

# REPORT OF THE DIRECTORS

The Directors present their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2010. The Business Review and all other sections of the annual report, to which cross reference is made are incorporated into the Directors' Report by reference.

## Principal activities

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 2010 the Company had ten active subsidiaries, six of which are property investment companies owning properties in Greater London. Details of the Company's subsidiaries are listed on page 81. LI Property Services Limited procures insurance on behalf of the Group. Workspace Management Limited acts as manager for all the Group's property investment companies. Workspace Holdings Limited and Workspace Glebe Limited are intermediate holding companies. Significant events which occurred during the year are detailed in the Chairman's Statement on pages 6 to 7, the Group Chief Executive's Review on pages 12 to 14 and the Business Review on pages 30 to 36.

## 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 36.

## Corporate Governance

The Company and the Group are committed to high standards of corporate governance, details of which are given in the Corporate Governance Report on pages 42 to 45 and in the Remuneration Report on pages 46 to 54.

## Profit and dividends

The Group's profit after tax for the year attributable to shareholders amounted to £24.2m (2009: £360.4m loss after tax). The Directors recommend the payment of a final dividend of 0.50p (2009: 0.50p) which together with an interim dividend of 0.25p (2009: 1.52p) makes a total of 0.75p for the year (2009: 2.02p not restated for Rights Issue).

## Going Concern

The Group's activities, strategy and performance are explained in the Chief Executive's review on pages 12 to 14 and the Business Review on pages 30 to 36.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 56 to 82.

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

## Land and buildings

The Group's fixed assets include investment properties of £713.2m (2009: £664.1m) and owner occupied property of £2.7m (2009: £2.0m). The Group's investment properties have been independently valued by CB Richard Ellis, Chartered Surveyors, at 31 March 2010 at open market value.

## Directors

With the exception of Mr Hopkins who was appointed as a Director on 7 June 2010, the Directors of the Company, who all held office throughout the year, are shown on pages 38 and 39.

## 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 Group has a Directors' and Officers' liability insurance policy which indemnifies the Directors and Officers against breach of fiduciary duty.

## Directors' conflict of interest

In accordance with certain provisions of the Companies Act 2006 relating to Directors' conflicts of interest which came into effect on the 1 October 2008, such provisions permit the Board to consider and, if thought fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('Situational Conflicts'). The Board has established a formal system for Directors to declare Situational Conflicts so that they can be considered for authorisation by the remaining members of the Board. In deciding whether to authorise a Situational Conflict, the non-conflicted Directors are required to act in the way they consider would be most likely to promote the success of the Company, and they may impose limits or conditions when giving authorisation or subsequently if they think this is appropriate. The Company Secretary minutes the consideration of any conflict and records the details of any authorisations granted.

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 51 to 54.

## Share capital and control

Details of the Company's issued share capital are set out on page 75. All of the Company's issued ordinary shares are fully paid up and rank equally in all respects. As at 31 March 2010, there were 1,149,459,056 ordinary shares in issue.

## Substantial shareholdings in the Company

As at 4 June 2010, the Company has been notified, in accordance with the FSA Disclosure and Transparency Rules of the following interests in the voting rights of the Company:

Shareholder	Number of Shares	Percentage Held
Spencer Nick Roditi*	299,177,718	26.02%
Lloyds Banking Group Plc	114,842,897	9.99%
F&C Asset Management Plc	102,580,241	9.81%
BlackRock Inc	68,677,703	5.97%
Newton Investment Management Limited	58,365,650	5.08%
Legal & General Assurance (Pensions Management) Ltd	51,418,960	4.91%

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

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### Political and charitable contributions

The Group made no political contributions during the year. (2009: Enil). Charitable contributions within the UK amounted to £172,768 (2009: £113,235) 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.

### Employment policies

The Group values highly the commitment of its employees and has maintained its practice of communicating business developments to them wherever practicable. The Company also has a monthly newsletter and Group intranet, with stories of interest and success around the Group.

