)**	7.9	(33.4)
Net decrease in cash and cash equivalents		**(21.3)**	(34.0)	(14.8)
Cash and cash equivalents at start of period	11	**27.8**	42.6	42.6
Cash and cash equivalents at end of period	11	**6.5**	8.6	27.8

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

The half year report has been prepared in accordance with the Disclosure and Transparency Rules and with IAS34 'Interim Financial Reporting' as adopted by the European Union. The half year report should be read in conjunction with the annual financial statements for the year ended 31 March 2016, which have been prepared in accordance with IFRSs as adopted by the European Union.

The condensed financial statements in the half year report are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Annual Report and Accounts for the year to 31 March 2016, which were prepared under IFRS have been delivered to the Registrar of Companies. The auditors' opinion on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement made under Section 498 of the Companies Act 2006.

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

The directors are satisfied that the Group has adequate resources, and sufficient headroom on its bank facilities to cover current liabilities, in order to continue in operational existence for a period of at least twelve months from the date of signing this report and for this reason the half year report is prepared on a going concern basis.

This report was approved by the Board on 9 November 2016.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2016, as described in those annual financial statements, except that taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings.

1. Analysis of net rental income and segmental information

	Unaudited 6 months ended 30 September 2016			Unaudited 6 months ended 30 September 2015		
	Revenue £m	**Direct costs £m**	**Net rental income £m**	Revenue £m	Direct costs £m	Net rental income £m
Rental income	**41.6**	**(1.0)**	**40.6**	38.3	(0.8)	37.5
Service charges	**8.0**	**(9.6)**	**(1.6)**	8.2	(9.1)	(0.9)
Empty rates and other non recoverables	**0.1**	**(2.1)**	**(2.0)**	-	(2.0)	(2.0)
Services, fees, commissions and sundry income	**3.7**	**(2.7)**	**1.0**	2.8	(1.5)	1.3
	53.4	**(15.4)**	**38.0**	49.3	(13.4)	35.9

	Audited Year ended 31 March 2016		
	Revenue £m	Direct costs £m	Net rental income £m
Rental income	79.6	(1.9)	77.1
Service charges	16.3	(18.5)	(2.2)
Empty rates and other non recoverables	–	(3.6)	(3.6)
Services, fees, commissions and sundry income	5.3	(3.1)	2.2
	101.2	(27.1)	74.1

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 space for rent in London.

2(a). Profit on disposal of investment properties

	6 months ended 30 September 2016 £m	6 months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Proceeds from sale of investment properties (net of sale costs)	**(0.2)**	13.0	122.7
Book value at time of sale (including assets held for sale)	**-**	(13.3)	(115.0)
Profit on disposal	**(0.2)**	(0.3)	7.7
Realisation of profits on sale of properties out of joint ventures (note a)	**0.1**	0.4	0.4
	(0.1)	0.1	8.1

£0.1m (2015: £0.4) above relates to previously unrealised profits from the sale of property by the Group to joint ventures.

2(b). Loss on disposal of joint ventures

	6 months ended 30 September 2016 £m	6 months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Proceeds from disposal of joint ventures	**18.7**	3.1	3.1
Carrying value at time of disposal (note 9)	**(18.8)**	(3.2)	(3.2)
Loss on disposal	**(0.1)**	(0.1)	(0.1)

The BlackRock Workspace Property Trust joint venture was sold in June 2016. Proceeds of £18.7m represents the 20.1% share of the closing net assets of the Trust at the date of disposal (less fees).

2(c). Other income and expenses

Other income

	6 months ended 30 September 2016 £m	6 months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Joint venture performance fee	**0.4**	-	24.1
Change in fair value of deferred consideration	**(1.3)**	2.2	9.5
Rights of light compensation	**2.0**	-	-
Lease surrender premium	**-**	-	5.4
	1.1	2.2	39.0

The Group as property manager to the BlackRock Workspace Property Trust joint venture was paid a performance fee based on the returns achieved over the five year term of the fund. The five year term came to an end in February 2016 and the joint venture was sold in June 2016. Based on the returns achieved over the life of the fund and the valuation at 31 March 2016 a fee was estimated at £24.1m. Subsequent to the sale of the joint venture an additional fee of £0.4m has been recognised and the total amount was settled in July 2016.

