GOVERNANCE, FINANCIAL STATEMENTS AND SHAREHOLDER INFORMATION

THE BOARD & EXECUTIVE COMMITTEE

THE BOARD

1. DANIEL KITCHEN
Appointment: Non-Executive Chairman

COMMITTEE MEMBERSHIPS:
Chairman of the Nominations Committee and a member of the Remuneration Committee.

BACKGROUND AND RELEVANT EXPERIENCE:
Daniel Kitchen was appointed to the Board on 6 June 2011 and subsequently took on the role as Chairman at the Annual General Meeting on 28 July 2011. He was previously Deputy Chief Executive at Heron International plc and prior to that was Finance Director at Green Property for eight years. He retired as Non-Executive Chairman of Irish Nationwide Building Society in July 2011 and as Non-Executive Director of Kingspan Group PLC in May 2012.

CURRENT EXTERNAL APPOINTMENTS:
He is currently Non-Executive Chairman of Key Capital Real Estate Ltd and a Non-Executive Director of LXB Retail Properties PLC and Irish Takeover Panel Limited.

2. JAMIE HOPKINS
Appointment: Chief Executive

BACKGROUND AND RELEVANT EXPERIENCE:
Jamie Hopkins was appointed to the Board as a Non-Executive Director in June 2010 then subsequently took on the role as Chief Executive on 1 April 2012. He was previously Chief Executive and a Non-Executive Director of Mapeley PLC and a Director of Chester Properties. Prior to that, Jamie was a Director of Delancey Estates and Savills.

CURRENT EXTERNAL APPOINTMENTS:
Jamie is a Member of the Corporate Board of Great Ormond Street Hospital Children's Charity.

3. GRAHAM CLEMETT BSC ACA
Appointment: Group Finance Director

BACKGROUND AND RELEVANT EXPERIENCE:
Graham Clemett joined the Board as Finance Director in July 2007. Previously he was Finance Director for UK Corporate Banking at RBS Group PLC where he worked for a period of five years. Prior to that, Graham spent eight years at Reuters Group PLC, latterly as Group Financial Controller.

4. MARIA MOLONEY PHD, B.LEG.SCI, D.UNIV, M.PHIL (LAW)
Appointment: Non-Executive Director

COMMITTEE MEMBERSHIPS:
Member of the Audit, Remuneration and Nominations Committees

BACKGROUND AND RELEVANT EXPERIENCE:
Maria Maloney was appointed to the Board in May 2012. She was previously on the Board of the Belfast Harbour Commissioners, the Industrial Development Board and Northern Ireland Transport Holdings. She also served on the UK's Independent Television Commission in London and on the Board of the University of Ulster Foundation.

CURRENT EXTERNAL APPOINTMENTS:
Maria, a lawyer, is currently a Non-Executive Director of the Broadcasting Authority of Ireland in Dublin and a Trustee of the N. Ireland Cancer Centre in Belfast.

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5. JOHN BYWATER FRICS
Appointment: Non-Executive Director

COMMITTEE MEMBERSHIPS:
Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees.

BACKGROUND AND RELEVANT EXPERIENCE:
John Bywater was appointed to the Board in June 2004. He was previously an Executive Director of Hammerson PLC and retired in March 2007.

CURRENT EXTERNAL APPOINTMENTS:
He is Managing Director of Caddick Developments Ltd, a Non-Executive Director of British Waterways and Realis Estates, a private property company; a Non-Executive of Low Carbon Workspace Limited and a Trustee of Opera North.

6. BERNARD CRAGG BSC ACA
Appointment: Senior Independent Non-Executive Director

COMMITTEE MEMBERSHIPS:
Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees.

BACKGROUND AND RELEVANT EXPERIENCE:
Bernard Cragg was appointed to the Board in June 2003. He was previously Chairman of Datamonitor PLC and i-mate PLC, and a non-executive director of Bristol & West PLC. He was formerly Group Finance Director and Chief Financial Officer of Carlton Communications PLC and a non-executive director of Arcadia PLC.

CURRENT EXTERNAL APPOINTMENTS:
He is a non-executive director of Astro Overseas Limited and Astro Malaysia Holdings SDN BHD and the Senior Independent Director of Mothercare PLC and Progressive Digital Media PLC.

7. CARMELINA CARFORA FCIS
Appointment: Company Secretary

BACKGROUND AND RELEVANT EXPERIENCE:
Carmelina Carfora was appointed Company Secretary in March 2010. She was previously Group Company Secretary of Electrocomponents Plc. She has also worked in the construction industry and for a consultancy firm offering company secretarial services.

EXECUTIVE COMMITTEE

8. ANGUS BOAG MSC CENG MICE
Appointment: Development Director

BACKGROUND AND RELEVANT EXPERIENCE:
Angus Boag joined the Group in June 2007 as Development Director. Prior to joining the Group he was at Manhattan Loft Corporation for 12 years joining as Development Director and then being appointed as Managing Director in 2001.

9. CHRIS PIERONI BA (HONS) MSC (ECON) PHD (CANTAB) ACSI
Appointment: Operations Director

BACKGROUND AND RELEVANT EXPERIENCE:
Chris Pieroni joined the Group as Operations Director in October 2007. Chris is responsible for asset management, marketing, lettings, and professional services. Prior to joining Workspace, he worked at KPMG specialising in real estate and infrastructure finance. He began his professional career teaching economics at Cambridge University. Chris was a Non-Executive Director of the Group from 2000 until his retirement from the Board in August 2006.

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REPORT OF THE DIRECTORS

CARMELINA CARFORA
Company Secretary

The Directors present their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2012. The Business Review and all other sections of the annual report, to which cross reference is made, are incorporated into the Report of the Directors 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 2012 the Company had 11 active subsidiaries, six of which are property investment companies owning properties in Greater London. The other five companies include: 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; and 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 98.

Significant events which occurred during the year are detailed in the Chairman's Statement on page 4, the Chief Executive's Statement on page 6 and the Business Review on pages 26 to 31.

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 38 and page 44.

CORPORATE GOVERNANCE

The Company and the Group are committed to high standards of corporate governance, details of which are given in the Chairman's Governance Statement and Corporate Governance Report on pages 45 to 56 and in the Directors' Remuneration Report on pages 57 to 68.

PROFIT AND DIVIDENDS

The Group's profit after tax for the year attributable to shareholders amounted to £49.0m (2011: £53.5m).

The interim dividend of 2.93p (2011: 2.66p restated for the Rights Issue and share consolidation) was paid in February 2012 and the Board is proposing to recommend the payment of the final dividend of 5.86p (2011: 5.33p restated) per share to be paid on 3 August 2012 to shareholders whose names are on the Register of Members at the close of business on 13 July 2012. This makes a total dividend of 8.79p (2011: 7.99p restated) for the year.

GOING CONCERN

The Group's activities, strategy and performance are explained in the Chief Executive's Statement and Our Strategy on pages 6 to 9 and the Business Review on pages 26 to 31.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 71 to 98.

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 £759.3m (2011: £713.4m) and owner occupied property of £nil (2011: £3.9m). The Group's investment properties have been independently valued by CBRE Limited, Chartered Surveyors, at 31 March 2012 at open market value.

DIRECTORS

With the exception of Mr Kitchen and Dr Moloney who were appointed as Directors on 6 June 2011 and 22 May 2012 respectively and Mr Hales who retired as Chairman on 28 July 2011, the Directors of the Company all held office throughout the year. The current Directors are shown on pages 40 and 41.

Mr Platt retired from the Board on 31 March 2012 and Mr Hopkins was appointed as Chief Executive on 1 April 2012.

All the Directors will retire at the Annual General Meeting and, being eligible, will offer themselves up for re-election.

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.

The indemnity provision was in force during the year and at the date of approval of the financial statements.

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 66 to 68.

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 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.

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 93 to 96.

Other relevant requirements from the takeover directive are included elsewhere in the Report of the Directors, the Corporate Governance Report, the Directors' Remuneration Report and the notes to the Group and Company financial statements. There are no agreements in place between the Group and its employees or Directors for compensation for loss of office or employment that occur because of a takeover bid.

As at 31 March 2012, the Company's issued share capital comprised of a single class of 144,091,418 ordinary shares of £1.00 each. Details of the Company's issued share capital are set out on page 92.

SUBSTANTIAL SHAREHOLDINGS IN THE COMPANY
As at 31 May 2012, 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:

Fund Manager	Number of Shares	Percentage Held
Mr S N Roditi	38,872,927	26.98%
BlackRock Inc	13,683,995	9.50%
F&C Asset Management Plc	10,177,867	7.06%
Legal & General Investment Management	7,681,731	5.33%
Aberforth Partners	6,926,283	4.81%
Columbia Wanger Asset Management	6,086,112	4.22%
Invesco Perpetual	5,765,305	4.00%

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

REPORT OF THE DIRECTORS
continued

POLITICAL AND CHARITABLE CONTRIBUTIONS
The Group made no political contributions during the year (2011: £nil). Charitable contributions within the UK amounted to £43,824 (2011: £85,604) 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 customer 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 2012 the Group's average payment term from the date of invoice was 33 days (2011: 34 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 18 to the financial statements and in the Corporate Governance section of this report on pages 55 and 56.