The Group aims to create a working environment in which every current or prospective employee is given equal opportunity in selection, development and promotion. A further explanation of the Group's people policies can be found in the 'Our staff' section of this report on pages 20 to 23 and is designed to facilitate communication by employees with senior management.

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.

All employees are invited to participate in the Company's Savings Related Share Option Scheme (SAYE).

The Group is committed to a policy of Equal Opportunities with regard to its employment practices and procedures. The Group remains supportive of the employment and advancement of disabled persons and ensures its promotion and recruitment practices are fair and objective.

A Staff Forum has been established to improve communication and consultation with employees.

The Group operates an Employee Share Ownership Trust (ESOT) to purchase shares in the market for distribution at a later date. Dividends are waived on shares held by the ESOT except for shares held in respect of Invested Awards granted under the Company's Co-Investment Plan where shares are beneficially owned by the participants. Participants who beneficially own Invested Shares may instruct the Trustee of the ESOT to vote on their shares. The Company may make a voting recommendation to the Trustee regarding the remaining shares held in the ESOT.

### Purchasing policies and payments

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

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

### Risk management

The financial risk management objectives and policies of the Company are set out in note 17 to the financial statements and in the Corporate Governance section of this report on pages 42 to 45.

### Disclosure of information to Auditors

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

### Adoption of new Articles of Association

As anticipated at the 2009 Annual General Meeting of the Company, it is proposed that the Company adopt new articles of association (the New Articles). The proposed New Articles reflect further changes in company law brought about by the Companies Act 2006, the final parts of which came into effect on 1 October 2009, and the implementation of the Shareholders' Rights Regulations 2009, which came into force on 3 August 2009.

The principal changes contained in the proposed New Articles are summarised in the Notice of Annual General Meeting.

### Auditors

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

### Annual General Meeting

The 24th Annual General Meeting of the Company will be held at Magenta House, 85 Whitechapel Road, London E1 1DU on Tuesday 27 July 2010 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  
 7 June 2010

# CORPORATE GOVERNANCE REPORT

The Board confirms that the Company has complied in full with the recommendations of the Combined Code on Corporate Governance issued in June 2008 (the 'Combined Code'). The application of the principles contained in the Combined Code is described below.

A detailed report on Directors' Remuneration can be found on pages 46 to 54.

## Directors The Board

As at 31 March 2010 the Board comprised the Non-Executive Chairman, two Executive Directors and three Independent Non-Executive Directors. The Board is collectively responsible for the performance of the Company. The Board has carefully considered the guidance criteria on independence of Non-Executive Directors under the Combined Code. In the opinion of the Board, all the continuing Non-Executive Directors, namely Bernard Cragg, John Bywater and Rupert Dickinson bring independence of judgement and character to the Board and to the committees on which they sit. They are sufficiently independent of management and are free from any business or other relationships which could interfere with the exercise of their judgement. Their considerable and diverse experience enables them to make a valuable contribution to the Company. The Board has nominated Bernard Cragg to act as the Senior Independent Director, thus providing an alternative contact at Board level, other than the Chairman, to whom shareholder matters can be addressed.

The Board has a formal schedule of matters reserved for its approval. It is responsible for the overall Group strategy, risk management and the review and approval of major investment proposals, significant capital projects and disposals and acquisitions of more than £5m. The Board discusses and agrees strategic plans and reviews budgets, business plans and business performance. The Board has ultimate responsibility for the Group's overall management, its business and its financial strategy. Other day-to-day operational decisions are delegated by the Board to the Executive Committee.

Biographical details of the Directors at the date of this report are set out on pages 38 and 39, together with details of their membership of Board Committees.

## Board Committees

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

## Remuneration Committee

During the year the Remuneration Committee comprised the following Non-Executive Directors; John Bywater (Chairman), Bernard Cragg, Rupert Dickinson and Tony Hales. The Committee meets as required, at least twice a year and is responsible for recommending to the Board the Company's broad policy for executive remuneration, including both short-term and long-term incentive arrangements. The Committee is also responsible for recommending the Chairman's remuneration to the Board in compliance with the Combined Code.