The value of deferred consideration (cash and overage) from the sale of investment properties has been re-valued by CBRE Limited at 30 September 2016. The amounts receivable are included in the Consolidated balance sheet under non-current and current trade and other receivables (note 10).

Other expenses

	6 months ended 30 September 2016 £m	6 months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Impairment of other investments	**(1.2)**	-	-
	(1.2)	-	-

The Group has provided 100% against its 9% investment in Mailstorage Ltd, resulting in a charge of £1.2m in the six months.

3. Finance income and costs

	6 months ended 30 September 2016 £m	6 months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Interest income on bank deposits	**0.1**	0.1	0.1
Finance income	**0.1**	0.1	0.1
Interest payable on bank loans and overdrafts	**(0.6)**	(1.3)	(2.7)
Interest payable on other borrowings	**(6.8)**	(7.0)	(13.9)
Amortisation of issue costs of borrowings	**(0.4)**	(0.4)	(0.8)
Interest payable on finance leases	**(0.2)**	(0.2)	(0.5)
Interest capitalised on property refurbishments (note 10)	**0.6**	0.4	0.9
Foreign exchange gains/(losses) on financing activities	**2.6**	1.5	(2.2)
Cash flow hedge – transfer from equity	**(2.6)**	(1.5)	2.2
Finance costs	**(7.4)**	(8.5)	(17.0)
Change in fair value of financial instruments through the income statement	**-**	0.9	0.9
Exceptional finance costs	**(1.4)**	-	-
Total finance costs	**(8.8)**	(7.5)	(16.0)

Exceptional finance costs of £1.4m were incurred upon repayment of the £45m UK Fund Debt in September 2016. The costs include the £0.9m break fee payment and £0.5m of unamortised finance costs and legal fees relating to this debt.

4. Taxation

	6 months ended 30 September 2016 £m	6 months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Current tax:			
UK corporation tax	**-**	**-**	1.3
Adjustments to tax in respect of previous periods	**-**	**-**	–
	-	**-**	1.3
Deferred tax:			
On origination and reversal of temporary differences	**-**	**-**	1.1
	-	**-**	1.1
Total taxation charge	**-**	**-**	2.4

The Group is a Real Estate Investment Trust (REIT). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Group's other income is subject to corporation tax. No tax charge has arisen on this other income for the half year (30 September 2015: £nil). The tax charge at 31 March 2016 arose due to the performance fee receivable from the BlackRock Workspace Property Trust joint venture (note 2c).

5. Dividends

Ordinary dividends paid	Payment date	Per share	**6 months ended 30 September 2016 £m**	6 months ended 30 September 2015 £m	Year ended 31 March 2016 £m
For the year ended 31 March 2015:					
Final dividend	August 2015	8.15p	**–**	13.2	13.2
For the year ended 31 March 2016:					
Interim dividend	February 2016	4.86p	**–**	-	7.9
Final dividend	August 2016	10.19p	**16.5**	-	-
Dividends for the period			**16.5**	13.2	21.1
Timing difference on payment of withholding tax			**(0.7)**	(0.7)	(0.2)
Dividends cash paid			**15.8**	12.5	20.9

In addition the Directors are proposing an interim dividend in respect of the financial year ending 31 March 2017 of 6.80 pence per ordinary share which will absorb an estimated £11.1m of revenue reserves and cash. The dividend will be paid on 7 February 2017 to shareholders who are on the register of members on 12 January 2017. The dividend will be paid as a REIT Property Income Distribution (PID) net of withholding tax where appropriate.