DISCLOSURE OF INFORMATION TO AUDITORS
The Directors who held office at the date of approval of this Report of the Directors 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.

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

ANNUAL GENERAL MEETING
The 26th Annual General Meeting of the Company will be held at Chester House, Kennington Park, 1-3 Brixton Road, London SW9 6DE on Thursday 26 July 2012 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
11 June 2012

CHAIRMAN'S GOVERNANCE STATEMENT

DANIEL KITCHEN
Chairman

The Board of Workspace is committed to maintaining a high standard of corporate governance in respect of leadership, remuneration matters, accountability, and in our relationship with our shareholders as identified by the UK Corporate Governance Code.

We are committed to reporting on our corporate governance framework in an open and transparent way.

BOARD COMPOSITION AND SUCCESSION PLANNING

In order to implement our strategy, the Board will monitor and review the succession planning and development requirements for key executives and senior managers across the Company.

During the year, the Board had the important job of identifying and appointing a new Chief Executive to succeed Harry Platt, who, after successfully leading the Company for 20 years, confirmed his intention to retire in 2012. This resulted in the appointment of Jamie Hopkins. The succession process, which was led by me with the full involvement of the Nominations Committee, was critical in ensuring that we have the right leadership in place to deliver our strategy.

Following our AGM this year, Bernard Cragg will have served as a Board Director for nine years. The Board recognises that his tenure will have reached a threshold at which, his independence could be called into question.

Considering the radical changes to the Board which have occurred over the past year, the Board is mindful of ensuring that a certain level of continuity is maintained. Indeed, if Bernard were to retire we would have only one Non-Executive Director with more than one year's experience of the Company. With this in mind and given the importance of the experience and skills required to perform the role of Chair of the Audit Committee and Senior Independent Director, Bernard will remain as a Board Director until the Annual General Meeting in 2014.

We continue to review and monitor Board and Board Committee composition against our skills and experience requirements and so we will be considering potential candidates, as Non-Executive Directors to join our Board over the next 12 months.

In accordance with the UK Corporate Governance Code, for the first time in 2011, all of the Directors submitted themselves for re-election at the Annual General Meeting. This practice will continue at the Annual General Meeting in 2012.

BOARD AND COMMITTEE PERFORMANCE

The Board agreed last year that we should appoint independent consultants to facilitate an external Board effectiveness review so that we could consider the way in which we carry out our role and conduct ourselves, as well as our structure and processes. The process covered the Board, its Committees and personal performance and the output was reviewed at the April 2012 Board Meeting.

I am pleased to report that the thorough exercise conducted by Wickland Westcott, who provide no other services to the Group, concluded that the Board operated in an efficient and effective manner. Discussion within the Board is open, positive and all feel able to contribute and that there is an appropriate level of challenge in the boardroom.

As would be expected, a small number of themes arose from the evaluation where more focus was recommended and these will form the basis of an action plan for 2012. Details of the key themes can be found on page 53 of the Corporate Governance Report.

DIVERSITY

The Board recognises the benefits of diversity of skills, knowledge and independence, as well as gender diversity. As part of the recruitment process, the composition of the Board has been kept under review to ensure that the best balance of skills and experience is maintained. This was also reviewed as part of the external Board evaluation process. We will continue to review candidates from a wide range of backgrounds to ensure that the best candidates are selected, with our foremost priority being to ensure that we appoint the most appropriate candidates and maintain our merit-based approach to recruitment. At Workspace, we have a good record of promoting and appointing women to senior positions within the Company.

Further details of our policy on diversity can be found on page 55 of the Corporate Governance Report.

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given a high priority by the Board.

When the Company announces its annual and half year results, the Chief Executive and Executive Directors make presentations to institutional investors and analysts and hold one to one briefings with key shareholders. The Board also receives regular reports from its corporate advisers on shareholder meetings. As Chairman, I have also met with a number of shareholders since my appointment in July 2011 in order to encourage an open dialogue on any matters of concern to them.

DANIEL KITCHEN
Chairman

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE STATEMENT

The Board is committed to maintaining high standards of corporate governance and we support and apply the principles of good governance advocated by the UK Corporate Governance Code (the Code). The Board works with honesty and integrity which it considers is vital to building a sustainable business for all of our stakeholders.

The Board believes that implementing a robust governance and corporate social responsibility framework in which appropriate management structures, processes and safeguards are adopted and are transparently communicated to shareholders is essential in aiding sustainable long-term economic performance.

During the year the Board considered a number of best practice provisions which would benefit the Group and as a result adopted and implemented certain provisions of the Code intended for larger companies such as the annual re-election of its Directors and the undertaking of an externally facilitated evaluation of the Board and its Committees.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

It is the Board's view that the Group has been fully compliant with the Code throughout the year ended 31 March 2012. The application of the principles contained in the Code is described below. Detailed reports on Directors' remuneration and the Audit Committee can be found on pages 57 to 68 and pages 51 and 52.

CORPORATE GOVERNANCE STRUCTURE

The Board is responsible to shareholders for the strategic direction of the Group and the stewardship of its activities.

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.

CORPORATE GOVERNANCE STRUCTURE

THE BOARD
– Establish the core values and standards which are implemented by Workspace's governance framework and operational activities.
– Set Workspace's business strategy and business objectives in order to create long-term value for shareholders.
– Ensure that the necessary resources are available to fulfil Workspace's strategic objectives.
– Review and monitor performance against its business objectives and consider any associated risk factors which may adversely impact the business at large.

EXECUTIVE COMMITTEE
– Address Group-wide issues and initiatives.
– Review and approve capital expenditure, disposals and certain acquisitions within established levels of authority.
– Monitor the operating and financial results against plans and budgets.
– Review the effectiveness of risk management and control procedures.

CITY COMMITTEE
- Review the quarterly, interim and annual reports and associated announcements prior to their review by the Audit Committee and the Board.

NOMINATIONS COMMITTEE
- Assess what new skills, knowledge and experience are required on the Board.
- Recommend to the Board candidates for appointment as Executive and Non-Executive Directors ('NEDs') of the Group.
- Considers succession policies and talent management.

REMUNERATION COMMITTEE
- Oversee all aspects of remuneration for Executive Directors.
- Recommend Chairman's remuneration.
- Consider remuneration policy and practices of the workforce.

AUDIT COMMITTEE
- Ensure the integrity of financial reporting and audit processes.
- Ensure maintenance of a sound internal control and risk management system.
- Review and monitor the external auditors independence, objectivity and effectiveness of audit process.
- Establish and implement policy on non-audit services.

SENIOR MANAGEMENT
- Assist the Executive Committee in the running of day-to-day operations in line with Group strategy.
- Review and track major initiatives.
- Attend regular meetings with the Executive Committee to review performance and operational activity.

INVESTMENT COMMITTEE
- Approve any acquisition or disposal of investment property assets.
- Review and monitor integration plans for acquisitions.
- Approve and monitor development contracts.
- Approve and monitor asset management property improvements.
- Make recommendations to the Board for its approval of any business initiative with a value of more than £2m.

FINANCE
- Produce the interim and annual financial reports and associated announcements.
- Establish and monitor financial processes of control and cash management.

EXTERNAL RECRUITMENT
- Advise and assist the Committee in the search for appropriate candidates.
- Advise and assist the Nominations Committee in increasing the effectiveness of the Board and ensure that diversity continues to be a major factor in profiling candidates.

ADVISORS
- Advise on all aspects of executive remuneration and aspects associated with the LTIP.
- Advise on administration and the tax treatment of share option schemes and deferred share awards.

EXTERNAL AUDITOR
- Audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

THE BOARD

The Board has collective responsibility to the Group's shareholders and is accountable to them for creating long-term value and safeguarding their interests by establishing a robust governance framework which is applied to all aspects of its business.

The Board is collectively responsible for the performance of the Group. The Board discusses and agrees strategic plans and reviews budgets, business plans and business performance.

The Board has a formal schedule of matters reserved for its approval. The Board has ultimate responsibility for the Group's:

- overall business and financial strategy;
- overall management of its operations;
- risk management;
- major investment proposals;
- significant capital projects; and
- disposals and acquisitions of more than £2m.

Other day-to-day operational decisions are delegated by the Board to the Executive Committee.

The Chairman promotes open discussion among the Board members and encourages the NEDs to constructively challenge strategic and other business related debate in order to ensure that the decisions adopted by the Board have been vigorously tested.