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

Details of the remuneration policy and of the remuneration of each Director are set out in the Remuneration Report.

## Audit Committee

The Audit Committee currently comprises the following Non-Executive Directors; Bernard Cragg (Chairman), John Bywater and Rupert Dickinson, all of whom served on the Committee throughout the year and meets at least three times a year and more frequently if required.

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

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

Meetings of the Audit Committee coincide with key dates in the financial reporting and audit cycle. The Committee Chairman reports the outcome of meetings to the Board. The Audit Committee meets with the external auditors in the absence of management at least twice each year.

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

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

The Audit Committee advises the Board on the appointment of external auditors, their remuneration for audit and non-audit work, and their effectiveness, independence and objectivity and discusses the nature, scope and results of the audit with the external auditors at the half and full year Audit Committees.

The engagement of the Group's auditors on non-audit activities is not specifically excluded. However, such work is usually only awarded following competitive tender and after careful analysis by the Audit Committee to ensure that any such appointment is not, or is not perceived to be, in conflict with auditor independence. The Audit Committee received the level of non-audit fees paid to PwC at the year end Audit Committee meeting and were satisfied that they remained independent.

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

### Nominations Committee

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

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

In the event that the Nominations Committee is considering the Chairman's role, the Senior Independent Director will chair the meeting.

The Board has succession plans in place for both the Board and the Executive Committee. The Nominations Committee continues to review its plans for succession.

### 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 supports 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 Company also operates a Development Board and an Operations Board which comprise various members of the Executive Committee and the senior management team. These Boards, each of which has written terms of reference, report to the Executive Committee on a regular basis. The terms of reference are available on the Company's website.

The responsibilities of the Executive Committee members include:

<b>Harry Platt, Chief Executive</b> Strategic management; investor relations; health & safety; staff; equal opportunities; remuneration and training and development.
<b>Graham Clemett, Finance Director</b> Finance; treasury; company secretarial; investor relations; and the Group's IT strategy.
<b>Chris Pieroni, Operations Director</b> Portfolio performance; asset management; lettings and marketing.
<b>Angus Boag, Development Director</b> Intensification and refurbishment of assets across the portfolio; acquisitions and disposals; lead on social environmental and ethical issues.

### Chairman, Chief Executive and Senior Independent Director

The roles and responsibilities of the Chairman, Tony Hales, and the Chief Executive, Harry Platt, are separate and clearly defined.

The Chairman is responsible for leadership of the Board, ensuring its effectiveness and that it operates effectively in the interests of shareholders. The Chairman is not involved in an executive capacity in any of the Group's activities. The Chairman facilitates the effective contribution of the Non-Executive Directors, and ensures Directors receive accurate, timely and clear information. He is also responsible for effective communication between the Board and shareholders.

The Chief Executive has direct charge of the Company on a day-to-day basis and is responsible for the delivery of the strategic and financial objectives of the Group.

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

### Board Attendance

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

	Scheduled Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nominations Committee Meetings
<b>Number of meetings held during the year</b>	(9)	(4)	(6)	(2)
<b>Chairman</b>				
Tony Hales <sup>2</sup>	9	n/a	5	2
<b>Executive Directors</b>				
Harry Platt	9	n/a	n/a	n/a
Graham Clemett	9	n/a	n/a	n/a
Patrick Marples <sup>1</sup>	1	n/a	n/a	n/a
<b>Non-Executive Directors</b>				
Bernard Cragg	9	4	6	2
John Bywater	8	3	6	2
Rupert Dickinson	8	3	4	2

Notes:

1. Mr Marples ceased to be a Director on 22 May 2009.
2. Mr Hales was appointed to the Remuneration Committee on 29 April 2009.

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

# CORPORATE GOVERNANCE REPORT

## CONTINUED

### Professional development

The Board has a written framework for the induction of new Directors. 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, including training during the year on new provisions introduced by the Companies Act 2006.