6. Earnings per share

Earnings used for calculating earnings per share:	**6 months ended 30 September 2016 £m**	6 months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Basic and diluted earnings (attributable to owners of the parent)	**7.1**	163.4	388.9
Change in fair value of investment properties	**14.6**	(137.9)	(296.6)
Profit on disposal of investment properties	**0.1**	(0.1)	(8.1)
Loss on disposal of joint ventures	**0.1**	0.1	0.1
Movement in fair value of derivative financial instruments	**-**	(0.9)	(0.9)
Group's share of EPRA adjustments of joint ventures	**(0.1)**	(3.5)	(5.6)
EPRA adjusted earnings	**21.8**	21.1	77.8
Adjustment for non-trading items:			
Group's share of joint ventures other expenses	**0.3**	1.5	2.7
Other income (note 2(c))	**(1.1)**	(2.2)	(39.0)
Exceptional finance cost	**1.4**	-	–
Other expense (note 2(c))	**1.2**	-	-
Taxation	**-**	-	2.4
Adjusted underlying earnings	**23.6**	20.4	43.9

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. Adjusted underlying earnings represents trading profits after interest, including trading profits of joint ventures.

Number of shares used for calculating earnings per share:	**30 September 2016**	30 September 2015	Year ended 31 March 2016
Weighted average number of shares (excluding own shares held in trust)	**162,598,961**	161,503,118	161,843,774
Dilution due to share option schemes	**1,576,312**	2,349,850	2,018,833
Weighted average number of shares for diluted earnings per share	**164,175,273**	163,852,968	163,862,607

In pence:	30 September 2016	30 September 2015	Year ended 31 March 2016
Basic earnings per share	**4.4p**	101.2p	240.3p
Diluted earnings per share	**4.3p**	99.8p	237.3p
EPRA earnings per share[1]	**13.0p**	12.9p	47.5p
Adjusted underlying earnings per share[1]	**14.4p**	12.5p	26.8p

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

7. Net assets per share

Net assets used for calculating net assets per share:	30 September 2016 £m	31 March 2016 £m	30 September 2015 £m
Net assets at end of year (basic)	**1,513.7**	1,517.6	1,299.1
Derivative financial instruments at fair value	**(11.2)**	(3.9)	(0.1)
EPRA net assets	**1,502.5**	1,513.7	1,299.0

Number of shares used for calculating net assets per share:	September 2016 Number	March 2016 Number	September 2015 Number
Shares in issue at year-end	**163,195,611**	162,404,600	162,123,295
Less own shares held in trust at year-end	**(122,362)**	(122,362)	(125,770)
Number of shares for calculating basic net assets per share	**163,073,249**	162,282,238	161,997,525
Dilution due to share option schemes	**1,197,807**	1,673,407	2,021,231
Number of shares for calculating diluted adjusted net assets per share	**164,271,056**	163,955,645	164,018,756

	30 September 2016	31 March 2016 £m	30 September 2015
EPRA net assets per share	**£9.15**	£9.23	£7.92

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).

8. Investment Properties

	30 September 2016 £m	31 March 2016 £m	30 September 2015 £m
Balance at 1 April	**1,749.4**	1,408.9	1,408.9
Purchase of investment properties	**-**	107.4	54.1
Acquisition of finance leases	**-**	–	–
Capital expenditure	**29.4**	54.3	26.1
Capitalised interest on refurbishments (note 3)	**0.6**	0.9	0.4
Disposals during the year	**-**	(114.7)	(13.0)
Change in fair value of investment properties	**(14.6)**	296.6	137.9
Balance at end of period	**1,764.8**	1,753.4	1,614.4
Less: reclassified as trade and other receivables	**-**	(4.0)	-
Total investment properties	**1,764.8**	1,749.4	1,614.4

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

Capitalised interest is included at a rate of capitalisation of 5.2% (2016: 4.8%). The total amount of capitalised interest included in investment properties is £7.3m (2016: £6.7m).

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

Valuation

The Group's investment properties are held at fair value and were revalued at 30 September 2016 by the external valuer, CBRE Limited, a firm of independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards 2014. All the properties are revalued at period end regardless of the date of acquisition. This includes a physical inspection of all properties, at least once a year. In line with IFRS 13, all investment properties are valued on the basis of their highest and best use. For like-for-like properties their current use equates to the highest and best use. For properties undergoing refurbishment or redevelopment, most of these are currently being used for business accommodation in their current state. However, the valuation is based on the current valuation at the balance sheet date including the impact of the potential refurbishment and redevelopment as this represents the highest and best use.