To assist the Board in effectively discharging its duties, Directors receive relevant supporting information, which include but is not limited to the Group's financial results, performance reports and risk assessment reports. The governance framework implemented by the Group ensures that open communication channels exist between the Board, its principal committees and from within the organisation. Copies of committee minutes are distributed to all Directors. Furthermore, the Board routinely considers environmental, ethical and reputational issues in order to ensure that they are fully reflected in the risk management process.

KEY ACTIVITIES DURING THE YEAR

During the past financial year, the Board has met for scheduled Board meetings 11 times. Key matters reserved for the Board include:

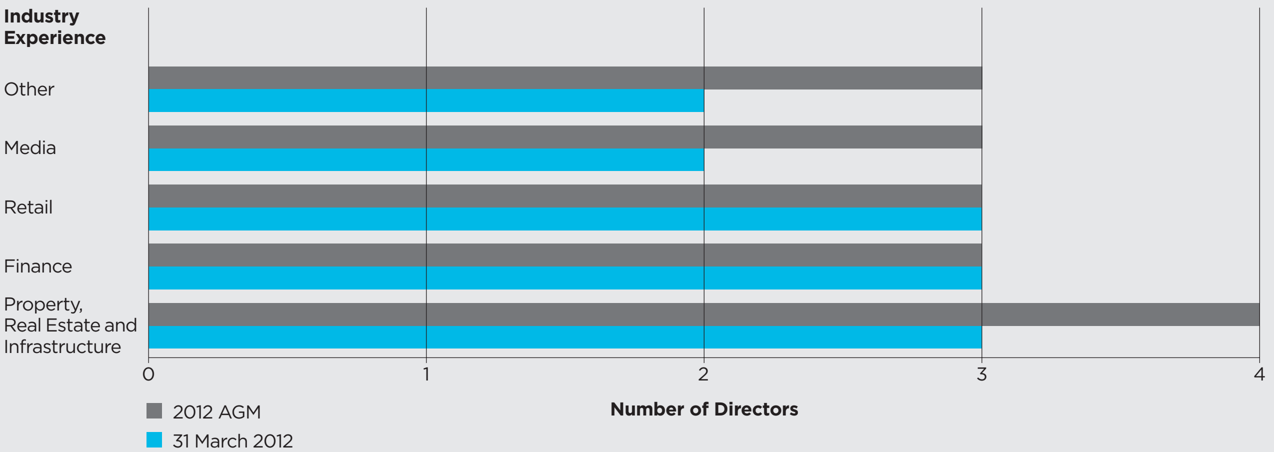
- reviewing performance and implementation of the strategy by the Executive Committee;
- setting and monitoring of strategy, including the dividend policy;
- reviewing the Group's property valuation;
- considering additional financial resources for the purpose of accelerating the redevelopment programme across the Group's property portfolio;
- approval of redevelopment activity;
- quarterly, half year and annual reporting to shareholders;
- review of the Group's risk and related controls;
- Board appointments; and
- corporate governance matters and external Board evaluation.

BACKGROUND AND EXPERIENCE OF THE BOARD

The Board currently has six Directors that bring considerable and diverse experience which enables them to make a valuable contribution to the Group.

The following table illustrates the collective business experience held by Board Directors, outside that acquired at Workspace Group PLC:

INDUSTRY EXPERIENCE OF THE BOARD



CORPORATE GOVERNANCE REPORT
continued

The Board is actively considering diversity and believes this to be an important factor when considering appointments to the Board. As part of the recruitment process, the composition of the Board will be kept under review to ensure the best balance of skills and experience is maintained. Further details on our diversity policy can be found on page 55.

Biographical details of the Directors at the date of this report are set out on pages 40 and 41.

BOARD STRUCTURE AND COMPOSITION

The Board has undergone a number of changes in its membership during the year. At our 2011 AGM, Tony Hales retired from the Board and was replaced by Daniel Kitchen who was appointed to the Board to assume the role of Non-Executive Chairman.

As was announced in 2011, Harry Platt had indicated his desire to retire in 2012. At that time, the Board delegated its authority to the Nominations Committee to prepare for an orderly succession and undertake a formal process to indentify a suitable successor. Further details of the process are provided in the Nominations Committee section.

After considering a number of internal and external candidates, the Board unanimously agreed that Jamie Hopkins had the required skills and experience to lead the Group going forward. Harry Platt retired as CEO and stepped down from the Board on 31 March 2012 and Jamie Hopkins was appointed his successor on 1 April 2012.

Harry Platt has been retained by the Group in an advisory capacity for a three month period ending 30 June 2012 to ensure an orderly and effective handover to Jamie Hopkins.

Dr Maria Moloney was appointed as a Non-Executive Director on 22 May 2012 and she brings extensive knowledge and experience within marketing, business development and law.

During the year, the Board of Directors comprised:

Position	Directors (1 April 2011)	Directors (1 April 2012)	Directors (2012 AGM)
Non-Executive Chairman	Tony Hales	Daniel Kitchen	Daniel Kitchen
Chief Executive	Harry Platt	Jamie Hopkins	Jamie Hopkins
Finance Director	Graham Clemett	Graham Clemett	Graham Clemett
Senior Independent Non-Executive Director	Bernard Cragg	Bernard Cragg	Bernard Cragg
Independent Non-Executive Director	John Bywater	John Bywater	John Bywater
Independent Non-Executive	Jamie Hopkins	–	Maria Moloney

Notes:
- Tony Hales (former Non-Executive Chairman) retired from the Board on 28 July 2011.
- Harry Platt retired from the Board on 31 March 2012.
- Jamie Hopkins assumed the role of CEO on 1 April 2012.
- Daniel Kitchen joined the Board on 6 June 2011 and was appointed Chairman on 28 July 2011.
- Maria Moloney was appointed a Non-Executive Director on 22 May 2012.

The Nominations Committee is considering the appointment of additional Non-Executive Directors and details of this can be found in the Nominations Committee section.

BOARD ATTENDANCE

The Board normally meets at regular intervals during the year. Supplementary meetings are also held as and when necessary.

During the year ended 31 March 2012, the attendance of Directors at board meetings was as follows:

	Scheduled Board Meetings	Director Attendance
Daniel Kitchen[3]	11	6
Tony Hales[1]	11	7
Harry Platt[2]	11	11
Graham Clemett	11	11
Bernard Cragg	11	11
John Bywater	11	11
Jamie Hopkins	11	10

Notes:
1. Tony Hales (former Non-Executive Chairman) retired from the Board on 28 July 2011. His attendance is based on the number of meetings held in which he was eligible to attend prior to his retirement.
2. Harry Platt retired from the Board on 31 March 2012.
3. Daniel Kitchen was appointed to the Board on 6 June 2011. Since his appointment Mr Kitchen has attended all Board meetings that he was eligible to attend.

During the year, the Board held an annual strategy meeting at which it considered the future strategy of the Group.

BALANCE OF THE BOARD

The Board considers there to be an appropriate balance between Executive and Non-Executive Directors required to lead the business and safeguarding the interest of shareholders.

During the year ended 31 March 2012, the Board comprised of six directors including a Non-Executive Chairman, two Executive Directors and three independent Non-Executive Directors. The Non-Executive Chairman was considered by the Board to be independent upon his appointment. Jamie Hopkins became an Executive Director on 12 March 2012.

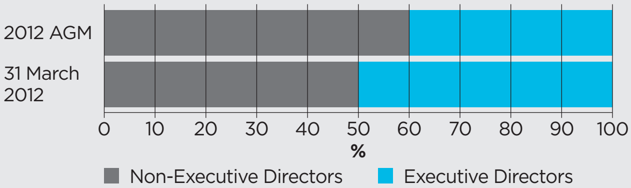
Due to Jamie Hopkins succeeding Harry Platt as CEO, the Board temporarily comprised five members, three of which, including the Chairman, are considered independent.

For the purpose of compliance with the Code during the 2011/12 reporting year, the Board comprised a majority of independent Non-Executive Directors, excluding the Chairman. Despite the temporary decrease in the number of Non-Executive Directors following Jamie Hopkins' appointment as CEO, the Board continues to fulfil the Code's requirement for companies of Workspace's size.

On 22 May 2012 Maria Moloney was appointed to the Board to re-establish a majority of Non-Executive Directors on the Board.

The following illustrates the balance of Non-Executive Directors to Executive Directors, excluding the Chairman, on the Board during past year:

BALANCE OF NON-EXECUTIVE AND EXECUTIVE DIRECTORS



INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

Following the 2012 AGM, Bernard Cragg will have served as a Board Director for nine years. The Board recognises that his tenure will have reached a threshold at which his independence could be called into question by some shareholders under the criteria set by the UK Corporate Governance Code.