Directors are given access to independent professional advice at the Group's expense, if they deem it necessary, in order for them to carry out their responsibilities. This is in addition to the access that every Director has to the Company Secretary. The Company has continued to secure appropriate insurance cover for its Directors and its Officers.

### Performance evaluation

During the year the Chairman has held meetings with the Non-Executive Directors, without the Executive Directors present. In addition, the Board has carried out a formal evaluation of its own performance as the effectiveness of the Board and its Committees is vital to the success of the Company. These performance reviews are conducted internally by the Chairman of the Board and Chairmen of the respective committees using detailed questionnaires and one-to-one interviews. The responses to the self-assessment questionnaires are reviewed by the Board and each of the committees, taking follow-up actions where considered necessary. The review includes the assessment of individual Directors' performance, which in the case of the Executive Directors is undertaken as part of the wider performance appraisal process applied to staff across the Company. The evaluation undertaken during the year, although identifying areas for review, concluded that the Board and its committees were operating effectively.

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

### Re-election of Directors and New Appointment

The Articles of Association of the Company require that Directors should submit themselves for election at the first opportunity after their appointment and thereafter for re-election at least every three years.

Mr Dickinson wishes to retire at the forthcoming Annual General Meeting and will not be seeking re-election.

Mr Clemett retires by rotation at the Annual General Meeting and, being eligible, offers himself up for re-election.

Mr Clemett has a service contract with the Company that is terminable by either the Company or he giving not less than 12 months' notice in writing.

Mr Jamie Hopkins was appointed as a Non-Executive Director with effect from 7 June 2010. Mr Hopkins therefore stands for election at the forthcoming Annual General Meeting. He is currently a Director of Chester Properties and was previously Chief Executive and a Non-Executive Director of Mapeley PLC.

Mr Hopkins appointment may be terminated by either the Company or by Mr Hopkins giving three months notice in writing.

Mr Hopkins has been invited to join the Remuneration, Audit and Nominations Committees.

### 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 during the year comprised the Finance Director, the Operations Director, the Development Director and representatives from senior management. The Risk Committee meets on a regular basis and formally reports to the Audit Committee twice a year.

The Risk Committee reviews and identifies risks facing the Group and ensures that appropriate controls are in place to review each issue raised. Each identified risk is assigned a 'Risk Owner' and 'Risk Controller' who participate in a self-certification exercise by which they certify the effectiveness of the preventative, detective and responsive controls. In order to ensure that the procedure is robust, PKF were appointed to carry out a random sample of checks on the operation of controls that had been certified by the Risk Controller as operating effectively.

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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.

PKF are appointed by the Risk Committee to undertake specific projects to review particular areas of the business. During the year they carried out a review of the Group's treasury procedures; and

- a programme of site audit visits, covering a third of the sites each year. Although the Group does not have a dedicated internal audit function an operational, finance and health and safety audit are carried out at the estates by qualified Head Office personnel. The results of the audits are reported to and reviewed by the Risk and Audit Committees and appropriate action taken as required.

The Group has 'whistle blowing procedures' under which staff may report any suspicion of fraud, financial irregularity or other malpractice.

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 since 1 April 2009 with no significant failings or weaknesses identified.

Further information on the Group's risks procedure is detailed on page 29.

#### Relations with shareholders

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

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

#### Compliance with the Combined Code

During the year ended 31 March 2010, the Directors consider that the Company complied with the provisions set out in section 1 of the Combined Code.

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

By order of the Board  
**Carmelina Carfora**  
 Company Secretary  
 7 June 2010

# DIRECTORS' REMUNERATION REPORT

This report has been prepared by the Remuneration Committee (the 'Committee') and has been approved by the Board. It complies with the Combined Code 2008 on Corporate Governance (the 'Combined Code') and with the UKLA Listing Rules and relevant requirements of Schedule 992 to the Companies Act 2006.

The Committee is sensitive to the need to set Directors' remuneration having regard to pay and conditions in the Group as a whole and is satisfied that the approach taken by the Company is fair and reasonable in light of current market practice and in the best interests of shareholders.

