

# Governance, Financial Statements and Shareholder Information

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# Report of the Directors

The Directors present their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2011. The Business Review and all other sections of the annual report, to which cross reference is made are incorporated into the Directors' Report by reference.

## Principal Activity and Business Review

The Group is engaged in property investment in the form of letting of business accommodation to small and medium sized enterprises located in and around London. At 31 March 2011 the Company had 11 active subsidiaries, six of which are property investment companies owning properties in Greater London. The other five companies are Workspace Management Limited which acts as manager for all the Group's property investment companies and the BlackRock Workspace Property Trust; LI Property Services Limited which procures insurance on behalf of the Group; Anyspacedirect.co.uk Limited which operates a web-based service for businesses in search of commercial space to rent in the UK. Workspace Holdings Limited and Workspace Glebe Limited are intermediate holding companies. A full list of the Company's trading subsidiaries appears on page 81.

Significant events which occurred during the year are detailed in the Chairman's Statement on page 7, the Group Chief Executive's Review on pages 8 to 12 and the Business Review on pages 20 to 25.

## Business Review and future developments

The Business Review requires a detailed review of the business of the Group, the development and performance of the Company during the year and at the year end and of its strategy and prospects, including an analysis using key performance indicators.

This information, together with a description of the principal risks and uncertainties facing the Company, details of the Company's health and safety policies and its environmental and corporate responsibility activities can be found on pages 1 to 35.

## Corporate Governance

The Company and the Group are committed to high standards of corporate governance, details of which are given in the Corporate Governance Report on pages 38 to 43 and in the Remuneration Report on pages 44 to 52.

## Profit and dividends

The Group's profit after tax for the year attributable to shareholders amounted to £53.5m (2010: £24.2m).

The interim dividend of 0.275p (2010: 0.25p) was paid in February 2011 and the Board is proposing to recommend the payment of the final dividend of 0.55p (2010: 0.50p) per share to be paid on 5 August 2011 to shareholders whose names are on the Register of Members at the close of business on 15 July 2011. This makes a total dividend of 0.825p (2010: 0.75p) for the year.

## Going Concern

The Group's activities, strategy and performance are explained in the Chief Executive's Review on pages 8 to 12 and the Business Review on pages 20 to 25.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 55 to 81.

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources and sufficient headroom on the Group's bank loan facilities to continue in operational existence for the foreseeable future. For this reason, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Group's accounts.

## Land and buildings

The Group's fixed assets include investment properties of £713.4m (2010: £713.2m) and owner occupied property of £3.9m (2010: £2.7m). The Group's investment properties have been independently valued by CB Richard Ellis, Chartered Surveyors, at 31 March 2011 at open market value.

## Directors

With the exception of Mr Hopkins and Mr Kitchen who were appointed as Directors on 7 June 2010 and 6 June 2011 respectively, the Directors of the Company, who all held office throughout the year, are shown on pages 32 and 33.

## Directors' indemnities

As permitted under the Companies Act 2006 and the Company's Articles of Association, the Company has executed a Deed Poll under which it will indemnify its Directors, subject to certain limitations and as permitted by law, for liabilities incurred in connection with their appointment as a Director and in certain circumstances fund a Director's expenditure on defending criminal or civil proceedings brought against the Director in connection with his position as a Director of the Company or of any Group Company.

## Directors' conflict of interest

No Director had, during the year, any beneficial interest in any contract significant to the Company's business, other than a contract of employment.

Details of the Directors' shareholdings and options over shares are provided on pages 50 to 52.

The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with Workspace Group PLC, they are required to notify the Board in writing or at the next Board Meeting.

## Employment policies

The Group values highly the commitment of its employees and has maintained its practice of communicating business developments to them in a variety of formats. The Company has a monthly newsletter and Group intranet, which contains stories of interest and success around the Group. Furthermore, the Group has implemented a series of Director-led staff briefings designed to keep employees well informed of the performance and objectives of the Group. These briefings are held quarterly and serve as an informal forum for employees to ask questions about the Company. These have been particularly useful over the last year to keep staff appraised on the relocation of the Head Office to Kennington. A staff forum has also been established to improve communication and consultation with employees.

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Employees are appraised regularly. The appraisal process has been designed to link closely with the business planning process and provides employees with a clear set of business and personal objectives.

Share Schemes are a long-established and successful part of our total reward package, encouraging and supporting employee share ownership. In particular, all employees are invited to participate in the Company's Savings Related Share Option Scheme (SAYE).

The Group is committed to an active Equal Opportunities Policy from recruitment and selection, through training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Company is responsive to the needs of its employees, customers and the community at large. We are an organisation which uses everyone's talents and abilities, where diversity is valued.

The Group remains supportive of the employment and advancement of disabled persons and ensures its promotion and recruitment practices are fair and objective.

#### Share capital and control

Full details of share options and awards under the terms of the Company's share incentive plans can be found on pages 47 to 52.

As at 31 March 2011, the Company's issued share capital comprised of a single class of 1,152,731,338 ordinary shares of 10p each. Details of the Company's issued share capital are set out on page 75.

#### Share consolidation

The Board intends to propose a 1 for 10 consolidation of the Company's ordinary shares. The purpose of the share consolidation is to reduce the total number of shares now in issue following the rights issue undertaken in 2009 and to increase the likely price of the Company's shares to a figure more appropriate for a listed company of its size and nature in the UK market. Based on the current issued share capital of the Company, there would be approximately 115m ordinary shares in issue, following the share consolidation, reduced from approximately 1.15bn at present. The share consolidation is subject to approval by shareholders at the Annual General Meeting to be held on 28 July 2011.

#### Substantial shareholdings in the Company

As at 31 May 2011, the Company has been notified, in accordance with the FSA Disclosure and Transparency Rules of the following interests in the voting rights of the Company:

Shareholder	Number of Shares	Percentage Held
Mr N Roditi*	310,013,445	26.89%
F&C Asset Management Plc	114,525,949	9.94%
BlackRock Inc	88,822,780	7.71%
Columbia Wanger Asset Management	87,878,100	7.62%
Legal & General Investment Management	63,667,496	5.52%
Newton Investment Management Limited	56,356,279	4.89%
Standard Life Investments	37,861,878	3.28%

\* Mr Roditi's shareholding is held via a number of different trusts and legal entities.

#### Political and charitable contributions

The Group made no political contributions during the year (2010: £nil). Charitable contributions within the UK amounted to £85,604 (2010: £172,768) principally through rental concessions.

#### Health and safety

We are committed to health and safety best practice as an integral part of our business activities and our drive for high performance. The Group's policy is to provide and maintain safe and healthy working conditions, equipment and systems of work for all its employees and to provide such information, training and supervision as they need for this purpose.

Whilst all employees of the Group have a responsibility in relation to health and safety matters, certain staff have been designated 'workplace' responsibilities or other co-ordinating responsibilities throughout the Group, and ultimately, at Board level, the Chief Executive has overall responsibility.

#### Purchasing policies and payments

The Group tries, wherever possible, to procure from within its own tenant base providing customers are competitive on price and quality. The Group's policy is that, unless agreed otherwise at the time of the transaction, its own payments to others for goods and services received are made on average within a month of the date of invoice.

During the year to 31 March 2011 the Group's average payment term from the date of invoice was 34 days (2010: 33 days). The Parent Company has made no trade purchases.

#### Financial risk management

The financial risk management objectives and policies of the Company are set out in note 17 to the financial statements and in the Corporate Governance section of this report on pages 38 to 43.

#### Disclosure of information to Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware there is no relevant information of which the Group's auditors are unaware; and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

#### Auditors

The auditors, PricewaterhouseCoopers LLP ('PwC'), have indicated their willingness to continue in office and a resolution that they will be reappointed is included as ordinary business at the Annual General Meeting.

#### Annual General Meeting

The 25th Annual General Meeting of the Company will be held at Chester House, Kennington Park, 1-3 Brixton Road, London SW9 6DE on Thursday 28 July 2011 at 11.00am. Accompanying this report is the Notice of the Annual General Meeting, which sets out the resolutions to be considered and approved at the meeting.

By order of the Board

**Carmelina Carfora**  
Company Secretary  
3 June 2011

# Corporate Governance Report

## STRUCTURE OF THE BOARD AND BOARD COMMITTEES

### THE BOARD

The Board has a number of standing committees to which specific responsibilities have been delegated and for which written terms of reference have been agreed. These terms of reference are available for inspection on the Company's website.

