

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 are 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.

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 2013. 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 45 to 60 and pages 42 to 44.

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.

LEADERSHIP

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 property 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.

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.
- Consider succession policies and talent management.

REMUNERATION COMMITTEE

- Oversee all aspects of remuneration for Executive Directors.
- Recommend the 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 the audit process.
- Establish and implement the 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.

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).

FINANCE

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

RISK COMMITTEE

- Review and identify risks facing the Group.
- Ensure that appropriate controls are in place to review each issue raised.
- Provides reports to the Audit Committee.

THE BOARD

The Board has a duty to promote the long-term success of the Company for its shareholders and is responsible for 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 will review and monitor strategic plans and objectives, approval of acquisition of investment properties, disposals, financing arrangements and capital expenditure and of the Group's systems of internal control, governance and risk management.

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 Non-Executive Directors 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 and Committee Chairmen report back to the Board. Furthermore, the Board routinely considers safety, environmental, ethical and reputational issues in order to ensure that they are fully reflected in the risk management process.

BOARD ACTIVITIES

The full schedule of matters reserved for the Board can be found on the Company website at www.workspace.co.uk. At least once a year the Board reviews the nature and scale of matters reserved for its decision.

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

- **Strategy:** the setting and monitoring of strategy, including the dividend policy;
- **Strategy:** reviewing performance and implementation of the strategy by the Executive Directors;
- **Property:** reviewing the Group's property valuation;
- **Financing:** considering significant financing arrangements;
- **Acquisitions and Disposals:** examine and approve potential acquisitions and disposals;

- **Business Plans and Budget:** reviewing and approval of budgets, business plans and performance;
- **Redevelopment Activity:** approval of redevelopment activity and major developments;
- **Financial Reporting & Controls:** approval of the annual, half yearly and interim management statement;
- **Internal Controls:** ensuring a sound system of internal control and risk management; review of crisis management plan;
- **Policy:** reviewing and approving policy on key areas including sustainability objectives, health and safety and the environment;
- **Board Membership:** approval of Board appointments and ensuring adequate succession planning is in place;
- **Corporate Governance:** undertaking a review of its own performance and that of its committees, the independence of the Non-Executive Directors and reviewing the governance framework in place.

The Company maintains Directors' and Officers' Liability insurance which is reviewed annually.

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 2013, the attendance of Directors at Board meetings was as follows:

	Scheduled Board Meetings (11)
Daniel Kitchen	10
Jamie Hopkins	11
Graham Clemett	11
Bernard Cragg	10
John Bywater	9
Maria Moloney ¹	10
Chris Girling ¹	3
Damon Russell ²	0

Notes:

1. Maria Moloney and Chris Girling were appointed to the Board on 22 May 2012 and 7 February 2013 respectively. Since their appointment, both Maria Moloney and Chris Girling have attended all Board meetings that they were eligible to attend.
2. Damon Russell was appointed to the Board on 29 May 2013.

Where Directors are unable to attend meetings, their comments, as appropriate, are provided to the Board or Committee Chairman prior to the meeting.

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

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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 Officer. The purpose of the Committee is to facilitate and assist the Chief Executive Officer 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 of investment properties 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 Executive Committee has its own terms of reference.

The Committee has met 18 times during the year ended 31 March 2013.

An Investment Committee was also established during the year under review, again this comprises the Executive Committee and senior managers will be invited to attend as required.

The responsibilities of the Executive Committee members include:

Jamie Hopkins, Chief Executive Officer

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

Graham Clemett, Chief Financial Officer

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

Chris Pieroni, Operations Director

Portfolio performance; asset management, marketing, professional services, brand and business development.

Angus Boag, Development Director

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

BOARD COMMITTEES

The Board has a number of standing committees, namely the Remuneration, Audit, and Nominations Committee, 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 Company's website. Each of these Committees is comprised of Independent Non-Executive Directors of the Company who are appointed by the Board. Board members receive minutes of meetings of all the Board's committees and can request presentations or reports on areas of interest. The Company Secretary is secretary to each Committee.