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 of Executives' remuneration;
- Role of the committee and membership;
- Principles of executive remuneration policy;
- Remuneration components for Executives;
- Service Agreements;
- Remuneration Policy for Non-Executive Directors;
- Supplementary Information on Directors' Remuneration;
- Wider Group Remuneration Policy.

## Role and Membership of the Remuneration Committee

The Committee is responsible for determining policy on remuneration for the Executives and certain senior managers. The Committee is also responsible for reviewing the Chairman's

## Overview of the Executives Remuneration Structure for year ended 31 March 2010

Element	Purpose	Delivery	Summary details
<b>Base Salary</b>	To reflect market value of the role, an individual's performance and contribution.	Payable in cash. Pensionable.	Reviewed annually, with any increases normally effective from 1 April. There have been no salary increases since April 2008.
<b>Performance Related Bonus</b>	To encourage and reward the achievement of Group financial and corporate targets and strategic business objectives.  Part of the bonus may be deferred into Company shares.	The maximum annual cash bonus that could be earned by Executive Committee members is 120% of salary.  Non-pensionable.  The Remuneration Committee retains the flexibility to vary the mix of cash and deferred shares from year to year.	The performance targets are aligned to four distinct elements: Trading profit before tax (50%); Capital return from the portfolio versus a defined comparator index compiled by IPD (30%); Customer satisfaction which is based on survey results (10%) and achievement of personal objectives which may be adjusted by a factor in the range of 0.67 to 1.33.  Deferred shares will vest after two years from date of award subject to the individual having continuous employment with the Company.
<b>Long-Term Equity Incentive Plan ('LTIP')</b>	To align the interests of participants with those of shareholders and incentivise and reward long-term sectoral outperformance.	Annual award of nominal priced options which vest after three years, subject to performance conditions.  Non-pensionable.	Discretionary award whereby executives receive (i) annual awards of performance shares of up to 100% of salary (200% in exceptional circumstances) and (ii) matching share awards of up to 2 for 1 on investments of up to 50% of net salary.  Vesting of awards is subject to satisfaction of challenging targets relating to growth in Net Asset Value (1/3 of awards) and Total Shareholder Return (2/3 of awards).
<b>Other Benefits</b>	To provide market competitive benefits.	Benefits in kind or cash allowance.	Benefits include a car allowance, private health insurance, death in service cover and a pension contribution. Executives may also join the SAYE Scheme.

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fees. When determining actual remuneration for the Executives, it takes into account a range of factors, including remuneration policy, incentive arrangements and percentage increases awarded across the Group.

The Committee's terms of reference are available in the Investor section of the Company's website [www.workspacegroup.co.uk](http://www.workspacegroup.co.uk).

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

- John Bywater (Chairman)
- Bernard Cragg
- Rupert Dickinson
- Tony Hales

The Committee met six times during the year. Attendance by individual Committee members at meetings is detailed in the Corporate Governance Report on page 43.

The Company Secretary attends each meeting as Secretary to the Committee.

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 and Chief Executive are excluded from discussions regarding their own remuneration.

#### Advisers

For the year under review, the independent advisers engaged by and reporting to the Committee were Kepler Associates and PricewaterhouseCoopers LLP. Kepler Associates provided advice on executive remuneration matters and aspects associated with the LTIP. PricewaterhouseCoopers provided taxation advice related to the LTIP.

Normally received or awarded	Alignment with strategy	Harry Platt		Graham Clemett	
		2010	2009	2010	2009
Paid on a four-weekly basis throughout the year.	Salaries are set below median.  Provides a sound basis on which to attract and retain executives of a high calibre.	£330.8k	£330.8k	£217.3k	£217.3k
Normally paid in June following the reporting financial year end.	Provides a direct link between operational performance and reward.  Ensures that directors and shareholders interests are closely aligned.	£165.3k <sup>2</sup>	£35.5k <sup>1</sup>	£156.4k <sup>2</sup>	£26.5k <sup>1</sup>
Normally awarded in June following the reporting financial year end.	NAV return and TSR measured against an industry specific comparator group rewards sectoral outperformance.  Growth in absolute TSR provides alignment with shareholders' interests.  Performance criteria aligned with the strategy.	90%	100%	90%	125%
Received during the year.	Provides a sound basis on which to attract and retain executives of a high calibre.	£77.6k	£77.6k	£52.9k	£52.9k