Remuneration Committee	Audit Committee	Nominations Committee	City Committee	Executive Committee
<ul style="list-style-type: none"> <li>All aspects of the remuneration of the Executive Directors</li> <li>Recommending the Chairman's remuneration</li> </ul>	<ul style="list-style-type: none"> <li>Ensures the integrity of financial reporting and audit processes</li> <li>Maintenance of a sound internal control and risk management system</li> </ul>	<ul style="list-style-type: none"> <li>Recommends to the Board candidates for appointment as Executive and Non-Executive Directors of the Company</li> <li>Assess what new skills; knowledge and experience are required on the Board</li> </ul>	<ul style="list-style-type: none"> <li>Reviews the quarterly, interim and annual reports and associated announcements prior to their review by the Audit Committee and the Board</li> </ul>	<ul style="list-style-type: none"> <li>Address Group-wide issues and initiatives</li> <li>Review and approve capital expenditure; disposals and certain acquisitions</li> <li>Monitoring of the operating and financial results against plans and budgets</li> <li>Effectiveness of risk management and control procedures</li> </ul>

The Board is committed to maintaining high standards of corporate governance. Working with honesty and integrity are vital to building a sustainable business for all of our stakeholders.

Throughout the year ended 31 March 2011, the Company fully complied with the Code provisions set out in section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008. The application of the principles contained in the Combined Code is described below. Detailed reports on Directors' remuneration and the Audit Committee can be found on pages 44 to 52 and pages 39 and 40.

## Directors

### The Board

During the year ended 31 March 2011, the Board of Directors comprised:

Tony Hales	Non-Executive Chairman
Harry Platt	Chief Executive
Graham Clemett	Finance Director
Bernard Cragg	Senior Independent Non-Executive Director
John Bywater	Independent Non-Executive Director
Jamie Hopkins	Independent Non-Executive Director
Rupert Dickinson	Independent Non-Executive Director

#### Notes

- Mr Hopkins was appointed on 7 June 2010.
- Mr Dickinson retired from the Board on 27 July 2010.

The Board is collectively responsible for the performance of the Company. The Board has carefully considered the guidance criteria on independence of Non-Executive Directors under the Combined Code. In the opinion of the Board, all the continuing Non-Executive Directors, namely Bernard Cragg, John Bywater and Jamie Hopkins bring independence of judgment and character to the Board and to the committees on which they sit. They are independent of management and are free from any business or other relationships which could interfere with the exercise of their judgment. Their considerable and diverse experience enables them to make a valuable contribution to the Company. The Board has nominated Bernard Cragg to act as the Senior Independent Director, thus providing an alternative contact at Board level, other than the Chairman, to whom shareholder matters can be addressed.

The Board has a formal schedule of matters reserved for its approval. It is responsible for the overall Group strategy, risk management and the review and approval of major investment proposals, significant capital projects and disposals and acquisitions of more than £2m. The Board discusses and agrees strategic plans and reviews budgets, business plans and business performance. The Board has ultimate responsibility for the Group's overall management, its business and financial strategy. Other day-to-day operational decisions are delegated by the Board to the Executive Committee.

The Board normally meets seven times per year and supplementary meetings are held as and when necessary.

In July 2010 the Board renewed the contract of John Bywater for a further three years having served six years.

Biographical details of the Directors at the date of this report are set out on pages 32 and 33 together with details of their membership of Board Committees.

### Chairman, Chief Executive and Senior Independent Director

The roles and responsibilities of the Chairman, Tony Hales, and the Chief Executive, Harry Platt, are separate and the division of responsibilities has been clearly established. The Chairman is responsible for leadership of the Board, ensuring its effectiveness and that it operates in the interests of shareholders. The Chairman facilitates the effective contribution of the Non-Executive Directors and ensures all Directors receive accurate, timely and clear information. The Chairman is not involved in an executive capacity in any of the Group's activities. He is also responsible for effective communication between the Board and shareholders.

The Chief Executive has direct charge of the Company on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group and the determination of the strategy and achievement of its objectives.

Bernard Cragg, as the Senior Independent Director, is responsible for chairing the meeting of the Non-Executive Directors for the purpose of evaluating the Chairman's performance and to provide an alternative communication channel for shareholders if required.

### Board Committees

The Board has a number of standing committees, namely the Remuneration, Audit, Nominations, City Committee and the Executive Committee, to which specific responsibilities have been delegated and for which written terms of reference have been agreed. These terms of reference are available for inspection on the Company's website. Board members receive minutes of meetings of all the Board's Committees and can request presentations or reports on areas of interest.

#### Remuneration Committee



Number of meetings during the year	Scheduled	Attended
1. John Bywater (Chairman)	8	8
2. Bernard Cragg	8	7
3. Tony Hales	8	8
4. Jamie Hopkins	8	4

The Remuneration Committee consists of all of the Non-Executive Directors and is chaired by John Bywater. Under its terms of reference the Committee meets at least twice a year. During the year under review the Committee met eight times. It is responsible for all aspects of the remuneration of the Executive Directors. The Committee is also responsible for recommending the Chairman's remuneration to the Board in compliance with the Combined Code.

The Chief Executive is, other than in respect of his own position, invited to attend meetings.

Further details of the Remuneration Committee, remuneration policy and of the remuneration of each Director are set out in the Remuneration Report.

#### Audit Committee



Number of meetings during the year	Scheduled	Attended
1. Bernard Cragg (Chairman)	3	3
2. John Bywater	3	3
3. Jamie Hopkins	3	2

The Audit Committee comprises all the Non-Executive Directors, except the Chairman, and is chaired by Bernard Cragg. During the year under review the Committee met three times. It ensures the integrity of financial reporting and audit processes and the maintenance of a sound internal control and risk management systems.

Bernard Cragg, the Chairman of the Audit Committee, is a Chartered Accountant and the Board is satisfied that he has the required and relevant financial experience. The Audit Committee collectively has the skills and experience required to fully discharge its duties, and it has access to independent advice at the Group's expense.

The Chairman of the Company, the Chief Executive, the Group Finance Director, and other senior finance personnel and, when necessary, operational management together with senior representatives of the external auditors may attend meetings by invitation.

Meetings of the Audit Committee coincide with key dates in the financial reporting and audit cycle. The Committee Chairman reports the outcome of meetings to the Board.

During the year, the Committee met in private sessions with PricewaterhouseCoopers LLP ('PwC') in the absence of management at least twice.

During the year the Committee was responsible for reviewing, and reporting to the Board, on a range of matters including:

- the interim and annual financial statements;
- the appropriateness of the Group's accounting policies and practices;
- the valuations of the Group's property portfolio;
- the review of the Company's internal control and risk management systems;
- the external auditor's management letter;
- the Company's compliance with REIT legislation;
- the need and use for an internal audit function;
- the review of fraud risk.

# Corporate Governance Report

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Due to its size and structure, the Group does not have an internal audit function, a matter which is kept under review by the Committee. However, the Company does undertake a programme of financial, operational and health and safety audits at its estates. These are carried out by qualified senior Head Office personnel on a rotational basis. The Company's resource on managing areas of risk is also strengthened through the Committee's appointment of external advisors, PKF. PKF assist the Group and particularly the Risk Committee in identifying risks and ensuring that appropriate controls are in place to mitigate and manage those risks. PKF attend meetings of the Risk Committee, and they are invited to attend Audit Committee meetings to report to the Committee on specific areas of risk. They also report directly to the Chairman of the Audit Committee.

The Committee has a rolling agenda that ensures that the Committee receives appropriate information far enough in advance to enable it to fulfil its responsibilities. This includes not only information from management but also detailed reports from the external auditor.

## External Auditors

The Audit Committee recognises that the independence of the Group's external auditor is of paramount importance to shareholders and the Audit Committee terms of reference establish a process for monitoring and approving the nature and the level of related fees for non-audit services (e.g. accounting, tax or due diligence work) paid to the Group external auditors.

The Group uses the external auditor for relevant financial work for a variety of reasons, including their knowledge of the Group, the audit-related nature of the work and the need to maintain confidentiality.

At each meeting, the Committee will be advised of any significant non-audit work awarded to the external auditor since the previous meeting and the related fees. At the annual May meeting, the Committee receive a report of fees, both audit and non-audit from PwC for the past financial year. The Committee will consider in detail the nature and level of non-audit services provided by PwC and the related fees. The Committee may challenge and in some instances refuse proposals in respect of non-audit work to be performed by the external auditor.