Attendance at Committee meetings by Committee members during the year was as follows:

	Nominations Committee (3 Meetings)	Remuneration Committee (7 Meetings)	Audit Committee (4 Meetings)
Chairman			
Daniel Kitchen	3	6	-
Non-Executive Directors			
Bernard Cragg	3	7	4
John Bywater	3	7	4
Maria Moloney ¹	1	6	3
Chris Girling ¹	-	2	1

Notes:

- The attendance of Maria Moloney and Chris Girling is based on the number of meetings held in which they were eligible to attend following their appointment as a formal member of the Committee.

EFFECTIVENESS

NOMINATIONS COMMITTEE



DANIEL KITCHEN
Chairman

During the year, the Nominations Committee was chaired by the Company Chairman, 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. The full terms of reference of the Nominations Committee are available for inspection on the Company's website at www.workspace.co.uk.

The Committee meets as required and recommends to the Board candidates for appointment as Directors of the Company. The Committee periodically assesses what new skills, knowledge and experience are required on the Board and, if necessary, the balance of independence. If appropriate, a candidate profile is recommended which is then used to brief recruitment consultants appointed by the Committee to undertake the selection process. Initial meetings are generally held by the Company Chairman with prospective candidates, and a shortlist of individuals is then selected by the Chairman in conjunction with the recruitment consultants, to meet with other Nominations Committee members and the Executive Directors. The Nominations Committee then meets and decides which candidate, if any, will be recommended to join the Board.

During the year, the Nominations Committee worked on three Non-Executive Director appointments. The Committee appointed Spencer Stuart, an external search consultancy, to assist it in identifying external candidates with diverse experience, one of whom with relevant financial experience.

The Committee met with a number of candidates and following several meetings and discussions, the preferred candidates, Maria Moloney, Chris Girling and Damon Russell, met with each member of the Board prior to their appointments on 22 May 2012, 7 February 2013 and 29 May 2013 respectively.

REMUNERATION COMMITTEE



JOHN BYWATER FRICS
Non-Executive Director

During the year ended 31 March 2013, the Remuneration Committee was chaired by John Bywater and comprises all of the Non-Executive Directors and the Company Chairman who was independent upon appointment. The names of the members of the Committee are shown in the Table on page 37, together with attendance at meetings. The full terms of reference of the Remuneration Committee are available for inspection on the Company's website at www.workspace.co.uk.

The Chief Executive Officer 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 seven 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.

BOARD COMPOSITION

The effectiveness of the Board and its Committees is vital to the success of the Company. 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. The Board's current composition of a Non-Executive Chairman, two Executive Directors and five Non-Executive Directors meets the requirement of the code for at least half the Board, excluding the Chairman, to be independent Non-Executive Directors. In the Board's view, all of the current Non-Executive Directors are independent and this is explained in more detail on pages 39 and 40.

The Non-Executive Chairman was considered by the Board to be independent upon his appointment.

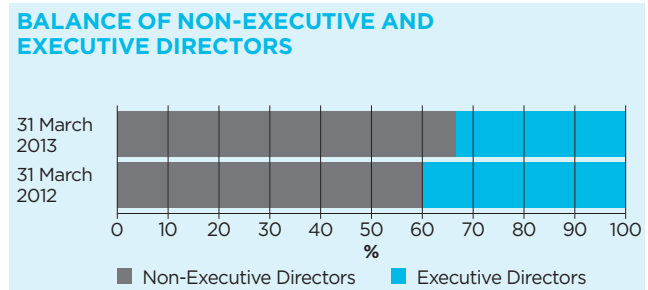
During the year, a number of changes have been made to the Board. On 1 April 2013, Jamie Hopkins was appointed Chief Executive Officer following the retirement of Harry Platt in March 2012.

Maria Moloney was appointed as a Non-Executive Director on 22 May 2012 and Chris Girling joined the Board as a Non-Executive Director on 7 February 2013.

Damon Russell was also appointed to the Board as a Non-Executive Director on 29 May 2013.

The biographies of all members of the Board are set out on pages 30 and 31. The Nominations Committee regularly reviews the composition of the Board to ensure that we have an appropriate and diverse mix of skills, experience, independence and knowledge of the Group.