#### Notes:

1. For the financial year ended 31 March 2009, the Remuneration Committee decided to pay the entire performance bonus for Messrs Platt and Clemett in the form of deferred shares due to the general economic conditions. The deferred shares will be transferred to them subject to their continuing employment with the Company for a period of two years from the date of grant.
2. For the financial year ended 31 March 2010, the Remuneration Committee decided to pay 40% of the bonus in the form of deferred shares, which will vest after two years from date of award subject to the individual having continuous employment with the Company for a period of two years from the date of grant.

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

### Principles of our Executive Remuneration Policy

It is intended that the remuneration policy framework as set out below, which has applied throughout the reporting year, will continue to apply for FY 2011. Consequently, our remuneration policy remains focused on the following key elements described in detail below:

<b>Attract, motivate and retain talent</b>	Remuneration packages are designed to attract, retain and motivate Executive Directors of the highest calibre who have the experience, skills and talents to manage and develop the business successfully.
<b>Performance linked</b>	A significant part of the Executive Directors' remuneration is variable and is determined by the Group's success. Below-median basic salaries plus above-median incentives provide opportunity for competitive performance-linked total reward for superior performance.
<b>Shareholders' Interests</b>	The Committee strives to ensure that shareholders' interests are served by creating an appropriate balance between performance-related and non-performance-related pay. A considerable part of the reward package is linked to share price performance, is delivered in shares that have to be retained until minimum shareholding requirements have been met and requires executives to invest their own funds in Company shares. Executives are encouraged to build up a shareholding equal to at least one times basic salary.

The chart below shows the 2010 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.

Pay mix (as % of total remuneration)	Average for the Executive Directors
Fixed remuneration (basic salary and pension)	46%
Bonus	24%
Performance and Matching Shares	30%
Total	100%

### Remuneration Components for Executives

#### Base Salary

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

The annual salaries of the executives were reviewed on 1 April 2010. Taking into consideration the current economic environment and the fact that the majority of employees received no increase in basic salary during the year, the Committee considered it appropriate that no increase in salary be made to the executive salaries. Salaries were last increased in April 2008. The next salary review date for executives will be 1 April 2011.

#### Annual Bonus Scheme Policy and award levels

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

### Bonus for the year ended 31 March 2010

The targets applicable for the year ended 31 March 2010 and the performance against them are detailed below:

Bonus Target	Maximum bonus potential expressed as a percentage of annual basic salary	Percentage of bonus earned	
		Harry Platt <sup>1</sup>	Graham Clemett
Trading profit before tax	50%	27.5%	50%
Capital return from the portfolio versus a defined comparator index compiled by IPD	30%	Nil	Nil
Customer satisfaction (based on survey results)	10%	10%	10%
Personal objectives	Corporate performance bonus may be adjusted by a factor in the range of 0.67 to 1.33 (with factors greater than 1.1 reflecting superior performance)	1.33	1.2
Maximum bonus potential	120%	50%	72%

Note:

1. The Chief Executive has agreed with the Remuneration Committee to adjust down his trading profit before tax bonus.

The Committee retains the flexibility to defer a proportion of the bonus into Company shares, which vest after two years, subject to continued employment. 40% of the bonus for the financial year ended 31 March 2010 will be paid in the form of deferred shares.

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

The Plan provides for annual awards of performance shares of up to 100% of salary (200% in exceptional circumstances) and matching share awards of up to 2 for 1 on investments in Workspace of up to 50% of (net) salary. The maximum matching share award that may be granted to the Executive Directors is 100% of their annual basic salary, subject to the Director using his own funds to purchase invested shares, up to the maximum of 50% of net annual basic salary. The Company then awards matching shares in respect of an amount equivalent to two times the grossed up (for income tax and national insurance) amount invested by the participant in Invested Shares. Vesting of performance shares and matching shares is based on 1/3, 1/3, 1/3 on three-year relative NAV, relative TSR and absolute TSR.