The Board has considered the independence of all of the Non-Executive Directors, and in particular that of Bernard Cragg during the board effectiveness review conducted during the year. The review concluded that the Non-Executive Directors, including Bernard Cragg, act in a robustly independent manner and bring constructive challenge to board discussions and independent decision-making to their Board and Committee duties.

The Board believes that no long-standing relationship which may be deemed to compromise independence has been formed with any of the Executive Directors or senior executives at Workspace. Furthermore following the retirement of Harry Platt earlier in the year, the longest-standing professional relationship between Bernard Cragg and any existing Executive Directors is no more than five years.

The Board accepts that some shareholders take a robust view of independence, in particular the tenure of Non-Executive Directors. The Board is committed to actively refresh its membership and that of its committees in line with its succession planning process which has been evident in recent years by the retirement of Mr Hales as Non-Executive Chairman and Mr Platt as Chief Executive and the appointment of Mr Kitchen as Non-Executive Chairman, Dr Moloney as a Non-Executive Director and Mr Hopkins as Chief Executive.

Considering the changes to the Board which have occurred over the past year, the Board is mindful of ensuring that a certain level of continuity is maintained.

With this in mind and given the importance of the experience and skills required to perform the role of Chair of the Audit Committee and Senior Independent Director, Bernard Cragg will remain as a Board Director until the Annual General Meeting in 2014.

We continue to review and monitor Board and Board Committee composition against our skills and experience requirements and so we will be considering potential candidates, as Non-Executive Directors to join our Board over the next 12 months.

ROLE AND RESPONSIBILITIES OF DIRECTORS

CHAIRMAN, CHIEF EXECUTIVE AND SENIOR INDEPENDENT DIRECTOR

The roles and responsibilities of the Chairman and the Chief Executive 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.

During the year the Chairman held a number of meetings with the Non-Executive Directors, without the Executive Directors. The discussions largely revolved around succession planning.

The Chief Executive has direct charge of the Group 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.

COMPANY SECRETARY

Carmelina Carfora is the Company Secretary to the Board of Workspace. Her biography can be found on page 41. Carmelina is responsible for ensuring good information flows within the Board and its committees and between senior management and Non-Executive Directors. She is also responsible for advising the Board, through the Chairman on all governance matters.

CORPORATE GOVERNANCE REPORT
continued

BOARD COMMITTEES

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

NOMINATIONS COMMITTEE

DANIEL KITCHEN
Chairman

Number of meetings during the year	Scheduled	Attended
Daniel Kitchen (Chairman)[1]	5	4
John Bywater	5	5
Bernard Cragg	5	5
Jamie Hopkins[2]	5	3
Tony Hales (former Chairman)[3]	5	1

Notes:
1. Daniel Kitchen, who was independent upon appointment, was appointed as Chairman of the Committee on 28 July 2011. His attendance is based on the number of meetings held in which he was eligible to attend following him becoming a formal member.
2. Jamie Hopkins attended all meetings which he was eligble to attend prior to stepping down from the Committee.
3. Tony Hales retired from the Board on 28 July 2011. His attendance is based on the number of meetings held in which he was eligible to attend prior to him retiring from the Board.

During the year, the Nominations Committee was chaired by Daniel Kitchen and comprised all of the Non-Executive Directors. The names of the members of the Committee are shown in the table above, together with attendance at meetings. Jamie Hopkins stepped down as a member of the Nominations Committee in November 2011 once he had expressed an interest in the role of CEO.

Maria Moloney has been appointed to the Committee increasing the membership to four.

The Committee meets as required and makes proposals on the size, structure, composition and appointments to the Board. It periodically assesses what new skills, knowledge and experience are required and then recommends a candidate profile. It carries out the selection process and an external search agency is ordinarily used to assist in the identification of suitable candidates for Board appointments. The Nominations Committee then meets and decides which candidates, if any, will be recommended to join the Board.

In the 2011 Annual Report, the Committee reported on the process of succession undertaken for the appointment of the Chairman.

During the year, the main task of the Committee was the recruitment of a new CEO, as in early 2011, Harry Platt announced his desire to retire in 2012. Subsequently, the Committee was asked by the Board to prepare for an orderly succession and undertake a formal process to indentify a suitable successor.

The Committee appointed Spencer Stuart, an external search consultancy, to assist it in identifying a diverse list of internal and external candidates qualified for the role.

The Committee met with a number of candidates and following several meetings and discussions, the Nominations Committee duly recommended to the Board that Jamie Hopkins be appointed as CEO. The Board unanimously agreed that Jamie Hopkins had the required skills and experience to lead the Group going forward and he was formally appointed as CEO with effect from 1 April 2012.

As would be expected, the Executive Directors took no part in the recruitment process of the new CEO.

In addition, following the vacancy of an NED role due to the appointment of Jamie Hopkins as CEO, the Nominations Committee duly recommended to the Board that Dr Maria Moloney be appointed as a Non-Executive Director.

REMUNERATION COMMITTEE

JOHN BYWATER FRICS
Non-Executive Director

Number of meetings during the year	Scheduled	Attended
John Bywater (Chairman)	9	9
Bernard Cragg	9	9
Daniel Kitchen[1]	9	1
Jamie Hopkins[2]	9	7
Tony Hales[3]	9	3

Notes:
1. Daniel Kitchen was appointed as a member of the Committee on 1 February 2012. His attendance is based on the number of meetings held in which he was eligible to attend following him becoming a formal member.
2. Jamie Hopkins stepped down as a member of the Committee in March 2012.
3. Tony Hales retired from the Board on 28 July 2011. His attendance is based on the number of meetings held in which he was eligble to attend prior to his retirement from the Board.

During the year ended 31 March 2012, the Remuneration Committee was chaired by John Bywater and comprises all of the Non-Executive Directors. The names of the members of the Committee are shown in the table above, together with attendance at meetings. Daniel Kitchen, the Group Chairman was appointed as a Committee member on 1 February 2012. Jamie Hopkins stepped down as a formal member of the Committee on 1 March 2012. The Committee comprises two independent Non-Executive Directors and the Board Chairman, who was independent upon appointment.

Maria Moloney has been appointed to the Committee increasing the membership to four.

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

Under its terms of reference the Committee meets at least twice a year. During the year under review the Committee met nine 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 UK Corporate Governance Code.

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

AUDIT COMMITTEE

BERNARD CRAGG BSC ACA
Senior Independent
Non-Executive Director

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

Notes:
1. Jamie Hopkins stepped down as a member of the Committee in March 2012.

The Audit Committee ensures the integrity of financial reporting and audit processes and the maintenance of a sound internal control and risk management systems, details of which are described below.

The Committee comprises all the Non-Executive Directors, except the Chairman, and is chaired by Bernard Cragg. Jamie Hopkins stepped down as a formal member of the Committee on 1 March 2012. The Committee then comprised two independent Non-Executive Directors. Maria Moloney, who was appointed to the Board on 22 May 2012, has also joined the Committee thereby maintaining its membership to three independent Non-Executive Directors.

In addition the Company intends to recruit an additional Non-Executive Director who will be appointed to the Committee and will bring the necessary skills and experience required.

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 Group Chairman, 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 under review the Committee met three times.

CORPORATE GOVERNANCE REPORT
continued

During the year, the Committee met in private sessions with its external auditors, 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 Group's internal control and risk management systems;
- the external auditor's management letter;
- the Group's compliance with REIT legislation;
- the need and use for an internal audit function; and
- the review of fraud risk.

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 Group 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 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 has considered 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. However, there have been no instances of this occurring. 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 assess 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 79.

BOARD EFFECTIVENESS AND SUCCESSION PLANNING

BOARD EFFECTIVENESS REVIEW

Each year the Board carries out a formal internal evaluation of its own performance. The process comprises the Company Secretary issuing a detailed questionnaire covering the Board and its Committees to Board members.

PROCESS

The responses to the questionnaire are collated by the Company Secretary, who then prepares reports for each of the chairmen of the Board and relevant committees. The responses are discussed at the Board and the relevant committees taking follow up actions where considered necessary.

THE QUESTIONNAIRE COVERS A VARIETY OF ISSUES SUCH AS THE EFFECTIVENESS OF:

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 Group.

The review of the Chairman's performance is undertaken by the Non-Executive Directors, led by Bernard Cragg in his capacity as the Senior Independent Director, taking into account the views of the Executive Directors. Following the review, Bernard Cragg meets with the Chairman to discuss his performance.

During the year an internal review was not undertaken as an external evaluation of the Board was conducted by Wickland Westcott.

EXTERNAL EVALUATION

During the past year the Board engaged an external party, Wickland Westcott to undertake formal evaluation of its performance, and that of the committees and the Directors. The evaluation process took the form of questionnaires completed by Directors and key executives, followed by structured interviews with representatives from Wickland Westcott.

The review focused on a number of areas in which several specific matters were considered and a number of actions were determined.