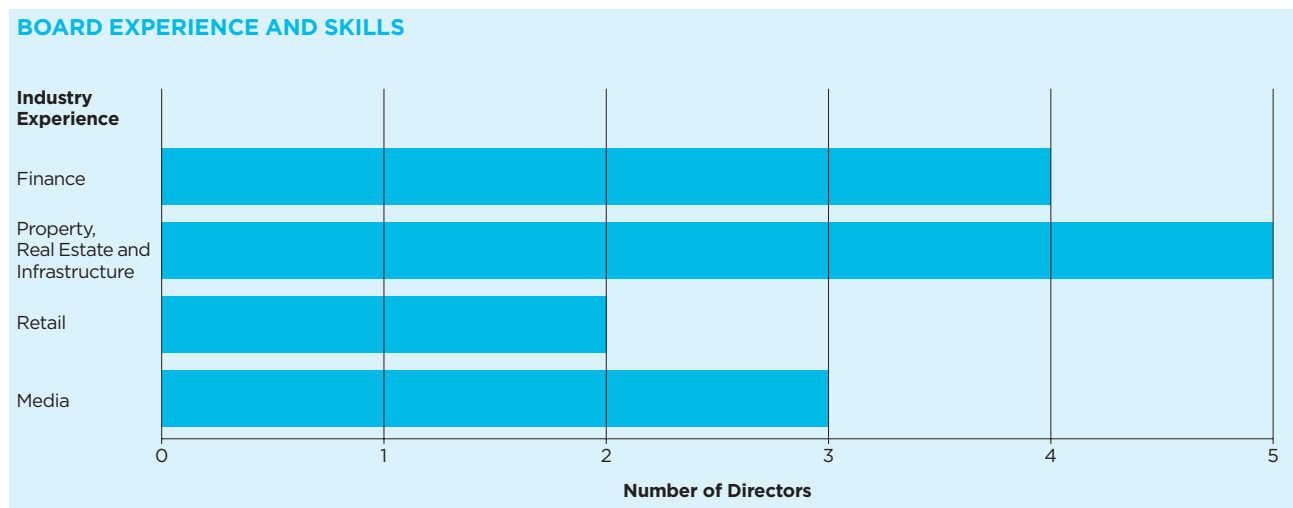
The following Table illustrates the balance of Non-Executive Directors to Executive Directors, excluding the Chairman, on the Board during the past year:



BACKGROUND AND EXPERIENCE OF THE BOARD

The Board currently has eight Directors that bring considerable and diverse experience which enables them to make a valuable contribution to the Group. Their experience, gained from varied commercial backgrounds, enables them to bring specific insights and make valuable contributions to the Company.

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



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 44.

ROLES OF THE CHAIRMAN, CHIEF EXECUTIVE OFFICER AND SENIOR INDEPENDENT DIRECTOR

The roles and responsibilities of the Non-Executive Chairman, Chief Executive Officer and Senior Independent Director are separate and the division of responsibilities has been clearly established.

The Chairman is primarily responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role 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. He is also responsible for effective communication between the Board and shareholders. The Chairman is not involved in an executive capacity in any of the Group's activities.

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

The Chief Executive Officer 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.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

Following the 2013 AGM, Bernard Cragg will have served as a Board Director for ten 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. The Board concluded that each of the Non-Executive Directors is considered to be independent of the executive management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. All Non-Executive Directors 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, the longest-standing professional relationship between Bernard Cragg and any existing Executive Directors is no more than six 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 during the last 12 months with the appointment of Maria Moloney, Chris Girling and Damon Russell as Non-Executive Directors.

As explained last year, Bernard Cragg will remain as a Board Director until the Annual General Meeting in 2014. We have been mindful to ensure that a certain level of continuity is retained given the Board changes last year and of course the experience and skills required in performing the role of Chair of the Audit Committee and Senior Independent Director. However, the intention is that Chris Girling will succeed Bernard Cragg as Chairman of the Audit Committee in due course given his background, knowledge and in-depth experience within finance which are essential in order to perform the role of Chair of the Audit Committee.

We continue to review and monitor Board and Board Committee composition against our skills and experience requirements.

INDUCTION, 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. We recognise that our Directors have a diverse range of experience, and so we encourage them to attend external seminars and briefings that will assist them individually.

The Directors are regularly updated on new legislation and corporate governance issues as they arise. Directors have access to independent professional advice at the Company's expense where they judge this to be necessary to discharge their responsibilities as Directors. This is in addition to the access that every Director has to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

COMPANY SECRETARY

Carmelina Carfora is the Company Secretary to the Board of Workspace. Her biography can be found on page 31. 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.