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

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

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

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

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

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

An increase/decrease to ERVs 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:

	30 September 2016 £m	31 March 2016 £m	30 September 2015 £m
Total per CBRE valuation report	**1,779.8**	1,778.6	1,630.9
Deferred consideration on sale of property	**(22.2)**	(36.3)	(23.6)
Head leases treated as finance leases under IAS 17	**7.1**	7.1	7.1
Total investment properties per balance sheet	**1,764.8**	1,749.4	1,614.4

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data.

Level 3 – Use of a model with inputs that are not based on observable market data.

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

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

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	856	1	£7 - £83	£29	5.0% - 8.5%	6.7%
Completed projects	269	1	£31 - £70	£51	5.2% - 6.6%	6.3%
Refurbishments	273	2	£16 - £59	£38	5.3% - 7.2%	5.7%
Redevelopments	183	2	£17 - £35	£23	5.4% - 7.3%	6.8%
Other	177	1	£16 - £55	£38	2.0% - 7.0%	5.3%
Head leases	7	n/a				
Total	1,765					

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

9. Investment in joint ventures

The Group's investment in joint ventures represents:

	30 September 2016 £m	31 March 2016 £m	30 September 2015 £m
Balance at 1 April	**22.3**	28.6	28.6
Capital distributions received†	**(2.7)**	(6.3)	(6.3)
Repayment loans to joint ventures	**-**	(0.2)	(0.2)
Share of gains	**0.1**	4.2	2.5
Income distributions received†	**(0.8)**	(1.2)	(0.6)
Disposal of joint ventures (note 2(b))	**(18.8)**	(3.2)	(3.2)
Realisation of profits on sale of properties out of joint ventures (note 2(a))	**0.1**	0.4	0.4
Balance at end of period	**0.2**	22.3	21.2

† Capital distributions are from proceeds on disposal of investment properties. Income distributions are from trading profits.

The Group has the following joint ventures during the period:

	Partner	Established	Ownership	Measurement Method
BlackRock Workspace Property Trust*	BlackRock UK Property Fund	February 2011	20.1%	Equity
Generate Studio Limited	Whitebox Creative Limited	February 2014	50%	Equity

*The Company sold its share in this joint venture in June 2016, resulting in a loss on disposal of £0.1m (note 2(b)).

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

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

10. Trade and other receivables

Non-current trade and other receivables	**30 September 2016 £m**	31 March 2016 £m	30 September 2015 £m
Prepayments and accrued income	**-**	7.2	8.7
Deferred consideration on sale of investment properties	**6.4**	7.0	1.6
	6.4	14.2	11.2

Deferred consideration on sale of investment properties:	**30 September 2016 £m**	31 March 2016 £m	30 September 2015 £m
Balance at 1 April	**7.0**	8.7	8.7
Additions (cash receivable)	**-**	1.6	0.3
Less: classified as current	**-**	(12.8)	-
Change in fair value (note 2(c))	**(0.6)**	9.5	2.2
Balance at end of period	**6.4**	7.0	11.2

The deferred consideration arising on the sale of investment properties relates to cash and overage. The conditional value of the portion of the receivable that relates to overage is held at fair value through profit and loss – £3.9m (2016: £4.0m). It has been fair valued by CBRE Limited on the basis of residual value, using appropriate discount rates, and will be revalued on a regular basis. This is a Level 3 valuation of a financial asset, as defined by IFRS 13. The methodology and significant assumptions used in the valuation are consistent with those disclosed in note 8. The change in fair value recorded in the Consolidated income statement was a loss of £0.6m (31 March 2016: gain of £9.5m) (note 2(c)).

Current trade and other receivables	**30 September 2016 £m**	31 March 2016 £m	30 September 2015 £m
Trade receivables	**4.4**	3.4	2.9
Less provision for impairment of receivables	**(0.3)**	(0.4)	(0.4)
Trade receivables – net	**4.1**	3.0	2.5
Prepayments and accrued income	**8.5**	19.7	5.0
Other receivables	**-**	-	3.7
Deferred consideration on sale of investment properties	**15.8**	29.3	12.4
	28.4	52.0	23.6

Receivables at fair value:
Included within deferred consideration on sale of investment properties is £15.8m (2016: £29.3m) of overage which is held at fair value through profit and loss. The amount is receivable within the following 12 months and has therefore been classified as current receivables.