The key themes arising from the evaluation and which will form the basis of the action plan for 2012 are:

BOARD PERFORMANCE – 2012 OBJECTIVES

ACTION POINTS

- Develop further the process by which the Board engages in the development of strategy.
- Continuing to develop an appropriate process for succession planning for Board and senior executive positions.
- Ensuring that the Board continues to have an appropriate range and balance of skills, experience and diversity.
- The Board will continue to enhance their interaction with Executive Committee members to gain an enhanced understanding of the challenges and opportunities they face in the business environment.

CORPORATE GOVERNANCE REPORT
continued

THE 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 2012.

The Group 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:

Jamie Hopkins, Chief Executive
Strategic management; investor relations; acquisitions and disposals; health and safety; staff; equal opportunities; remuneration; and training and development.

Graham Clemett, Group 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.

RE-ELECTION OF DIRECTORS

The Articles of Association of the Group 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, at the 2011 AGM the Group had adopted the requirements of the UK Corporate Governance Code (June 2010) 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 will retire at the AGM and being eligible, offer themselves up for re-election.

The Board considers that all of the Directors have the necessary skills and experience needed to effectively lead the business. In addition, the NEDs are considered to bring independent objectivity in order to safeguard and promote the interest of shareholders.

The Board has considered the outcome of the external board effectiveness review as well as the performance of each individual Director, including how they operate as a collective in fulfilling their duties on the Board or as members of the Board's Committees. The Board has accepted the recommendations provided by the Nominations Committee and is of the opinion that the directors seeking re-election at the AGM have continued to give effective counsel and commitment to the Company and accordingly should be reappointed by the Group's shareholders at the upcoming AGM.

Mr Hopkins and Mr Clemett have service contracts and details can be found on page 64.

None of the Non-Executive Directors have service contracts.

The appointment of Mr Kitchen may be terminated by either he or the Group giving six months' notice in writing.

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

Dr Moloney was appointed as a Non-Executive Director with effect from 22 May 2012. Dr Moloney therefore stands for election at the forthcoming Annual General Meeting. Dr Moloney's appointment may be terminated by either the Company or by her giving three months' notice in writing. Dr Moloney has been invited to join the Remuneration, Audit and Nominations Committees.

Biographies for the Directors can be found on pages 40 and 41.

CORPORATE GOVERNANCE POLICIES

TRAINING AND 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 Group has continued to secure appropriate insurance cover for its Directors and its Officers.

DIVERSITY

Workspace employs enthusiastic, committed and well-trained people, whose diversity reflects that of London itself. The Board is fully 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. At Workspace we have had a good record of promoting and appointing women to senior positions. Our employee gender profile is fairly evenly split with a total of 43% female and 57% male employees.

The Board recognises the benefits of diversity of skills, knowledge and independence, as well as gender diversity. During the year, the Board formally discussed and reviewed its policy regarding diversity, including gender, on the Board and within the Group as a whole. As a result the Board requested that going forward, diversity becomes a formal area for consideration in board effectiveness reviews and in its succession planning. Consequently, diversity will form part of considerations afforded to the search and selection process for Directors and staff.

The Board does not consider it appropriate at this time to set quotas for board representation, but will monitor developments in best practice.

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;
- 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 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.

CORPORATE GOVERNANCE REPORT
continued

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 32 to 35.

TAKEOVER DIRECTIVE
Share capital structures are included in the Directors' Report on page 43.

GOING CONCERN
Going Concern disclosures are included in the Directors' Report on page 42.

RELATIONS WITH SHAREHOLDERS
A copy of the Annual Report and Accounts is sent to shareholders and is also available on the Group'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. The Group'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 Group'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.

By order of the Board

CARMELINA CARFORA
Company Secretary
11 June 2012

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 UK Corporate Governance Code and complies with the UKLA Listing Rules and relevant requirements of Section 421 to the Companies Act 2006. The Company's auditors are required to report on the 'Audited Information' in the report and to state that this section has been properly prepared in accordance with regulations. Therefore, the Remuneration Report has been divided into two parts; the first containing information which is unaudited and the second containing information which is audited.

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;
- Membership and role of the Remuneration Committee;
- Principles of Executive Remuneration Policy;
- Overview of Executive Remuneration Structure for 2012;
- Remuneration Components for Executives;
- Service Agreements of Executive Directors;
- Retirement of Harry Platt.

OVERVIEW FROM JOHN BYWATER, CHAIRMAN OF THE REMUNERATION COMMITTEE

JOHN BYWATER
Chairman of the Remuneration Committee

"Our commitment remains to align pay with performance."

During the last financial year Workspace has performed well against an uncertain economic background despite the ongoing uncertainty in the global economy generally. Despite these difficult conditions, the Company has delivered good growth in trading profit after interest, rental income, dividends and net asset value. Our full trading results are discussed in more detail in the Business Review on pages 26 to 31.

We continue to identify other value creation opportunities, focusing our efforts on increasing rental income and investing in our development programme, the Remuneration Committee is committed to ensuring that the remuneration structures in place remain appropriate to support our business strategy and reinforce success.

The Committee believes that remuneration plays an important role in fostering the long-term growth and success of the business and we aim to do this in a way that promotes good corporate governance and effective risk management. The Committee aims to ensure its decisions on remuneration have regard to pay and conditions across the Group, are fair and reasonable in light of current market practice and are in the best interests of shareholders as a whole.

This report explains the principles and details of the Company's remuneration arrangements and how they are aligned with these objectives.

The Committee strives to ensure that shareholders' interests are served by ensuring that a significant part of Executive Directors' remuneration is linked to the Company's success. This is achieved through bonus deferral, strong encouragement to voluntarily invest in the Company's shares and setting stretching performance targets.

During this year's review, the Committee concluded that the structure of remuneration remained broadly appropriate. The Annual Bonus continues to focus on the annual business priorities and the LTIP continues to align the interests of participants with those of our shareholders. Details of these schemes are set out later in this report.

In recognition of his value to the business, the Committee decided to increase Mr Clemett's base salary closer to market median. During the year the Committee also agreed terms of engagement of the Company's new CEO, Jamie Hopkins (see pages 60 and 61), and retirement arrangements for Harry Platt (see page 65). The Committee will continue to monitor the remuneration policy during the forthcoming year to ensure it continues to reinforce the Company's goals, align executive and shareholder interests, and motivate and retain talent.

ACTUAL PERFORMANCE OF STRATEGIC AND FINANCIAL MEASURES

+13%
Trading Profit after interest (adjusted)
Up 13% to £16.0m

Capital Return vs IPD Comparator Index Total Property return of 13.4% vs 6.4% for IPD quarterly Universe

84%
Customer Satisfaction

+8%
Net Asset Value per share
Up 8% to £3.08

+10%
Dividend per share for full year
Up 10% to 8.79p

SUMMARY OF REMUNERATION FOR YEAR ENDED 31 MARCH 2012

	Harry Platt	Graham Clemett
Base Salary	£337,400	£221,646
Annual Bonus Scheme [1]	£303,660	£249,351
(Maximum bonus of 120% of salary)	90% of salary	112.5% of salary
	Performance Award	**Performance Award**
Long Term Incentive Plan ('LTIP')	90% of salary	90% of salary
	Matching Award	**Matching Award**
Maximum Awards	90% of salary	90% of salary
Other benefits	£75,600	£17,800

1 For the financial year ended 31 March 2012, the Remuneration Committee set a minimum deferral requirement of 25% of bonus earned.

DIRECTORS' REMUNERATION REPORT
continued

1. UNAUDITED INFORMATION
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 (until 28 July 2011)
Jamie Hopkins (until 1 March 2012)
Daniel Kitchen (from 1 February 2012)

PURPOSE AND 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.workspacegroupplc.co.uk.

ROLE OF THE REMUNERATION COMMITTEE

Responsibilities of the Committee include:

- Recommending the Company policy on remuneration for the Executives and senior managers.
- Setting and reviewing the composition and level of remuneration of Executives and 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 also reviews and approves the overall remuneration levels of employees beneath senior management level (but does not review individual remuneration amounts for such employees).

AGENDA DURING 2011/12

- Reviewed executive remuneration arrangements in relation to the Company's needs, market practice and best practice.
- Agreed terms of engagement of the new CEO.
- Benchmarked salaries and total remuneration against a comparator group of other UK-listed property companies and companies of similar market capitalisation.
- Determined annual bonus outcomes and 2009 LTIP vesting and set performance conditions for 2011/12 awards under these plans.
- Reviewed developments in Corporate Governance and the proposals issued by the Business Secretary to the UK Government.

Workspace operates a number of share schemes available to all employees, the details of which are provided on pages 93 to 96.

The Committee met nine times during the year under review. Attendance by individual Committee members at meetings is detailed in the Corporate Governance Report on page 51.

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.