BOARD PERFORMANCE EVALUATION

The Board annually evaluates its own performance and that of its Committees and Directors. In 2012 the annual evaluation of the Board and Committee performance was conducted through an independent external consultancy.

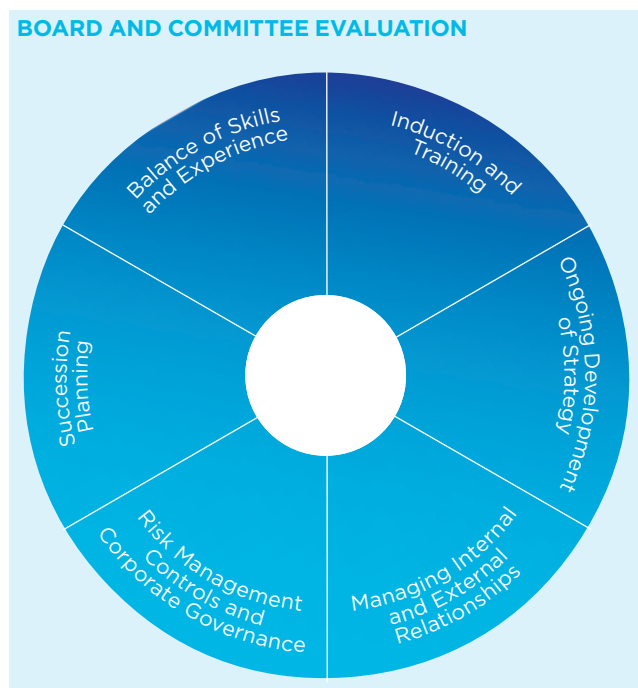
The results of last year's evaluation were positive. A number of actions were identified to improve and maintain the effectiveness of the Board. The actions, together with progress are identified below:

2012 BOARD EVALUATION

Actions	Progress
Strategy and Risk Management	<ul style="list-style-type: none"> - Annual Board strategy day held. - Actions from strategy day formally recorded in a plan which is monitored and updated by the Board. - Risk Management process reviewed and monitored.
Succession planning and implementation	<ul style="list-style-type: none"> - Two Non-Executive Directors appointed to the Board during the year under review.
Skills, experience and performance	<ul style="list-style-type: none"> - Two Non-Executive Directors appointed with diverse skills and experience, one with in-depth financial skills in order to assume the role of Chair of the Audit Committee in due course.
Communication	<ul style="list-style-type: none"> - Non-Executive Directors have continued their interaction with the Executive Committee members and visited sites to gain an enhanced understanding of the challenges and opportunities they face in the business environment. Additional Board Meetings have also been included in the Board timetable.

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For the year under review, the process comprised the Company Secretary issuing detailed questionnaires covering the Board and its Committees to Board members. The questionnaires covered those areas as detailed in the diagram below:



The responses to the questionnaires were collated independently by the Company Secretary who prepared reports for the Company Chairman and the Chairman of each committee. These reports were discussed at the relevant Committee meetings and the Board discussed the results at its meeting in March 2013.

The results of this year's evaluation were positive. The following themes were noted for action:

- Ongoing review of Board composition and succession planning;
- Continued focus on testing and development of strategy;
- Conscious of the ever-changing legislation and regulations, presentations and updates will be made during the course of the year on both potential and impending legal and regulatory changes across areas of the Group's operations to ensure the potential impacts on the Group are appropriately addressed on a timely basis.

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 met with the Chairman to discuss his performance.

ELECTION AND 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 election and 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 Non-Executive Directors are considered to bring independent objectivity in order to safeguard and promote the interest of shareholders.

The Board has considered the outcome of the 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.

Jamie Hopkins and Graham Clemett have service contracts and details can be found on page 49.

None of the Non-Executive Directors have service contracts.

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

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

Maria Moloney's appointment may be terminated by either the Company or by her giving three months' notice in writing.

Chris Girling was appointed as a Non-Executive Director on 7 February 2013 and was invited to join the Remuneration, Audit and Nominations Committees. He therefore stands for election at the forthcoming Annual General Meeting. Mr Girling's appointment may be terminated by either the Company or by him giving three months' notice in writing.