In addition, the Committee will assess the threats of self review by the external auditors, self interest, advocacy and familiarity – these are set out below and considered in relation to PwC's services:

### 1. A self review threat – this is where in providing a service the PwC audit team could potentially evaluate the results of a previous PwC service.

- The Committee specifically will not allow the auditors to:
- Do anything that is a management responsibility (e.g. such as setting performance targets or determining employees' actual compensation).
  - Provide accounting or book-keeping services.
  - Prepare financial statement disclosure items.

### 2. A self interest threat – where a financial or other interest (of an individual or PwC) will inappropriately influence an individual's judgement or behaviour.

- The Committee will specifically perform the following:
- If the external auditor is to be considered for the provision of non-audit services, their scope of work and fees must be approved in advance by the CFO and the Committee Secretary and, in the case of fees in excess of £50,000 for a single project, by the Committee (or if approval is required before the next meeting, by the Committee Chairman). For larger assignments in excess of £100,000 this would involve a competitive tender process unless there are compelling commercial or timescale reasons to use the external auditor or another specific accountancy firm.
  - It does not accept significant contingent fee arrangements with the external auditors.

### 3. An advocacy threat – this is where PwC or PwC personnel promote an audit client's position to the extent where PwC's objectivity as auditor is compromised.

The Group will not use PwC in an advocacy role.

### 4. A familiarity threat – this is where because of a too long or too close a relationship, the external auditor's independence is affected.

The Committee will prohibit the hiring of former employees of the external auditor associated with the Group's audit into management roles with significant influence within the Group within two years following their association with the audit, unless the Chairman of the Audit Committee gives prior consent. Annually, the Committee will be advised of any new hires caught by this policy. In addition, PwC will rotate their audit partner every five years.

The Committee will monitor on an ongoing basis the relationship with the external auditor to ensure its continuing independence, objectivity and effectiveness. By reference to the external auditor's litigation record, financial assets, structure of the firm and the level of its professional indemnity insurance cover, the Committee will determine the external auditor's financial stability and assesses the likelihood of its being able to meet any liabilities arising from the audit engagement.

Further details of the Audit Committee and its activities are set out in the Audit Committee Report.

Fees paid to PwC can be found in note 3 on page 64.

## Nominations Committee



Number of meetings during the year	Scheduled	Attended
1. Tony Hales (Chairman)	3	3
2. John Bywater	3	2
3. Bernard Cragg	3	3
4. Jamie Hopkins	3	1

The Nominations Committee comprises Tony Hales (Chairman) together with the three other Non-Executive Directors.

The Committee meets as required and recommends to the Board candidates for appointment as Executive and Non-Executive Directors of the Company. The Committee periodically assesses what new skills, knowledge and experience are required on the Board and if appropriate, recommends a candidate profile which is then used to brief recruitment consultants appointed by the Committee to undertake the selection process. Initial meetings are held generally by the Chairman and the Chief Executive with prospective candidates and a shortlist of individuals is selected to meet with other Nominations Committee members and other Executive Directors. The Nominations Committee then meets and decides which candidate, if any, will be recommended to join the Board. This process was used for the appointment of Jamie Hopkins as Non-Executive Director, with Hanson Green acting as recruitment consultant.

This year the Committee also handled the process of succession for the Chairman. On this issue the Committee was chaired by Bernard Cragg, the Senior Independent Director and was assisted by recruitment consultant, Spencer Stuart. The Nominations Committee duly recommended to the Board that Daniel Kitchen be appointed as a Non-Executive Director and subject to election by shareholders at the AGM, to be appointed as Chairman of Workspace Group PLC to succeed Tony Hales on his retirement at the conclusion of the AGM.

The Board has succession plans in place for both the Board and the Executive Committee. As the Committee continues to evaluate the skills and abilities required, it will actively seek to bring more diversity onto the Board.

## City Committee



The City Committee comprises the Chairman, the Chief Executive, the Senior Independent Director and the Finance Director. The City Committee reviews the quarterly, interim and annual reports and associated announcements prior to their review by the Audit Committee and the Board.

## The Executive Committee



The Executive Committee consists of the Executive Directors together with the Operations Director and Development Director. It is chaired by the Chief Executive. The Committee facilitates and assists the Chief Executive in managing the day-to-day activities of the Group and addressing Group-wide issues and initiatives. The Executive Committee is responsible for reviewing and approving capital expenditure; disposals and acquisitions at certain levels as determined by the Board; the monitoring of the operating and financial results against plans and budgets; and to ensure the effectiveness of risk management and control procedures.

The Committee has met 11 times during the year ended 31 March 2011.

The Company also operates a Development Board and an Operations Board which comprise various members of the Executive Committee and the senior management team.

The responsibilities of the Executive Committee members include:

### Harry Platt, Chief Executive

Strategic management; investor relations; health and safety; staff; equal opportunities; remuneration and training and development.

### Graham Clemett, Finance Director

Finance; treasury; company secretarial; investor relations; and the Group's IT strategy.

### Chris Pieroni, Operations Director

Portfolio performance; asset management; lettings and marketing; rent reviews and renewals.

### Angus Boag, Development Director

Planning consents; development of assets; valuations; acquisitions and disposals; sustainability and environmental strategy.

# Corporate Governance Report

continued

## Board and Committee attendance

The attendance of Directors at Board and principal Committee meetings during the year, together with the maximum number of routine meetings in the year, was as follows:

	Scheduled Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nominations Committee Meetings
<b>Number of meetings held during the year</b>	8	3	8	3
<b>Chairman</b>				
Tony Hales	8	–	8	3
<b>Executive Directors</b>				
Harry Platt	8	–	–	–
Graham Clemett	8	–	–	–
<b>Non-Executive Directors</b>				
Bernard Cragg	8	3	7	3
John Bywater	8	3	8	2
Jamie Hopkins <sup>1</sup>	5	2	4	1
Rupert Dickinson <sup>2</sup>	3	1	3	0

Notes:

1. Jamie Hopkins was appointed as a Non-Executive Director on 7 June 2010.
2. Rupert Dickinson retired as a Director on 27 July 2011.

The Board also held an annual strategy meeting at which it considered the future strategy. In addition, other ad hoc meetings of the Board were held during the year as required to deal with various matters requiring Board consideration.

## Professional development

A tailored induction programme is provided for each new Director. Overall, the aim of the induction programme is to introduce new Directors to the Group's business and its governance arrangements. Such inductions typically include meetings with senior management, site visits and presentations of key business areas and other relevant documentation. In addition, Directors are encouraged to update their skills, knowledge and familiarity with the Group by attending external seminars and briefings, through participation at meetings and through visits to estates, meetings with senior management and advisers. The Directors are regularly updated on new legislation and corporate governance issues as they arise. Directors are given access to independent professional advice at the Group's expense, if they deem it necessary, in order for them to carry out their responsibilities. This is in addition to the access that every Director has to the Company Secretary. The Company has continued to secure appropriate insurance cover for its Directors and its Officers.

## Performance evaluation

During the year the Chairman held four meetings with the Non-Executive Directors, without the Executive Directors present. In addition, the Board has carried out a formal evaluation of its own performance. The process comprised the Company Secretary issuing a detailed questionnaire covering the Board and its Committees to Board members. The questionnaire covered issues such as effectiveness of meetings, how well strategy is tested and developed, board composition and succession planning and risk management controls. The responses to the questionnaire were collated independently by the Company Secretary, who then prepared reports for each of the chairmen of the Board and relevant Committees. The responses were discussed at the Board and the relevant committees taking follow up actions where

considered necessary. The review includes the assessment of individual Directors' performance, which in the case of the Executive Directors is undertaken as part of the wider performance appraisal process applied to staff across the Company. The evaluation undertaken during the year, although identifying areas for review, concluded that the Board and its committees were operating effectively.

During the year, the Non-Executive Directors, led by Bernard Cragg in his capacity as the Senior Independent Director, met to review the performance of the Chairman, taking into account the views of the Executive Directors. Following the review, Bernard Cragg met with the Chairman to discuss his performance.

During 2011/12 the Board intends to engage an external party to undertake formal evaluation of its performance.