ADVISERS

For the year under review, the Committee continued to retain the services of Kepler Associates 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. Advice was also sought from PricewaterhouseCoopers LLP (PwC) who provided limited advice pertaining 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.

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 2013.

REMUNERATION POLICY

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

REMUNERATION PACKAGE DESIGN

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

PERFORMANCE LINKED

A significant part of executive remuneration is variable and is determined by the Group's success and directly links reward with Group and individual performance.

COMPONENT OF PACKAGE

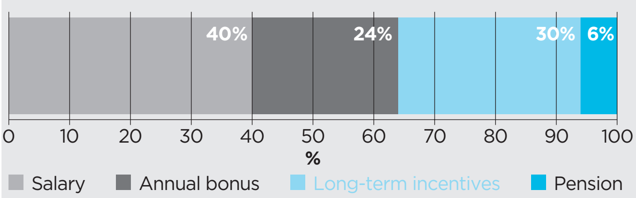
Basic salary / Benefit / Pension	Annual Bonus	Long-term incentive
PURPOSE Reflect market value of the role and of the individual's skills, experience and individual contribution in order to provide a competitive package.	Drive and reward the annual performance of the Company and individuals against corporate objectives and KPIs.	Drive and reward the delivery of a sustained long-term sector out-performance aligned to the interests of shareholders.
ALIGNMENT WITH STRATEGY Provide market competitive level of remuneration set with due consideration of objective benchmarking against a comparator group of similar companies within the sector.	Provides direct link with strategically-aligned operational and individual KPIs.	Focus on growth in NAV and TSR over the medium to long term.

SHAREHOLDERS' INTERESTS

The Committee strives to ensure that shareholders' interests are served by creating an appropriate balance between fixed and 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 time's basic salary.

The chart opposite shows the 2012 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)



DIRECTORS' REMUNERATION REPORT
continued

OVERVIEW OF EXECUTIVE REMUNERATION STRUCTURE FOR 2012

ELEMENT	PURPOSE	DELIVERY	SUMMARY DETAILS	DATE OF AWARD OR RECEIPT
BASE SALARY	To reflect market value of the role and individual's performance and contribution.	Payable in cash. Pensionable.	Reviewed annually, with any increases effective from 1 April.	Paid on a four weekly basis.
ANNUAL BONUS	To encourage and reward the achievement of Group financial and corporate targets and strategic business objectives.	Maximum bonus of 120% of salary. The Remuneration Committee may vary the mix of cash and deferred bonus from year to year. For 2012, the minimum deferral requirement has been set at 25% of bonus earned. Non Pensionable.	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%); 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 normally vest after two years, subject to continued employment) or allow Executives to make an equivalent investment in the LTIP.	Normally paid in June following the reporting year end.
LTIP	To align the interests of participants with those of shareholders.	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).	Normally awarded in June following the reporting financial year end.
OTHER BENEFITS	To provide market competitive benefits.	Benefits in kind or cash allowance.	Benefits include a car allowance, private health insurance, death in service cover and pension contribution. Executives may also join the SAYE scheme.	Received during the year.

WIDER GROUP REMUNERATION POLICY

The Group's wider people policies are reported separately on page 43. 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 incentive plan together with all members of the Executive Committee.

OVERVIEW OF THE TERMS OF ENGAGEMENT FOR JAMIE HOPKINS

Mr Hopkins was appointed as an Executive Director on 12 March 2012 and as Chief Executive with effect from 1 April 2012. His base salary is £400,000 p.a. which is around median and was necessary to attract an individual with his previous experience. He is entitled to a maximum annual bonus opportunity of 120% of salary (from 1 April 2012).

In connection with the recruitment of Mr Hopkins, and conditional on the purchase by him of Workspace shares up to 100% of salary, the Company intends to grant a one-off award of 1x the amount invested (up to 100% of salary) in restricted shares, vesting subject to the achievement of an absolute TSR underpin of 4% p.a. The Company also intends to grant under the current LTIP an award of up to 125% of salary in performance shares, which will vest subject to the same performance conditions as for other executives, i.e. 1/3, 1/3, 1/3, on 3-year relative NAV, relative TSR and absolute TSR (subject to a relative TSR underpin).

The performance period is the three years to 31 March 2015, and the awards may vest three years after grant, subject to continuous employment, the retention of his acquired shares and the performance conditions being satisfied.

These awards were necessary to secure the services of the new CEO, and have been structured to require the new CEO to make a substantial investment in Workspace shares, as well as provide alignment with shareholder interests from the outset.

As an Executive Director, Mr Hopkins will be eligible going forward to receive annual LTIP awards (subject to shareholder approved limits). The proportion of these shares released after a three-year performance period would depend on the extent to which relative NAV, relative TSR and absolute TSR performance conditions are met. Further details can be found on pages 62 and 63 of this report.

Mr Hopkins will also receive pension and other benefits consistent with standard Workspace terms and conditions for senior Executives.

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.

In April 2012, the Committee reviewed the base salary of the Finance Director and it was agreed that the salary for Mr Clemett be increased by £28,000 to £250,000 in recognition of his strong performance over the year and his value to the business. Since 2008 his salary had increased by only 2%, and the proposed increase on a cumulative basis since 2008 is in line with the year-on-year percentage increase provided for the average employee. His resultant salary is closer to, although still below median relative to other UK-listed property comparators and companies of similar size. Given the change in Chief Executive Officer, neither Mr Platt's nor Mr Hopkins' salaries were subject to review. The next salary review date for Executives will be 1 April 2013.

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 to a defined contribution (money purchase) scheme. Executives may also join the SAYE scheme.

Mr Hopkins and Mr Clemett receive an employer's pension contribution equal to 15% and 16.5% of basic salary respectively, which is made to a defined contribution (money purchase) scheme.

ANNUAL BONUS SCHEME

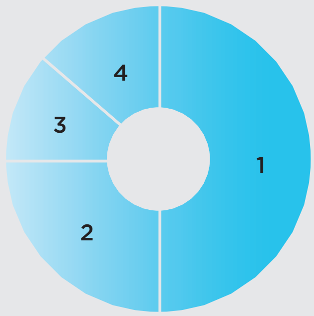
Policy and award levels

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

The Committee sets a minimum deferral or investment each year into Workspace shares. For 2011/12 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 2011/12 the Committee will allow Executives to make an equivalent investment in the LTIP.

The Corporate performance measures and their weightings for 2011/12 Executive Director annual bonuses are illustrated by the following diagram:



1. Trading profit before tax (50%)

2. Capital Return from portfolio versus a defined comparator index compiled by IPD (30%)

3. Customer satisfaction (10%)

4. Personal objectives (10%)

DIRECTORS' REMUNERATION REPORT
continued

The performance measures applicable for the year ended 31 March 2012 and performance against them are detailed below:

Measure	Proportion	Bonus Performance Targets		Performance Achieved (% of bonus earned) Harry Platt	Graham Clemett
Corporate	50%	Trading profit before tax		50%	50%
	30%	Capital return from the portfolio versus a defined comparator index compiled by IPD		30%	30%
	10%	Customer satisfaction (based on survey results)		10%	10%
Personal	Corporate performance bonus may be adjusted by a factor in the range of 0.67 to 1.33 (with factors greater than 1.0 reflecting superior performance)			1.00	1.25
Maximum Bonus (% of salary)	120%		Total Bonus Earned (% of salary)	90%	112.5%

Against each measure the bonus starts to be paid on the achievement of a threshold performance, increasing on a straight line basis until stretch performance is achieved, at which point the full bonus potential for that measure is earned.

The Committee assessed performance and was pleased to note that during the year the Company outperformed on every measure. The results of the quantitative measures were:

FINANCIAL AND CORPORATE
- Trading profit after interest (adjusted) up 13% to £16m.
- Over the financial year the Company delivered return of 13%, significantly outperforming the relevant IPD benchmark which had a capital return of 6.4%.
- Customer satisfaction survey confirming 84%.

The Committee considered performance during the year against personal and strategic objectives and noted the following achievements in particular:
- Refinancing of the new £125m RBS debt facility in June 2011.
- Successful execution of targeted acquisitions and disposals. £21m invested (Workspace share £4.2m) in acquisitions for the BlackRock Workspace joint venture. £13m generated from cash disposals with minimal income loss.
- Good progress made on development projects with £18m invested on capital expenditure projects for significant income and capital growth.
- Good performance against key operational and financial metrics:

  Rental Income growth. Underlying net rental income, excluding disposals, up 4% to £44.6m.

  Underlying property valuation excluding disposals and capital expenditure up 5% to £760m.

  Dividend for year up 10% to 8.79p per share.

  Net asset value per share up 8% to £3.08.

Following consideration of the above, the Committee awarded Mr Platt a bonus of 90% of salary and Mr Clemett a bonus of 112.5% of salary.