Damon Russell was appointed as a Non-Executive Director on 29 May 2013. He also stands for election at the forthcoming Annual General Meeting. Mr Russell's appointment may also be terminated by either the Company or by him giving three months' notice in writing.

Biographies for the Directors can be found on pages 30 and 31.

ACCOUNTABILITY

AUDIT COMMITTEE



BERNARD CRAGG BSC ACA
Senior Independent
Non-Executive Director

The Audit Committee ensures the integrity of financial reporting and audit processes and the maintenance of a sound internal control and risk management system, details of which are described on pages 43 and 44. The full terms of reference for the Audit Committee are available for inspection on the Company's website at www.workspace.co.uk.

The Committee comprises all the Non-Executive Directors, except the Chairman, and is chaired by Bernard Cragg. The Group audit partner from the external auditor attends the Committee Meeting at least twice a year.

Maria Moloney, was appointed as a member on 31 May 2012. It was stated last year that the Company intended to recruit an additional Non-Executive Director with the necessary skills and experience required to become a member of the Audit Committee. Consequently, Chris Girling was appointed as a Non-Executive Director and member of the Audit Committee. Chris Girling was previously Group Finance Director of Carillion PLC.

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 Company's expense.

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

MEETINGS

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 four times.

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.

The Chairman of the Company, the Chief Executive Officer, the Chief Financial Officer and other members of the senior management team together with senior representatives of the external auditor are invited to attend all or part of meetings as appropriate.

REVIEW OF THE YEAR

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 Company's approach to compliance with legislation and regulations, including arrangements for staff to raise concerns in confidence;
- The relationship with the external auditor, the external audit process, the audit and non-audit fee and independence;
- 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, management instructs the undertaking of a programme of financial, operational and health and safety internal audits at its estates. These are carried out by qualified senior Head Office personnel on a rotational basis. Significant findings are reported to the Audit Committee.

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.

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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 Chief Financial Officer 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 lead audit partner every five years.
- The Committee will monitor on an on-going basis the relationship with the external auditor to ensure its continuing independence, objectivity and effectiveness.

Fees paid to PwC can be found in note 2 on page 71.

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 Chief Executive Officer and is attended by representatives from senior management and operational staff. The Risk Committee meets monthly 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'. The Risk Committee have also devised an annual plan of work where a review is undertaken of particular areas of the business. Depending on the nature of the project, a third party consultant may be appointed to assist in the review.

The Group has continued to develop its risk management framework 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 Code's principles with regards to internal control. The Board, with advice from the Audit Committee continues to review the effectiveness of internal control with no significant failings or weaknesses identified. The joint venture of the Group are excluded from the Turnbull Guidance.

Further information on the Group's risks is detailed on pages 22 to 25.

WHISTLEBLOWING

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.

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. Workspace has a good record of promoting and appointing women to senior positions. The employee gender profile is fairly evenly split with a total of 45% female and 55% male employees.

The Board recognises the benefits of diversity of skills, gender, knowledge and independence. 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.

TAKEOVER DIRECTIVE

Share capital structures are included in the Report of the Directors on page 33.

GOING CONCERN

Going Concern disclosures are included in the Report of the Directors on page 32.

RELATIONS WITH SHAREHOLDERS

Communications with shareholders is given a high priority and the Company undertakes a regular dialogue with major shareholders and fund managers. An analyst and investor event was held in October 2012 which provided an overview of the portfolio including, a property breakdown, examples of asset management initiatives and refurbishment and redevelopment schemes, along with appraisals and valuation methodology.

The Executive Directors are the Company's principal representatives with investors, analysts, fund managers, press and other interested parties. Frequent discussions with institutional shareholders are held 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.

Other ad hoc meetings, presentations and site visits are arranged for shareholders throughout the year.

ANNUAL GENERAL MEETING

The Annual General Meeting provides the Board with an opportunity to communicate with, and answer questions from, private and institutional shareholders and the whole Board is available after the meeting, in particular, for shareholders to meet new Directors. Details of the resolutions to be proposed at the Annual General Meeting on 25 July 2013 can be found in the Notice of Meeting.

The Chairmen of the Audit, Remuneration and Nominations Committees normally attend the Annual General Meeting and are available to answer any questions. All Directors normally attend the meeting.

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.

By order of the Board

CARMELINA CARFORA
COMPANY SECRETARY
11 June 2013