## Re-election of Directors

The Articles of Association of the Company require that Directors should submit themselves for election at the first opportunity after their appointment and thereafter for re-election at least every three years. However, the Company is adopting the requirements of the UK Corporate Governance Code (June 2010) (formerly the UK Combined Code) in relation to Directors' appointments and in particular the annual re-election of all Directors. Therefore in accordance with provision B.7.1 of the UK Corporate Governance Code all the Directors, except for Mr Hales, will retire at the AGM and being eligible, offer themselves up for re-election.

As previously announced, Tony Hales will be retiring as a Director at the forthcoming Annual General Meeting and will not be seeking re-election.

Mr Kitchen was appointed as a Non-Executive Director with effect from 6 June 2011. He will subsequently be appointed as Non-Executive Chairman at the conclusion of the Annual General Meeting.

Mr Kitchen therefore stands for election at the forthcoming AGM. He is currently Non-Executive Chairman of Irish Nationwide Building Society and a Non-Executive Director of Minerva PLC, Director of LXB Retail Properties PLC and Kingspan Group PLC.

Mr Platt and Mr Clemett have service contracts and details can be found on page 49.

None of the Non-Executive Directors have service contracts.

The appointment of Mr Hales may be terminated by either he or the Company giving twelve months notice in writing.

The appointment of Mr Bywater, Mr Cragg and Mr Kitchen may be terminated by any one of them or the Company giving six months' notice in writing.

Mr Jamie Hopkins was appointed as a Non-Executive Director during the year and his appointment may be terminated by either the Company or by Mr Hopkins giving three months notice in writing.

Biographies for the Directors can be found on pages 32 and 33.

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### Accountability and audit

In its financial reporting to shareholders and other interested parties, by means of Annual and Half-Yearly Financial Reports, Interim Management Statements and other periodic statements, the Board aims to present a balanced and understandable assessment of the Group's position and prospects.

### Internal Control and Risk Management

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board has reviewed the Group's system of controls including financial, operational, compliance and risk management on a regular basis throughout the year. However any such system can only provide reasonable and not absolute assurance against any material misstatement or loss.

The Group has established a risk management framework and procedures necessary to enable the Directors to report on internal controls in compliance with the Code. The risk management procedures involve the analysis, evaluation and management of the key risks to the Group.

The other key elements of the Group's system of internal control include:

- a comprehensive system of financial reporting;
- an organisational and management Board structure with clearly defined levels of authority and division of responsibilities;
- a Risk Committee, which is chaired by the Operations Director and attended by representatives from senior management. The Risk Committee meets on a regular basis and formally reports to the Audit Committee twice a year. The Risk Committee reviews and identifies risks facing the Group and ensures that appropriate controls are in place to review each issue raised. Each identified risk is assigned a 'Risk Owner'. PKF are appointed by the Risk Committee to undertake specific projects to review particular areas of the business.
- a programme of site audit visits, covering a significant proportion of the sites each year. Although the Group does not have a dedicated internal audit function an operational, finance and health and safety audit are carried out at the estates by qualified Head Office personnel. The results of the audits are reported to and reviewed by the Risk and Audit Committees and appropriate action taken as required.

The Group has 'whistleblowing procedures' under which staff may report any suspicion of fraud, financial irregularity or other malpractice. There is also a process in place for staff to report operational risks and issues to the Risk Committee.

The Group has continued to develop its risk management and has reappraised its risks in the light of the changes in the external environment during the last year.

The Group has also considered the requirements of the Bribery Act 2010 and taken steps to ensure that it has adequate procedures as set out by the Act.

The Group continues to strengthen its risk management processes to ensure these are embedded as part of the Group's culture. The Turnbull Guidance sets out best practice on internal control to assist companies in applying the Codes principles with regards to internal control. The Board, with advice from the Audit Committee has completed its review of the effectiveness of internal control with no significant failings or weaknesses identified.

Further information on the Group's risks is detailed on pages 27 to 29.

### Takeover directive

Share capital structures are included in the Directors' Report on page 37.

### Going Concern

Going Concern disclosures are included in the Directors' Report on page 36.

### Relations with shareholders

A copy of the Annual report and Accounts is sent to all shareholders. It is also available on the Company's website, which additionally contains up to date information on the Group's activities and published financial results and presentations.

Executive Directors have frequent discussions with institutional shareholders on a range of issues throughout the year affecting the Group's performance, which include meetings following the announcements of the annual and interim results. Meetings are also held with analysts and the financial press. It is also the Company's practice, following the preliminary results that these meetings are followed up by a telephone conversation between the Chairman and the relevant shareholders. The Company's stockbrokers also discuss the outcome of meetings with shareholders and report their findings to the Board. Other ad hoc meetings, presentations and site visits are arranged for shareholders throughout the year.

The Company's Annual General Meeting is used as an opportunity to communicate with private investors. Shareholders attending the Annual General Meeting are invited to ask questions and to meet with the Directors informally after the meeting.

### Compliance with the Combined Code

During the year ended 31 March 2011, the Directors consider that the Company complied with the provisions set out in section 1 of the Combined Code.

The Board is committed to maintaining a high standard of corporate governance within the Group. The Board believes that good governance is assisted by transparent detailed reporting and that strong and sustainable long-term economic performance is aided by compliance with best practice in corporate social responsibility. The Group publishes a range of material both on its website and in hard copy, for details see the inside back cover. This information is complementary to this statement of compliance with the Combined Code, which the Group is required to publish.

By order of the Board

**Carmelina Carfora**  
Company Secretary  
3 June 2011

# Directors' Remuneration Report

This Remuneration Report has been prepared on behalf of the Board by the Remuneration Committee (the 'Committee'). The Committee adopts the principles of good governance as set out in the Combined Code on Corporate Governance 2008 ('Combined Code') and complies with the UKLA Listing Rules and relevant requirements of Schedule 421 to the Companies Act 2006.

The following report of the Committee provides an explanation of the Committee's work and of the remuneration arrangements for Directors. It is divided into the following sections:

- Overview from the Chairman;
- Directors' remuneration details for the year ended 31 March 2011;
- Principles of executive remuneration policy;
- Remuneration components for executives;
- Membership and role of the Remuneration Committee;
- Annual Bonus, LTIP awards and other share option plans;
- Service Agreements of Executive Directors;

- The Chairman and Non-Executive Directors;
- Supplementary Information on Directors' Remuneration;
- Wider Group remuneration policy.

## Overview from the Chairman

The Committee is sensitive to the need to set Directors' remuneration having regard to pay and conditions in the Group as a whole and believes that the approach it has taken is fair and reasonable in light of current market practice, and is in the best interests of shareholders. Our key principles are set out below.

The Committee strives to ensure that shareholders' interests are served by ensuring that a significant part of the Executive Directors' remuneration is variable and is therefore determined by the Group's success. This is achieved through bonus deferral, encouraging voluntary investment in Workspace shares, setting stretching performance targets applicable for the LTIP and monitoring compliance with executive shareholding requirements.

## Directors Remuneration Details for the year ended 31 March 2011

### Overview of the Executives' Remuneration Structure and Alignment with Strategy

Element	Purpose	Delivery	Summary details
<b>Base Salary</b>	To reflect market value of the role, an individual's performance and contribution.	Payable in cash.  Pensionable.	Reviewed annually, with any increases normally effective from 1 April.  Following a review by the Remuneration Committee, the salaries for Executive Directors were increased by 2% with effect from 1 April 2011, in line with the rest of the Company.
<b>Annual Bonus Scheme</b>	To encourage and reward the achievement of Group financial and corporate targets and strategic business objectives.  Part of the bonus may be deferred.	The maximum annual cash bonus that could be earned by Executive Committee members is 120% of salary.  Non Pensionable.  The Remuneration Committee retains the flexibility to vary the mix of cash and deferred bonus from year to year. For 2010/11, the Remuneration Committee has set a minimum deferral requirement of 25% of bonus earned.	The performance targets are aligned to four distinct elements: Trading profit before tax (50%);  Capital return from the portfolio versus a defined comparator index compiled by IPD (30%);  Customer satisfaction which is based on survey results (10%); and achievement of personal objectives (factor in the range of 0.67 to 1.33).  The Committee retains the discretion to mandate deferral of a percentage of bonus earned (which will vest after two years, subject to continued employment) or allow executives to make an equivalent investment in the LTIP.
<b>Long Term Incentive Plan ('LTIP')</b>	To align the interests of participants with those of shareholders and incentivise and reward long-term sectoral outperformance.	Annual award of nominal priced options which vest after three years, subject to performance conditions.  Non pensionable	Discretionary award whereby executives receive (i) annual awards of performance shares of up to 100% of salary (200% in exceptional circumstances) and (ii) matching share awards of up to 2 for 1 on investments of up to 50% of net salary.  Vesting of awards is subject to satisfaction of challenging targets relating to growth in Net Asset Value (1/3 of awards) and Total Shareholder Return (2/3 of awards).
<b>Other Benefits</b>	To provide market competitive benefits.	Benefits in kind or cash allowance.	Benefits include a car allowance, private health insurance, death in service cover and a pension contribution. Executives may also join the SAYE share scheme.