For 2012/13, the structure of the Annual Bonus will remain as described above.

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. The Company 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 growth, relative TSR and absolute TSR. Relative performance is measured against the constituents of the FTSE 350 Real Estate Index. 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. For awards granted since 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.

Participation in the Plan extends to members of the Executive Committee and the Group's senior managers. Full details of the awards made to the Executive Directors under the Plan are shown on page 67.

	One-third		One-third		One-third	
Performance condition:	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[1]	
Level of performance	Company's rank	% of award vesting	Company's performance	% of award vesting	Company's performance	% of award vesting
Awards made in June 2009* [1,2]						
Threshold	51st percentile	20%	Median	20%	241.7 pence	20%
Maximum	75th percentile	100%	Median + 7.5% p.a	100%	290 pence	100%
Awards made in June 2010* [1,3]						
Threshold	51st percentile	20%	Median	20%	11% p.a.	20%
Maximum	75th percentile	100%	Median + 7.5% p.a	100%	20% p.a.	100%
Awards made in June 2011* [1,3]						
Threshold	51st percentile	20%	Median	20%	11% p.a.	20%
Maximum	75th percentile	100%	Median + 7.5% p.a	100%	20% p.a.	100%

*1. There will be a pro-rata vesting of awards between the 'threshold' and 'maximum' performance levels.
*2 Absolute TSR targets of 241.7p and 290p for Threshold and Maximum respectively. These are TERP (theoretical ex rights price) adjusted for the Rights Issue in July 2011 and for the share consolidation in August 2011.
*3. For the 2010 and 2011 LTIP awards, 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.

2012 LTIP AWARD

For the Finance Director, the Committee intends to make the awards following the release of the Company's preliminary results announcement on 12 June 2012 and the anticipated size of awards is detailed below.

Director	Performance Award	Maximum potential Matching Award
Finance Director	90%	90%

In order to participate in the matching element of the plan, the Director must use his own funds to purchase ordinary shares, up to a maximum of 45% of net annual basic salary.

The Remuneration Committee has reviewed the performance criteria for the grant of LTIP awards in 2012 and has set equivalent conditions as those attached to 2011 LTIP awards. It believes these are appropriately stretching but achievable.

The 2012 LTIP grant will be subject to the following performance conditions:

	One-third		One-third		One-third	
Performance condition:	Growth in Net Asset Value plus dividends relative to companies in the FTSE 350 Real Estate index		Relative TSR (share price growth plus reinvested dividends relative to companies in the FTSE 350 Real Estate index)		Absolute TSR[1]	
Level of performance	Company's percentile rank	% of award vesting	Company's performance	% of award vesting	Company's performance	% of award vesting
Awards made in June 2012						
Threshold	51st percentile	20%	Median	20%	11%	20%
Maximum	75th percentile	100%	Median + 7.5% p.a	100%	20%	100%

1. 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.

DIRECTORS' REMUNERATION REPORT
continued

2009 LTIP VESTING

The three year performance period of 2009 LTIP awards ended on 31 March 2012. Workspace's three-year NAV growth (plus dividends) of 9.7% p.a. was 66.7th percentile against the FTSE350 Real Estate which warranted 72.3% of this element vesting (equivalent to 24.1% of LTIP shares awarded). Over the three years from 1 April 2009 to 31 March 2012, Workspace's TSR outperformed the median TSR of the FTSE350 Real Estate by 5.25% p.a. which warranted 76% of this element vesting (equivalent to 25.3% of LTIP shares awarded). Workspace's average share price over the final quartile of the performance period, plus dividends reinvested, of 260.6p, warranted 51.3% of the absolute TSR element vesting (equivalent to 17.1% of LTIP shares awarded).

The Committee considered this together with the underlying business performance of Workspace, and concluded that 66.5% of the LTIP shares awarded to Executives would vest.

JOINTLY HELD LTIP AWARDS

In 2009 the Company offered participants the opportunity to restructure their 2009 LTIP awards and future awards so that they acquired shares jointly 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%). Individuals were required to pay appropriate income tax and National Insurance 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 has generated 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.

For the 2010 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.

For the 2011 awards the Executive Directors did not participate in joint ownership awards.

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 67 and 68. 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.

Under the rules of the Savings Related Share Option Scheme, a requirement exists to renew the terms of the scheme every 10 years.

Given that it was last tabled to shareholders in 2003, shareholders will be asked to renew the Scheme at the Annual General Meeting in July 2012 and full details of the resolution can be found in the Notice of the 2012 Annual General Meeting.

SHARE-BASED AWARDS AND DILUTION

The Company's share schemes are funded through a combination of shares purchased in the market and new-issue shares, as appropriate. Funding of awards through new-issue shares is subject to an overall dilution limit of 10% of issued share capital in any 10-year period. Of this, 5% may be in connection with the Company's executive share schemes.

As of 31 March 2012, around 3.7m (2.6%) and 3.2m (2.2%) shares have been, or may be, issued to settle awards made in the previous 10 years in connection with all share schemes and executive share schemes respectively. Awards that are made but then lapse or are forfeited, are excluded from the calculations.

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 was reduced to three months if notice was served by him during the period from 30 December 2011 to 27 April 2012 (inclusive). Mr Platt advised the Board of his intention to retire and Mr Hopkins was appointed Chief Executive Officer from 1 April 2012.

As with existing Executive Directors, the Service Agreement with Mr Hopkins is on a rolling 12-month basis and provides for 12 months' notice by the Company and by Mr Hopkins.

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. The Company entered into a service agreement with Mr Hopkins on 3 February 2012.

In the event of termination of any Director, the Company reserves the right to make phased payments which are paid in monthly instalments and subject to mitigation.

RETIREMENT OF HARRY PLATT

Mr Platt retired from office as Chief Executive on 31 March 2012 and will remain employed by the Company until the end of June 2012 to facilitate an orderly handover. He will be paid his salary and other benefits (cash in lieu of pension, private health insurance, death in service insurance and use of mobile phone) until the end of June. He received a bonus in respect of 2011/12 financial, corporate and personal performance and 25% of this will be deferred in the Company's shares and will be released two years after grant. He will receive 2009 LTIP shares vesting in June 2012 subject to the achievement of the performance conditions. He will also retain an interest in the 2010 and 2011 LTIP grants, although awards will be pro-rated for time based on the proportion of the vesting period served and for performance to the end of the relevant three-year performance period.

During the year no further employer pension contributions were made to Mr Platt, who instead received a cash allowance in lieu of pension at no additional cost to the Company.

No termination payments were made to Mr Platt in respect of his notice period upon his retirement from the Board.

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 2012 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 fee payable to Mr Kitchen is £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 2012	Date of Appointment/ Last reappointment at AGM	Notice Period
D Kitchen	6 June 2011	24 months	2011	6 months
B Cragg	22 May 2012	24 months	2011	6 months
J Bywater	27 July 2010	14 months	2011	6 months
M Moloney*	22 May 2012	36 months	2012	3 months

* Maria Moloney was appointed on 22 May 2012.

PERFORMANCE REVIEW

Figure 1: **Shareholder return on £100 invested on 31/3/2002**

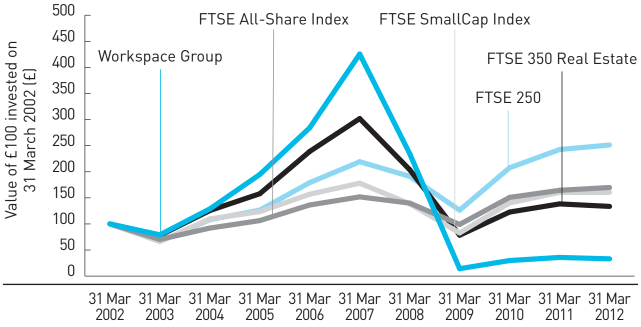


Figure 2: **Shareholder return on £100 invested on 31/3/2009**

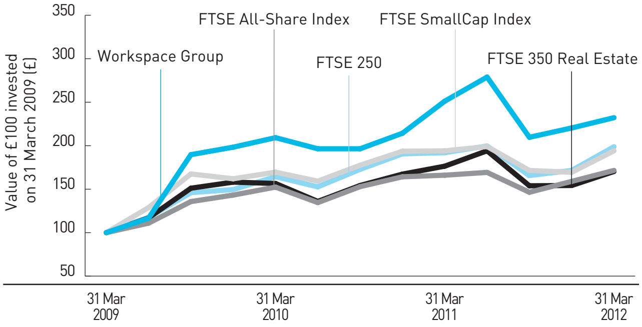


Figure 1 above compares the total shareholder return performance (TSR) of the Group with benchmark indices. Given the differing benchmarks used for such performance measurement your Board has decided to undertake this comparison against all of the FTSE 250, FTSE All Share, FTSE Small Cap and FTSE 350 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 three years.