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

11. Cash and cash equivalents

	30 September 2016 £m	31 March 2016 £m	30 September 2015 £m
Cash at bank and in hand	**3.0**	24.5	6.0
Restricted cash – tenants' deposit deeds	**3.5**	3.3	2.6
	6.5	27.8	8.6

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

12. Trade and other payables

	30 September 2016 £m	31 March 2016 £m	30 September 2015 £m
Trade payables	**5.0**	3.7	4.2
Other tax and social security payable	**3.2**	0.5	2.5
Corporation tax payable	**-**	1.3	-
Tenants' deposit deeds (note 14)	**3.5**	3.3	2.6
Tenants' deposits	**17.1**	16.0	15.4
Accrued expenses	**18.1**	20.3	16.8
Amounts due to related parties	**-**	0.4	0.4
Deferred income – rent and service charges	**3.5**	2.9	3.3
	50.4	48.4	45.2

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

13. Borrowings

(a) Balances

	30 September 2016 £m	31 March 2016 £m	30 September 2015 £m
Non-current			
Bank loans (unsecured)	**29.2**	38.3	71.0
6% Retail Bond (unsecured)	**57.0**	56.9	56.9
5.6% Senior US Dollar Notes 2023 (unsecured)	**72.3**	69.7	66.1
5.53% Senior Notes 2023 (unsecured)	**83.8**	83.8	83.8
Senior Floating Rate Notes 2020 (unsecured)	**9.0**	9.0	9.0
Other term loan (unsecured)	**-**	44.5	44.4
Finance lease obligations	**7.1**	7.1	7.1
	258.4	309.3	338.3

(b) Net Debt

	30 September 2016 £m	31 March 2016 £m	30 September 2015 £m
Borrowings per (a) above	**258.4**	309.3	338.3
Adjust for:			
Finance leases	**(7.1)**	(7.1)	(7.1)
Cost of raising finance	**2.7**	3.2	3.6
Foreign exchange differences	**(8.0)**	(5.4)	(1.8)
	246.0	300.0	333.0
Cash at bank and in hand (note 14)	**(3.0)**	(24.5)	(6.0)
Net Debt	**243.0**	275.5	327.0

At 30 September 2016 the Group had £119m (31 March 2016: £110m) of undrawn bank facilities and £3.0m of unrestricted cash (31 March 2016: £24.5m).

(c) Maturity

	30 September 2016 £m	31 March 2016 £m	30 September 2015 £m
Repayable between three years and four years	**57.5**	57.5	-
Repayable between four years and five years	**-**	49.0	139.5
Repayable in five years or more	**188.5**	193.5	193.5
	246.0	300.0	333.0
Cost of raising finance	**(2.7)**	(3.2)	(3.6)
Foreign exchange differences	**8.0**	5.4	1.8
	251.3	302.2	331.2
Finance leases			
Repayable in five years or more	**7.1**	7.1	7.1
	258.4	309.3	338.3

(d) Interest rate and repayment profile

	Principal at period end £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	–	Base +2.25%	Variable	On demand
Non-current				
Private Placement Notes:				
5.6% Senior US Dollar Notes	64.5	5.6%	Half Yearly	June 2023
5.53% Senior Notes	84.0	5.53%	Half Yearly	June 2023
Senior Floating Rate Notes	9.0	LIBOR +3.5%	Half Yearly	June 2020
Revolver loan	31.0	LIBOR +1.65%	Monthly	June 2021
6% Retail Bond	57.5	6.0%	Half Yearly	October 2019
	246.0			

In June 2016 we extended our revolver loan term by twelve months taking the maturity date to June 2021. In September 2016 we repaid £45m UK Fund debt incurring break costs of £0.9m.