All executives and senior managers have business and personal objectives which are set at the beginning of the financial year and are aligned to the strategy.

During this year's review, the Committee reaffirmed that a minimum deferral or investment each year into Workspace shares is appropriate and set a minimum deferral requirement of 25% of the bonus earned. The preferred mechanism for meeting this requirement is for participants to invest in the LTIP as this enhances the long-term performance focus. However, the Committee retains the discretion to mandate deferral of 25% of the bonus earned (which will vest after 2 years, subject to continued employment) or allow executives to make an equivalent investment in the LTIP. Consideration has also been given to the proposed Government changes to pension tax relief, and the Company has introduced the flexibility to continue with the DC contributions or pay cash allowances in lieu of pension when it is more tax efficient to do so. Such changes are at no additional cost to the Company.

The Committee believes the remuneration policy reinforces effective risk management by aligning Executive Directors' interests with the long-term interests of shareholders through bonus deferral and investment in Workspace shares, regular awards of performance shares vesting on long-term TSR and NAV growth, with TSR underpinned by Remuneration Committee discretion and the use of executive share ownership guidelines.

During 2011/12, the Committee will continue to monitor the remuneration policy's alignment with business priorities and objectives, whilst ensuring that our remuneration framework continues to motivate, reward and retain our senior management in order to deliver the business strategy.

Directors' remuneration details are explained in the table below which is then followed by the remuneration policy framework.

Normally received or awarded	Alignment with strategy	Harry Platt		Graham Clemett	
		2011	2010	2011	2010
Paid on a four weekly basis throughout the year.	Salaries are set below median.  Provides a sound basis on which to attract and retain executives of a high calibre.	£330.8k	£330.8k	£217.3k	£217.3k
Normally paid in June following the reporting financial year end.	Provides a direct link between operational performance and reward.  Ensures that Directors' and shareholders' interests are closely aligned.	£339.4k	£165.3k	£232.3k	£156.4k
Normally awarded in June following the reporting financial year end.	NAV return and TSR measured against an industry specific comparator group rewards sectoral outperformance.  Growth in the absolute TSR underpinned by relative TSR provides alignment with shareholders' interests.  Performance criteria aligned with the strategy.	Performance Award 90%	Performance Award 90%	Performance Award 90%	Performance Award 90%
Received during the year.	Provides a sound basis on which to attract and retain executives of a high calibre.	£23.9k	£77.6k	£17.5k	£52.9k

Notes:

1. For the financial year ended 31 March 2010, the Remuneration Committee decided to defer 40% of the bonus. Mr Platt invested the deferred element of the bonus earned in Company shares and Mr Clemett made an equivalent investment in the LTIP.
2. For the financial year ended 31 March 2011, the Remuneration Committee set a minimum deferral requirement of 25% of bonus earned.
3. Following the review by the Remuneration Committee of Executive salaries, it was agreed that the salaries for both Mr Platt and Mr Clemett be increased by 2% to £337.4k and £221.6k respectively with effect from 1 April 2011.

# Directors' Remuneration Report

continued

## Principles of our Executive Remuneration Policy

It is intended that the remuneration policy framework as set out below, which has applied throughout the reporting year, will continue to apply for FY 2012. Consequently, our remuneration policy remains focused on the following key elements described in detail below:

### Alignment to the Company Strategy

The Company's remuneration policy reinforces the Company's goals, providing effective incentives for exceptional Company and individual performance.

### Attract, motivate and retain talent

Remuneration packages are designed to attract, retain and motivate Executive Directors of the highest calibre who have the experience, skills and talents to manage and develop the business successfully.

### Performance linked

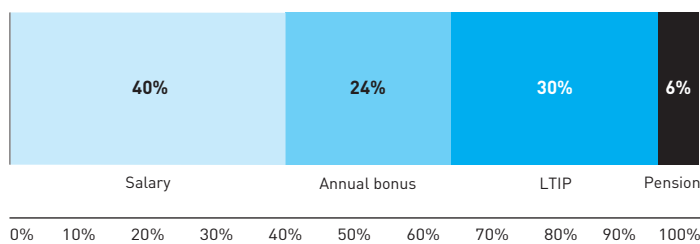
A significant part of the Executive Directors' remuneration is variable and is determined by the Group's success. Below-median basic salaries plus above-median incentives provide opportunity for competitive performance-linked total reward for superior performance.

### Shareholders' interests

The Committee strives to ensure that shareholders' interests are served by creating an appropriate balance between performance-related and non-performance-related pay. A considerable part of the reward package is linked to share price performance, is delivered in shares that have to be retained until minimum shareholding requirements have been met and requires executives to invest their own funds in Company shares. Executives are encouraged to build up a shareholding equal to at least one times basic salary.

The chart below shows the 2011 pay mix for Executives on a fair-value basis. The fair value of performance shares and matching shares incorporates an estimate of the probability that the performance conditions are achieved, takes into account that dividends are accrued and includes a discount for the risk of forfeiture.

Executive Director pay mix (% of total remuneration by fair value)



## Remuneration components for executives

### Base salary and benefits

The Committee reviews base salaries annually with any changes normally taking effect from 1 April. Individual pay levels are determined by reference to the external economic environment, individual performance, experience and rates of salary for similar jobs in companies of a similar sector and size. Consideration is also given to salary increases across the Company.

The annual salaries of the Executives were reviewed on 1 April 2011. Taking into consideration the current economic environment and pay rises made to the majority of employees, the Committee considered it appropriate that an increase of 2% be made to the executive salaries. Salaries were last increased in April 2008. The next salary review date for Executives will be 1 April 2012.

All Executive Directors are provided with a Company mobile phone, a car allowance, private health insurance, death in service cover and an employer's contribution equal to 16.5% of basic salary to a defined contribution (money purchase) scheme. No further employer pension contributions will be made to Mr Platt, but he will receive, instead a cash allowance in lieu of pension at no additional cost to the Company.

## Membership and role of the Remuneration Committee

### The members of the Remuneration Committee

In the reporting year the Committee consisted of the following Non-Executive Directors:

John Bywater (Chairman)

Bernard Cragg

Tony Hales

Jamie Hopkins (from June 2010)

Rupert Dickinson (retired July 2010)

### Role of the Remuneration Committee

The Remuneration Committee's responsibilities are set out in its terms of reference, which are available in the Investor section of the Company's website [www.workspacegroup.co.uk](http://www.workspacegroup.co.uk).

These responsibilities include:

- Recommending the Company policy on remuneration for the Executives and certain senior managers.
- Setting and reviewing the composition and level of remuneration of Executives and selected senior managers including terms and conditions of employment and any changes. In doing so, the Committee has regard for reward levels and practices across the Group.
- Reviewing incentive plans annually to ensure they remain appropriate to the Company's current circumstances and prospects and that, in particular, the policies adopted are aligned and based on the creation of value for shareholders and provide appropriate incentives for management to achieve this objective.
- Reviewing the Chairman's fees.

The Committee met eight times during the year under review. Attendance by individual Committee members at meetings is detailed in the Corporate Governance Report on page 39.

At the invitation of the Chairman, the Chief Executive and Finance Director have attended parts of meetings to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers. The Company Chairman, Chief Executive and Finance Director are excluded from discussions regarding their own remuneration. The Company Secretary attends each meeting as Secretary to the Committee.

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## Advisers

For the year under review, the Committee continued to retain the services of Kepler Associates and PricewaterhouseCoopers LLP as independent external advisers. Kepler Associates provided advice on executive remuneration matters and aspects associated with the LTIP and provides no other services to the Company. The advice PwC provides on remuneration is limited to administrative matters and the tax treatment of share option schemes and deferred share awards. The Company continually assesses ongoing advice provided by its advisers on remuneration matters.