DIRECTORS' REMUNERATION REPORT
continued

2. AUDITED INFORMATION
DIRECTORS' EMOLUMENTS (AUDITED)

	Fees 2012 £000	Base salary 2012 £000	Performance[6] bonus 2012 £000	Other benefits 2012 £000	**Total emoluments 2012 £000**	**Pension scheme contributions 2012 £000**	Total emoluments 2011 £000	Pension scheme contributions 2011 £000
Executive Directors								
H Platt[1] (Chief Executive)	–	337.4	303.7	75.6	**716.7**	**–**	694.1	54.6
G Clemett (Finance Director)	–	221.6	249.4	17.8	**488.8**	**36.6**	467.1	35.9
J Hopkins (Executive Director)[2]	–	23.1	–	0.9	**24.0**	**3.4**	–	–
	–	582.1	553.1	94.3	**1,229.5**	**40.0**	1,161.2	90.5
Non-Executive Directors								
D Kitchen[3] (Chairman)	98.8	–	–	–	**98.8**	**–**	–	–
A J Hales[4] (Chairman)	32.7	–	–	–	**32.7**	**–**	100.0	–
B Cragg[5]	45.0	–	–	–	**45.0**	**–**	45.0	–
J Bywater[5]	45.0	–	–	–	**45.0**	**–**	45.0	–
J Hopkins[2]	37.7	–	–	–	**37.7**	**–**	32.8	–
R Dickinson	–	–	–	–	**–**	**–**	12.9	–
	259.2	–	–	–	**259.2**	**–**	235.7	–
	259.2	582.1	553.1	94.3	**1,488.7**	**40.0**	1,396.9	90.5

Notes:
1. No employer pension contributions were be made to Mr Platt, but he received, instead, a cash allowance of £55,600 per annum in lieu of pension at no additional cost to the Company.
2. Mr Hopkins was appointed as an Executive Director with effect from 12 March 2012. Consequently, he received a fee for services as a Non-Executive Director up to 12 March 2012 and then a salary from this date.
3. Mr Kitchen was appointed a Director on 6 June 2011.
4. Mr Hales retired from the Board at the AGM on 28 July 2011.
5. Messrs Cragg and Bywater received a fee of £5,000 for acting as chairman of the Audit and Remuneration Committee respectively.
6. For 2011/2012 the Committee set a minimum deferral requirement of 25% of the bonus earned. Equivalent to £62,337 for Mr Clemett and £75,915 for Mr Platt.

Claims were brought against the Company by Patrick Marples, a former Director, for loss of office. In July 2011, the sum of £40,522 was paid to Patrick Marples without admission of liability in settlement of his claims and £119,478 (inclusive of VAT) was made towards his legal fees.

DIRECTORS' INTERESTS IN SHARES
The beneficial interests of the Directors in the shares of the Company are set out below:

	31 March 2012	31 March 2011[5]
A J Hales[1]	**975,689**	7,805,555
Mr Kitchen[2,3]	**37,500**	Nil
H Platt[3,4]	**503,490**	4,027,919
G Clemett[3]	**99,464**	795,715
J Bywater[3]	**3,899**	31,190
B Cragg[3]	**66,590**	646,316
J Hopkins[3]	**4,889**	39,110

Notes:
1. Interest in shares for Mr Hales as at the date of his retirement on 28 July 2011 and adjusted for the impact of the share consolidation in August 2011.
2. Mr Kitchen was appointed to the Board on 6 June 2011. He acquired shares on 26 July 2011 as part of the Rights Issue.
3. The shareholdings for each Director as at 31 March 2012 have been adjusted for impact of the Rights Issue and share consolidation in July and August 2011.
4. Mr Platt retired as a Director of the Company on 31 March 2012.
5. Not restated for the Rights Issue and share consolidation.

Directors' interests in Incentive Plans and Share Options are disclosed on pages 67 and 68.

There have been no changes in the interests in the period between 31 March 2012 and 11 June 2012 although the interest in shares for Mr Hales is shown at the date of his retirement on 28 July 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:

		Interests in shares as at 1 April 2011[1,9] (post Rights-Issue adjustment)			Lapsed during the year		Interests in shares as at 31 March 2012		
	Date awarded	Performance[2]	Invested[3,5]	Matching[4]	Performance	Matching	Performance	Invested	Matching
H Platt	13/06/2008[8]	55,251	5,750	26,766	(55,251)	(26,766)	–	5,750	–
	12/06/2009[6]	213,306	60,982	213,306	–	–	213,306	60,982	213,306
	06/07/2010[7]	149,252	35,438	149,252	–	–	149,252	35,438	149,252
	04/08/2011	–	–	–	–	–	112,455	26,989	112,455
G Clemett	13/06/2008[8]	35,957	3,778	17,419	(35,957)	(17,419)	–	3,778	–
	12/06/2009[6]	175,175	40,064	140,139	–	–	175,175	40,064	140,139
	06/07/2010[7]	98,057	23,282	98,057	–	–	98,057	23,282	98,057
	04/08/2011	–	–	–	–	–	73,882	17,732	73,882

Notes:

1. Awards will vest subject to the satisfaction of performance conditions detailed on page 63 over the three-year performance period.
2. 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; In July 2011 in respect of 90% of annual salary based on a share price at date of award of 27 pence.
3. 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.
4. 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 and 2011, 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.
5. 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 66 of this Report.
6. 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.
7. For the 2010 awards, 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.
8. 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 and the awards therefore lapsed.
9. The number of shares at 1 April 2011 has been adjusted for the effect of the Rights Issue in July 2011 and share consolidation in August 2011.

SHARE OPTIONS (AUDITED)

Outstanding Options for the Directors of the Company as at 31 March 2012, granted pursuant to the Company's 2000 Share Option Scheme:

						Normal exercise date		
Director	At 01/04/2011[6]	Granted during the year	Lapsed during the year	At 31/03/2012	Exercise price[4]	From	To	Exercise terms (see table following)
H Platt	24,030[1]	–	(24,030)	–	£7.95	24.07.2004	24.07.2011	A
	56,299[1]	–	–	56,299	£8.66	29.07.2005	29.07.2012	B
	37,486[1]	–	–	37,486	£8.25	30.06.2006	30.06.2013	C
	18,949[1]	–	–	18,949	£13.16	30.06.2007	30.06.2014	C
	11,277[2]	–	–	11,277	£17.81	17.06.2008	17.06.2015	E
	7,869[3]	–	–	7,869	£1.15	01.09.2012	01.03.2013	D
G Clemett								
	7,869[3]	–	–	7,869	£1.15	01.09.2012	01.03.2013	D
Total[5]	**163,779**	**–**	**(24,030)**	**139,749**				

Notes:

1. Options which have fully satisfied their performance criteria and vested.
2. Options granted in 2005 did not satisfy the performance condition in full and 25% of options have lapsed in previous years.
3. 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.
4. The exercise price has been adjusted for the effect of the Rights Issue in July 2011 and share consolidation in August 2011.
5. 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 2012 and no profit would therefore arise upon exercise of any of these options.
6. The number of shares at 1 April 2011 has been adjusted for the effect of the Rights Issue in July 2011 and share consolidation in August 2011.

DIRECTORS' REMUNERATION REPORT
continued

The closing mid-market price of Workspace Group PLC ordinary shares at 31 March 2012 was £2.35. During the year, the price of the Company's shares varied between £2.10 and £2.91 (adjusted for share consolidation).

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.

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 11 June 2012.

DEFERRED BONUS AWARDS

As part of the bonus arrangements, share awards (conditional on continuous employment for a period of two years from grant) were made to the Executive Directors on 12 June 2009. Prior to the vesting date, 12 June 2011, these were converted into nil cost options. The period in which the option may normally be exercised will start on the vesting date, 12 June 2011 and end on 12 June 2019, which is 10 years after the date of the original award.

Nil cost options as detailed below were awarded to Mr Platt and Mr Clemett.

Name	Number of nil cost options awarded
Harry Platt	22,877*
Graham Clemett	17,080*

* Adjusted for Rights Issue and share consolidation.

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. In July 2011 the trust took up its full rights under the Rights Issue of 2,437,580 shares at a cost of £560,643. Following the 1 for 10 share consolidation in August 2011 the trust now holds 1,218,802 shares. The market value of the ESOT holding at 31 March 2012 was £2.9m compared with a book cost of £8.7m.

The ESOT also holds 208,442 shares as bare trustee.

By Order of the Board

JOHN BYWATER
Chairman of the Remuneration Committee
11 June 2012

DIRECTORS' RESPONSIBILITIES

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the Parent Company 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 applicable law and United Kingdom Generally Accepted Accounting Standards (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 Company and the Group 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 financial statements respectively; and
- prepare 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 40 and 41 and 46 to 56 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 on pages 26 to 31 includes 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 they face.