(e) Derivative financial instruments

The following derivative financial instruments are held:

	Amount	Rate payable (%)	Term/expiry
Cash flow hedge – cross currency swap	$100m/£64.5m	5.66%	June 2023

The above instrument represents 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 other comprehensive income.

(f) Financial instruments and fair values

	30 September 2016 Book Value £m	**Fair Value £m**	31 March 2016 Book Value £m	Fair Value £m	30 September 2015 Book Value £m	Fair Value £m
Financial liabilities held at amortised cost						
Bank loans	**29.2**	**29.2**	38.3	38.3	71.0	71.0
6% Retail Bond	**57.0**	**61.7**	56.9	59.7	56.9	60.1
Private Placement Notes	**165.1**	**165.1**	162.5	162.5	158.9	158.9
Other term loan	–	–	44.5	44.5	44.4	44.4
Finance lease obligations	**7.1**	**7.1**	7.1	7.1	7.1	7.1
	258.4	**263.1**	309.3	312.1	338.3	341.5
Financial liabilities at fair value through profit or loss						
Derivative financial instruments:						
Interest rate swaps	–	–	–	–	–	–
Financial (assets)/liabilities at fair value through other comprehensive income						
Derivative financial instruments:						
Cash flow hedge – derivatives used for hedging	**(11.2)**	**(11.2)**	(3.9)	(3.9)	(0.1)	(0.1)
	(11.2)	**(11.2)**	(3.9)	(3.9)	(0.1)	(0.1)
Financial assets at fair value through profit or loss						
Deferred consideration	**22.2**	**22.2**	33.3	33.3	21.8	21.8

The fair value of the Retail Bond has been established from the quoted market price at 30 September 2016 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 8.

The total change in fair value of derivative financial instruments recorded in the income statement was £nil (2016: profit of £0.9m). The total change in fair value of derivative financial instruments recorded in other comprehensive income was a £4.6m profit (2016: profit of £1.4m).

14. Notes to cash flow statement

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

	6 months ended 30 September 2016 £m	6 months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Profit before tax	**7.1**	163.4	391.3
Depreciation	**0.3**	0.3	0.8
Amortisation of intangibles	**0.1**	0.1	0.3
Loss/(Profit) on disposal of investment properties	**0.2**	(0.1)	(8.1)
Loss on disposal of joint ventures	–	0.1	0.1
Other income/expense	**2.4**	(2.2)	(33.6)
Net gain from change in fair value of investment property	**14.6**	(137.9)	(296.6)
Equity settled share based payments	**0.8**	1.1	1.9
Change in fair value of financial instruments	–	(0.9)	(0.9)
Finance income	–	(0.1)	(0.1)
Finance expense	**7.4**	8.5	17.0
Exceptional finance cost	**1.4**	–	–
Gains from share in joint ventures	**(0.1)**	(2.5)	(4.2)
Changes in working capital:			
Increase in trade and other receivables	**(7.3)**	(2.5)	(0.5)
Increase in trade and other payables	**3.3**	0.2	0.2
Cash generated from operations	**30.2**	27.5	67.6

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

	30 September 2016 £m	31 March 2016 £m	30 September 2015 £m
Cash at bank and in hand	**3.0**	24.5	6.0
Restricted cash – tenants' deposit deeds	**3.5**	3.3	2.6
	6.5	27.8	8.6

15. Capital commitments

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

	30 September 2016 £m	31 March 2016 £m	30 September 2015 £m
Construction or redevelopment of investment property	**31.6**	18.8	32.0
Purchase of Investment Properties	**9.5**	-	36.5

16. Post balance sheet events

In October 2016 we exchanged contracts on the disposal of three residential redevelopments at Arches Business Centre, Phase 2 of The Light Bulb, Wandsworth and Lombard Business Centre. These are being sold for cash proceeds of £25.6m together with 17,000 sq. ft. of new business space.

17. Principal Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium-term performance and the factors which mitigate these risks, have not materially changed from those set out in the Group's Annual Report and Accounts 2016 and have been assessed in line with the requirements of the 2014 UK Corporate Governance Code. They are reproduced below. The Board is satisfied that we continue to operate within our risk profile.