## Annual Bonus Scheme Policy and award levels

The Group operates an annual bonus scheme which provides for a capped variable (performance related) bonus. During the year the maximum bonus potential for the Executive was set at 120% of basic annual salary.

During the year, the Committee reviewed the scheme and concluded that a minimum deferral or investment each year into Workspace shares remains appropriate. For 2010/11 the Committee set a minimum deferral requirement of 25% of the bonus earned.

The preferred mechanism for meeting this requirement is participant investment in the LTIP. However, the Committee will retain the discretion to mandate deferral of 25% of bonus earned (which will vest after two years, subject to continued employment) or allow executives to make an equivalent investment in the LTIP. For 2010/11 the Committee will allow Executives to make an equivalent investment in the LTIP.

## Bonus for the year ended 31 March 2011

The targets applicable for the year ended 31 March 2011 and the performance against them are detailed below:

Bonus Target	Maximum bonus potential expressed as a percentage of annual basic salary	Percentage of bonus earned	
		Harry Platt	Graham Clemett
Trading profit before tax	50%	50%	50%
Capital return from the portfolio versus a defined comparator index compiled by IPD	30%	25.5%	25.5%
Customer satisfaction (based on survey results)	10%	10%	10%
Personal objectives	Corporate performance bonus may be adjusted by a factor in the range of 0.67 to 1.33 (with factors greater than 1.1 reflecting superior performance)	1.2	1.25
Maximum bonus potential	120%	102.6%	106.9%

## Long-Term Equity Incentive Plan ('LTIP')

The Plan provides for annual awards of performance shares of up to 100% of salary (200% in exceptional circumstances) and matching share awards of up to 2 for 1 on investments in Workspace of up to 50% of (net) salary. The maximum matching share award that may be granted to the Executive Directors is 100% of their annual basic salary, subject to the Director using his own funds to purchase invested shares, up to the maximum of 50% of net annual basic salary. The Company then awards matching shares in respect of an amount equivalent to two times the grossed up (for income tax and National Insurance) amount invested by the participant in Invested Shares.

Vesting of performance shares and matching shares is based 1/3, 1/3, 1/3 on three-year relative NAV, relative TSR and absolute TSR. In addition, for any shares to vest on TSR, the Committee must satisfy itself that the recorded TSR is a genuine reflection of the underlying business performance of Workspace, and for awards granted in 2010, for any shares to vest on absolute TSR, the Company's TSR must exceed the median TSR of the Comparator group by over +1.5% p.a. over the performance period.

The TSR and NAV performance conditions have been selected to ensure a balanced portfolio of measures which are well aligned with shareholder interests. The Committee believes a blend of relative and absolute performance is most appropriate for Workspace and that use of absolute TSR underpinned by relative TSR provides transparency for executives and shareholder alignment (as this element will only vest if there is outperformance of sector peers).

In the event of a change of control, LTIP awards would normally be pro-rated for time and performance, in line with best practice.

## LTIP Award 2009

Following its review and consultation with the Company's major shareholders and corporate governance bodies including the ABI and RREV, the Committee decided to set a performance zone of 25p to 30p for the Company's share price at 31 March 2012 (with three-month averaging) plus dividends from 1 April 2009 to aid transparency and simplicity, replacing the previous absolute TSR performance zone of 8% p.a. to 15% p.a. From 8 June 2009 closing price of 15p this would represent a total shareholder return of 66% to 100% over three years.

The Company offered participants the opportunity to restructure their 2009 LTIP awards so that they acquired shares jointly held with the Company's Employee Share Ownership Trust ('ESOT'). With the effect that the growth in value of the shares creates a capital gain (taxed currently at 18%, with no National Insurance). Individuals were required to pay a small income tax and National Insurance charge as part of their upfront acquisition. If the awards vest, the participants keep their part-interest in the shares and the ESOT also transfers its part-interest to the participant at that stage, so that they receive the full value of the shares as intended under the terms of the Plan. This restructuring generates ongoing savings for the Company and participants.

For the 2009 awards Messrs Platt and Clemett accepted the joint ownership awards as part of their total awards, each taking half of their awards as joint ownership awards, with the remainder in the original conditional shares structure.

# Directors' Remuneration Report

continued

## LTIP Award 2010

The Committee reviewed the performance conditions in advance of grant of the 2010 awards. The review reaffirmed that a TSR outperformance of +7.5% per annum of the current comparator group remains approximately equivalent to upper quartile. The Committee determined to raise the default absolute TSR performance zone approved by shareholders in 2008 (of 8% p.a. to 15% p.a.). For 2010 awards the absolute TSR performance zone is 11% p.a. to 20% p.a. over the period to 31 March 2013 (with three months averaging).

In addition, the Committee introduced a requirement that for any shares to vest on absolute TSR, the Company's TSR must exceed the median TSR of its comparator group by +1.5% per annum over the performance period.

Participation in the Plan extends to members of the Executive Committee and the Group's senior managers. During the year awards were made over a total of 11,112,334 ordinary shares in the Company. The maximum value of annual awards of performance shares could be up to 100% of salary (200% in

exceptional circumstances) and matching shares of up to a maximum value of 100% of salary if the participant invests 50% of net salary in ordinary shares.

Full details of the awards made to the Executive Directors under the Plan are shown on page 51.

## LTIP Award 2011

The Committee intends to make the following awards to Executive Directors following the release of the Company's preliminary results announcement on 6 June 2011 with similar performance conditions as for 2010 LTIP awards.

Director	Performance award	Maximum potential Matching Award*
Chief Executive	90%	90%
Finance Director	90%	90%

\* The maximum Matching Award to be made to the Executive Directors will be in respect of 90% of their annual basic salary. However, the Director must use his own funds to purchase invested shares, up to a maximum of 45% of net annual basic salary. The Company will then award Matching Shares in respect of an amount equivalent to two times the grossed up (for income tax and National Insurance) amount invested by the participant in Invested Shares.

Performance condition:	One-third		One-third		One-third	
	Growth in Net Asset Value relative to companies in the FTSE 350 real estate index		TSR (share price growth plus re-invested dividends) relative to companies in the FTSE 350 real estate index		Absolute TSR* <sup>1</sup>	
Level of performance	Company's rank	% of award vesting	Company's performance	% of award vesting	Company's performance	% of award vesting
<b>Awards made in June 2008</b>						
Threshold	51st percentile	20%	Median	20%	8% p.a.	20%
Maximum	75th percentile	100%	Median + 7.5% p.a.	100%	15% p.a.	100%
<b>Awards made in June 2009</b>						
Threshold	51st percentile	20%	Median	20%	25 pence	20%
Maximum	75th percentile	100%	Median + 7.5% p.a.	100%	30 pence	100%
<b>Awards made in June 2010*<sup>2</sup></b>						
Threshold	51st percentile	20%	Median	20%	11% p.a.	20%
Maximum	75th percentile	100%	Median + 7.5% p.a.	100%	20% p.a.	100%

### Notes

\*1. There will be a pro-rata vesting of awards between the 'threshold' and 'maximum' performance levels.

\*2. For the 2010 LTIP award, for any shares to vest on absolute TSR, the Company's TSR must exceed the median TSR of the comparator group by +1.5% p.a. over the performance period.

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### Co-Investment Plan

In order for the shares in the Invested Award to vest, the Company must satisfy the performance condition linked to the Company's TSR performance against the FTSE 350 Real Estate Index, its comparator group, during the three-year performance period.

For full vesting of the Matching Award the performance of the Company needs to be above that of the Company at the bottom of the top quartile. For partial vesting of the matching award the Company's performance needs to be at or above the 40th percentile of the ranking. Awards made in 2007 did not satisfy the performance conditions and the awards lapsed. Details are shown on page 52.

No awards were made during the year under the Co-Investment Plan and no further awards will be made.

### Executive Share Options

Details of outstanding grants made to the Executive Directors under the Executive Share Option Scheme and the performance targets that have to be satisfied for the options to become exercisable are shown on pages 51 and 52. No grants of options were made during the year under the Executive Share Option Scheme and no further grants will be made.

### Savings Related Share Option Scheme

Executive Directors can participate in the Savings Related Share Option Scheme. Performance conditions have not been imposed, as they are not permissible under UK HM Revenue and Customs rules for this type of scheme.

### Service Agreements of Executive Directors

All current Executive Directors have service agreements that are on a 12-month rolling basis. These agreements provide for 12 months' notice by the Company. The agreements provide for 12 months' notice by all the Executive Directors with the exception of Mr Platt whose agreement provides for 12 months' notice which shall be reduced to 3 months if notice is served by him during the period for 30 December 2011 to 27 April 2012 (inclusive).

Termination payments are limited to the Directors' normal compensation, including basic salary, annual incentives and benefits for the unexpired portion of the notice period subject to performance and Committee discretion. The Committee will aim to minimise the level of payments to that Director, however, having regard to all circumstances, including the Company's contractual obligations to the Director, the reason for the departure, and the Company's policy to apply mitigation in the case of severance.

The Company entered into a service agreement with Graham Clemett on 31 July 2007 and an updated service agreement was entered into with Mr Platt on 25 May 2010 and amended on 12 May 2011. In the event of termination of either Director, the Company reserves the right to make phased payments which are paid in monthly instalments and subject to mitigation.

The Company intends to review its practice for service contracts in relation to new hires in light of developments in best practice.

### The Chairman and Non-Executive Directors

Letters of appointment are provided to the Chairman and Non-Executive Directors. Dates of the Non-Executive Directors' letters of appointment and the unexpired period of their appointments (where appropriate after extension by re-election) are set out below:

Fees for Non-Executive Directors are reviewed annually and determined by the Board in the light of market practice and surveys by Kepler Associates and with reference to the time commitment and responsibilities associated with the roles. Generally, the time commitment of the Chairman is expected to be 50 days a year and for other Non-Executives approximately 15 to 20 days a year. Non-Executive Directors do not participate in decisions about their own remuneration.

The current fees were reviewed, but not increased, in April 2011 and are currently at an annual base fee of £40,000 with additional annual fees of £5,000 for the role of Chairman of the Audit or Remuneration Committees. Non-Executive Directors receive no other pay or benefits (other than the reimbursement of expenses incurred in respect of their duties as Directors of the Company). The Chairman's annual fee, which has not been subject to any increase since November 2005, is £100,000.

The fee payable to Mr Kitchen will be £125,000.

### External appointments

Executive Directors are permitted to take up one Non-Executive position on the boards of other companies, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. No such fees were paid during the financial year.

Name	Date of letter	Unexpired term as at June 2011	Date of appointment/last reappointment at AGM	Notice period
A J Hales	December 2008	6 months	2009	12 months
B Cragg	June 2009	12 months	2008	6 months
J Bywater	July 2010	26 months	2009	6 months
J Hopkins	June 2010	24 months	2010	3 months

# Directors' Remuneration Report

continued

## Performance Review

Figure 1: Value of £100 invested on 31 March 2001

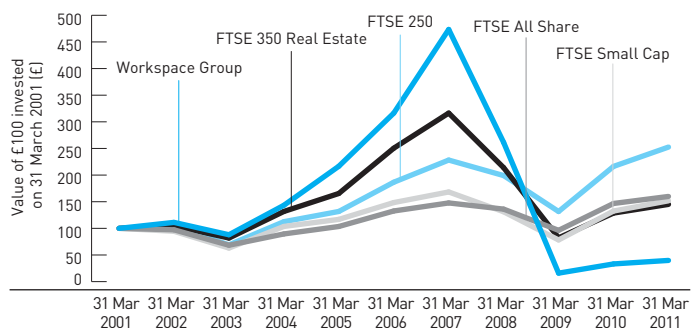


Figure 2: Value of £100 invested on 31 March 2009

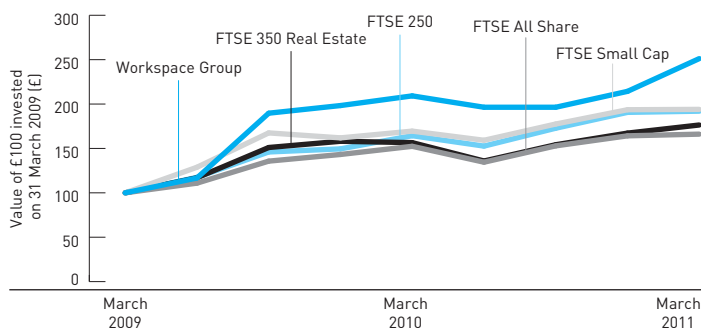


Figure 1 above compares the total shareholder return performance (TSR) of the Group with benchmark indices. Given the differing benchmarks used for such performance measurement your Board has decided to undertake this comparison against all of the FTSE 250, FTSE All Share, FTSE Small Cap and FTSE 350 Real Estate indices. In the opinion of the Directors, these indices are the most appropriate against which the total shareholder return of Workspace Group PLC should be measured.

Figure 2 above compares the TSR performance of the Group against benchmark indices over the last two years.

## Directors' Emoluments (Audited)

	Fees 2011 £000	Base salary 2011 £000	Performance bonus 2011 £000	Other benefits 2011 £000	Total emoluments 2011 £000	Pension scheme contributions 2011 £000	Total emoluments 2010 £000	Pension scheme contributions 2010 £000
<b>Executive Directors</b>								
H Platt <sup>1</sup> (Chief Executive)	–	330.8	339.4	23.9	<b>694.1</b>	<b>54.6</b>	519.1	54.6
G Clemett (Finance Director)	–	217.3	232.3	17.5	<b>467.1</b>	<b>35.9</b>	390.7	35.9
	–	548.1	571.7	41.4	<b>1,161.2</b>	<b>90.5</b>	909.8	90.5
<b>Non-Executive Directors</b>								
A J Hales (Chairman)	100.0	–	–	–	<b>100.0</b>	–	100.0	–
B Cragg <sup>2</sup>	45.0	–	–	–	<b>45.0</b>	–	45.0	–
J Bywater <sup>2</sup>	45.0	–	–	–	<b>45.0</b>	–	45.0	–
J Hopkins <sup>3</sup>	32.8	–	–	–	<b>32.8</b>	–	–	–
R Dickinson <sup>4</sup>	12.9	–	–	–	<b>12.9</b>	–	40.0	–
	235.7	–	–	–	<b>235.7</b>	–	230.0	–
	235.7	548.1	571.7	41.4	<b>1,396.9</b>	<b>90.5</b>	1,139.8	90.5

Notes:

1. No further employer pension contributions will be made to Mr Platt, but he will receive, instead a cash allowance of £55,600 per annum in lieu of pension at no additional cost to the Company.
2. Messrs Cragg and Bywater received a fee of £5,000 for acting as chairman of the Audit and Remuneration Committee respectively.
3. Mr Hopkins was appointed as a Director on 7 June 2010.
4. Mr Dickinson retired as a Director on 27 July 2010.
5. For 2010/2011 the Committee has set a minimum deferral requirement of 25% of the bonus earned. Equivalent to £84,850 and £58,073 for Messrs Platt and Clemett respectively.

## Directors' interests in shares

The beneficial interests of the Directors in the shares of the Company are set out below:

Director	31 March 2011	31 March 2010
A J Hales	<b>7,805,555</b>	7,135,263
H Platt	<b>4,027,919</b>	3,846,478
G Clemett	<b>795,715</b>	652,864
J Bywater	<b>31,190</b>	30,463
B Cragg	<b>646,316</b>	646,316
R Dickinson	See note 1	73,200
J Hopkins	<b>39,110</b>	Nil

1. Interest in shares for Mr Dickinson as at the date of his retirement on 27 July 2010 was 73,200.
2. Mr Hopkins acquired 39,110 shares on 4 March 2011.

Directors' interests in Incentive Plans and Share Options are disclosed on pages 51 and 52.

There have been no changes in the interests in the period between 31 March 2011 and 3 June 2011.