Risk Area	Detail	Mitigating Activities and Actions
Financing	Reduced availability and cost of bank financing resulting in inability to meet business plans or satisfy liabilities.	We regularly review funding requirements for business plans and ensure we have a wide range of options available for alternative sources of funding. We have a broad range of funding relationships in place and regularly review our refinancing strategy. We have also fixed or hedged 50% of our loan facilities so that our interest payment profile is stable.
Property Valuation	Value of our properties declining as a result of macroeconomic environment, external market, or internal management factors	Market-related valuation risk is largely dependent on external factors which we cannot influence. However, we do the following to ensure we are aware of any market changes, and are generating the maximum value from our portfolio: • Monitor the investment market mood. • Monitor market yields and pricing of property transactions across the London market. • Alternative use opportunities pursued across the portfolio and progress made in achieving planning consent for mixed-use development.
Customer	Demand by businesses for our accommodation declining as a result of social, economic or competitive factors.	Every week the Executive Committee meet with Senior Management to monitor occupancy levels, pricing, demand levels and reasons for customers vacating. This ensures we react quickly to changes in any of these indicators. Our extensive marketing programme ensures that we are in control of our own leads and pipeline of deals to business centres. Our use of social media, backed up by a busy events programme, has further helped us to engage with customers, differentiating us as providing not only space but also an opportunity to network with other businesses based in our portfolio.
Development	Impact to underlying income and capital performance due to: • Adverse planning rulings • Construction cost and timing overrun • Lack of demand for developments.	For every development scheme we work hard to gain a thorough understanding of the planning environment and ensure we seek counsel from appropriate advisers. We undertake a detailed development analysis and appraisal prior to commencing a development scheme. Investment Committee approval and sign-off is required for every project. Every month, a detailed review of progress against plans is presented to the Board, including post-project completion reviews.

London	Changes in the political, infrastructure and environmental dynamics of London.	We regularly monitor the London economy and commission research reports. We also hold regular meetings with the GLA and the councils in the London boroughs in which we operate to ensure we're aware of any changes coming through ahead of time.
Investment	Underperformance due to: • Poor timing of disposals • Poor timing of acquisitions • Failure to achieve expected returns.	Regular monitoring of asset performance and positioning of our portfolio. Thorough due diligence and detailed appraisals undertaken on all acquisitions prior to purchase. Close monitoring of acquisition performance against target returns.
Regulatory	Failure to meet regulatory requirements leading to fines or penalties or the introduction of new requirements that inhibit activity.	REIT conditions are monitored and tested on a regular basis and reported to the Board. Close working relationship maintained with appropriate authorities and all relevant issues openly disclosed. Advisers engaged to support best practice operation. The Risk Committee provides regular updates to the Board on emerging risks and issues. The Group's Health and Safety Manager meets regularly with the CEO.
Business Interruption	Major external events result in Workspace being unable to carry out its business for a sustained period.	Monitoring security threat/target information. Business continuity plans and procedures are in place and are regularly tested and updated. IT controls and safeguards are in place across all our systems, including a data centre back-up.
Brand	Failure to meet customer and external stakeholder expectations.	To ensure we understand our customers and their ever evolving requirements we undertake twice-yearly customer surveys and have a system of real-time feedback in place. We have also recently developed a customer engagement plan to ensure we are interacting with our customers in a variety of ways, including the use of social media. We maintain regular communication with all stakeholders, key shareholders and hold InvestorDay presentations and roadshows.

Directors' Responsibility Statement

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

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

The Directors of Workspace Group PLC are listed in the Workspace Group PLC Annual Report and Accounts for 31 March 2016. A list of current Directors is maintained on the Workspace Group website: www.workspace.co.uk.

Approved by the Board on 9 November 2016 and signed on its behalf by

J Hopkins
G Clemett
Directors

INDEPENDENT REVIEW REPORT TO WORKSPACE GROUP PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Workspace Group PLC's condensed consolidated interim financial statements (the "interim financial statements") in the half-year report of Workspace Group PLC for the 6 month period ended 30 September 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 30 September 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Statement of Cash Flows for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

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

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
9 November 2016

a) The maintenance and integrity of the Workspace Group PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.