## Supplementary Information on Directors' Remuneration

### Long-Term Equity Incentive Plan 2008 (Audited)

Details of current awards outstanding to the Executive Directors are as follows:

	Date awarded	Interests in shares as at 1 April 2010 (post Rights-Issue adjustment)			Lapsed during the year		Interests in shares as at 31 March 2011		
		Performance	Invested	Matching	Performance	Matching	Performance	Invested	Matching
H Platt	13/06/2008	535,454	57,502	259,392	–	–	535,454	57,502	259,392
	12/06/2009	2,067,188	609,819	2,067,183	–	–	2,067,188	609,819	2,067,183
	06/07/2010	–	–	–	–	–	1,446,429	354,375	1,446,429
G Clemett	13/06/2008	351,789	37,778	170,418	–	–	351,789	37,778	170,418
	12/06/2009	1,697,656	400,644	1,358,115	–	–	1,697,656	400,644	1,358,115
	06/07/2010	–	–	–	–	–	950,292	232,821	950,292

#### Notes:

- Awards will vest subject to the satisfaction of performance conditions detailed on page 48 above over the three-year performance period.
- Performance Awards were made to the Executive Directors:
  - In June 2008 in respect of 200% of their annual salary based on a share price at date of award of £1.644.
  - In June 2009 in respect of 100% and 125% of annual salary for Harry Platt and Graham Clemett respectively based on a share price at date of award of 16 pence.
  - In July 2010 in respect of 90% of annual salary based on a share price at date of award of 20.58 pence.
- The Executive Directors invested an amount equal to 50% of their net annual basic salary to purchase Invested Shares in June 2008. Any shares purchased by the Executive Directors during and since the Rights Issue were allowed to count towards investments for the Invested Shares subject to the normal cap on individual participation of 50% of net salary. The reference share price for determining this cap was 16 pence being the average share price for the three days preceding the date of grant of Matching Awards.
- Matching Awards were granted to participants who purchased Invested Shares or who used shares acquired during and since the Rights Issue as Invested Shares. The number of shares comprised in a matching award for Harry Platt and Graham Clemett, who pledged the maximum number of shares as Invested Shares, was calculated by dividing the participant's gross salary by 16 pence.
  - In 2010, Executive Directors invested an amount equal to 45% of their net annual basic salary in invested shares. Matching awards were granted to participants who purchased invested shares.
- Participants are entitled to dividends payable on the Invested Shares. The Invested Shares which are beneficially owned by participants are included in the table detailing Ordinary Shares held by Directors on page 50 of this Report.
- 2009 awards were initially granted as conditional award of shares. On 8 December 2009 the Executive Directors elected to convert part of the awards into a combination of interest in shares beneficially held, and linked options over the same total value.
- The three year performance period of 2008 LTIP awards ended on 31 March 2011. The Remuneration Committee concluded that the performance conditions had not been satisfied and that the awards should therefore not vest.

## Share Options (Audited)

Outstanding Options for the Directors of the Company as at 31 March 2011, granted pursuant to the Company's 2000 Share Option Scheme:

Director	At 01/04/2010	Granted during the year	Lapsed during the year	At 31/03/2011	Exercise price <sup>4</sup>	Normal exercise date		Exercise terms (see table following)
						From	To	
H Platt	232,879 <sup>1</sup>	–	–	232,879	£0.8202	24.07.2004	24.07.2011	A
	545,603 <sup>1</sup>	–	–	545,603	£0.8939	29.07.2005	29.07.2012	B
	363,282 <sup>1</sup>	–	–	363,282	£0.8510	30.06.2006	30.06.2013	C
	183,642 <sup>1</sup>	–	–	183,642	£1.3583	30.06.2007	30.06.2014	C
	109,287 <sup>2</sup>	–	–	109,287	£1.8373	17.06.2008	17.06.2015	E
	95,946 <sup>2</sup>	–	(95,946)	–	£3.2824	15.06.2010	15.06.2017	E
G Clemett	76,260 <sup>3</sup>	–	–	76,260	£0.1190	01.09.2012	01.03.2013	D
	146,913 <sup>2</sup>	–	(146,913)	–	£3.0378	25.06.2010	25.06.2017	E
	76,260 <sup>3</sup>	–	–	76,260	£0.1190	01.09.2012	01.03.2013	D
<b>Total<sup>5</sup></b>	<b>1,830,072</b>	<b>–</b>	<b>(242,859)</b>	<b>1,587,213</b>				

#### Notes:

- Options which have fully satisfied their performance criteria and vested.
- Options granted in 2005 did not satisfy the performance condition in full and 25% of options lapsed. Options granted in 2006 did not meet performance criteria and lapsed in full.
- Options obtained under the Rules of the Group's SAYE Scheme. All other options have been granted under the Rules of the Company's Executive Share Option Schemes.
- The exercise price has been adjusted for the effect of the rights issue in March 2009.
- The exercise price of all options that are currently exercisable is greater than the mid-market closing share price of Workspace ordinary shares on 31 March 2010 and no profit would therefore arise upon exercise of any of these options.

## Details of the basis of grant and the performance tests for exercise of options are:

Basis of grant	Terms for exercise
A. 1 times total earnings	EPS growth of RPI plus 3% p.a. compound
B. 2 times total earnings	1 times earnings at EPS growth of RPI plus 5% p.a. compound plus 1 times earnings at EPS growth of RPI plus 12% p.a. compound (pro rata)
C. 1 times salary	EPS growth of RPI plus 5% p.a. compound
D. Per Inland Revenue Rules	SAYE options with no terms for exercise
E. 2 times salary for Mr Clemett 1 times salary for Mr Platt	NAV growth over three years in top quartile of listed real estate companies with market cap exceeding £300m.

# Directors' Remuneration Report

continued

Where the performance test is not fulfilled or is only partly achieved, no retesting in future periods is allowed.

There have been no changes in Directors' interests over options in the period between the balance sheet date and 3 June 2011.

## Co-Investment Plan (Audited)

Details of outstanding awards to the current Executive Directors under the Co-Investment Plan are shown below:

	Date awarded	Interests in shares as at 1 April 2010		Market value of shares at date of award	Matching shares lapsed during the year	Interests in shares as at 31 March 2011		Vesting dates of outstanding Matching shares
		Invested	Matching			Invested	Matching	
H Platt <sup>1,2,3</sup>	12/06/2007	11,826	26,673	£4.013	(26,673)	11,826	-	12/06/2010
G Clemett <sup>1,2,3</sup>	26/06/2007	22,173	50,012	£4.045	(50,012)	22,173	-	26/06/2010

Notes:

1. Participants are entitled to dividends payable on the Invested Shares, which are held in Trust. They may also instruct the Trustee how they wish to vote on their shares.

The Invested Shares which are beneficially owned by participants are included in the table detailing Ordinary Shares held by Directors on page 50 of this Report.

2. No Awards were made during the year.

3. Awards made on 12 June 2007 and 26 June 2007 lapsed as they did not meet the performance conditions. The invested shares are beneficially owned by the participants.

## ESOT (Audited)

In implementing its remuneration strategy, the Board established in 1999 an Employee Share Ownership Trust (ESOT). The trust is used to purchase shares in the Company to meet its obligations under share plans. The ESOT has purchased:

Year of purchase	Share price Pence	Number of shares purchased
1999	50.7 (average)	2,000,000
2002	103.0	5,067,700
2004	180.8	169,210
2005	238.2	170,567
2006	345.0	164,788
2007	402.2 (average)	70,655
2007	382.0	500,000
2008	168.0	697,168
2010	21.4	3,329,083
2010	23.3	673,049
		<b>12,842,220</b>

In addition 1,854,176 new ordinary shares were allotted by the Company to the ESOT in December 2009 at nominal value in order that the ESOT had sufficient shares to satisfy awards made to participants under the Company's Joint Ownership Plan.

Of these shares 4,946,075 have been transferred on exercise of options and vesting through the Co-Investment Plan and the balance has been allocated to meet future exercises. The market value of the ESOT holding at 31 March 2011 was £2.7m compared with a book cost of £8.0m.

The ESOT also holds 1,680,102 shares as bare trustee on behalf of participants following purchases by them under the terms of the Group's Co-Investment Plan and Long Term Incentive Plan.

## Wider Group remuneration policy

The Group's wider people policies are reported separately on pages 36 and 37. Following probationary periods, all staff in the Company are eligible to participate in the Company's bonus scheme, SAYE, pension scheme, life assurance arrangements, and medical insurance benefits; and some senior staff have share option awards. Some senior staff are also eligible to participate in the Company's long-term equity incentive plan together with all members of the Executive Committee.

The closing mid-market price of Workspace Group PLC ordinary shares at 31 March 2011 was 27 pence. During the year, the price of the Company's shares varied between 19.3 pence and 27.5 pence.

By Order of the Board

**John Bywater**

Chairman of the Remuneration Committee

3 June 2011

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the current Directors, whose names and functions are listed on pages 32 and 33 and 38 to 41 of the Annual Report, confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs 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 and Managing our Risk Sections on pages 20 to 29 include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.