#### LTIP Award 2009

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

The Company offered participants the opportunity to restructure their 2009 LTIP awards so that they acquired shares jointly held with the Company's Employee Share Ownership Trust ('ESOT'). With the effect that the growth in value of the shares creates a capital gain (taxed currently at 18%, with no national insurance). Individuals were required to pay a small income tax and NI charge as part of

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their upfront acquisition. If the awards vest, the participants keep their part-interest in the shares and the ESOT also transfers its part-interest to the participant at that stage, so that they receive the full value of the shares as intended under the terms of the Plan. This restructuring generates ongoing savings for the Company.

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.

#### LTIP Award 2010

The Committee has reviewed the performance conditions applicable to the 2009 awards and believes that these generally remain appropriate for the 2010 awards. This review reaffirmed that a TSR outperformance of +7.5% per annum of the current comparator group remains approximately equivalent to upper quartile. The Committee determined to raise the default absolute TSR performance zone approved by shareholders in 2008 (of 8% p.a. to 15% p.a.). For 2010 awards the absolute TSR performance zone will be 11% p.a. to 20% p.a. over the period to 31 March 2013 (with three months averaging).

The Committee is also considering introducing a relative TSR underpin to the absolute TSR element. Further details will be made in next year's remuneration report.

The Committee intends to make the following awards to Executive Directors following the release of the Company's preliminary results announcement on 7 June 2010. The Committee believe these proposals are strongly in shareholders' interests as they will assist the Company in continuing to motivate and retain the talent it needs.

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

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

Awards made under the Long-Term Equity Incentive Plan are subject to the performance conditions detailed in the table below. Essentially, there are three parts to each Performance and Matching Award, each part being assessed over the same period.

	One-third		One-third		One-third	
<b>Performance condition:</b>	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*	
Level of performance	Company's rank	% of award vesting	Company's performance	% of award vesting	Company's performance	% of award vesting
<b>Awards made in June 2008</b>						
Threshold	51st percentile	20%	Median	20%	8% p.a.	20%
Maximum	75th percentile	100%	Median + 7.5% p.a.	100%	15% p.a.	100%
<b>Awards made in June 2009</b>						
Threshold	51st percentile	20%	Median	20%	25 pence	20%
Maximum	75th percentile	100%	Median + 7.5% p.a.	100%	30 pence	100%

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

In addition for any shares to vest on TSR, the Committee must additionally satisfy itself that the recorded TSR is a genuine reflection of the underlying business performance of Workspace.

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 appropriate and captures perspectives which are important and are well aligned with shareholder interests.

Participation in the plan extends to members of the Executive Committee and the Group's senior managers. During the year awards were made over a total of 17,900,696 ordinary shares in the Company. The maximum value of annual awards of performance shares could be up to 100% of salary (200% in exceptional circumstances) and matching shares of up to a maximum value of 100% of salary if the participant invests 50% of net salary in ordinary shares.

Full details of the awards made to the Executive Directors under the Plan are shown on page 52.

#### Co-Investment Plan

This plan, approved in March 2004, was directed at increasing the Directors' direct share ownership in the Company, incentivising them on a medium-term basis in relation to total shareholder return (TSR) and aligning shareholder and Directors' interests. Under the plan up to 100% of the net annual bonus awarded to Directors may be invested in the Company's shares. The Company then purchased, in the market, shares equivalent to the value of the pre-tax amount of the invested bonus (the Matching Award). These shares are held over a subsequent three-year qualification period. During this time the participant must retain all of the shares in the Invested Award.

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

For full vesting of the Matching Award the performance of the Company needs to be above that of the Company at the bottom of the top quartile. For partial vesting of the matching award the Company's performance needs to be at or above the 40th percentile of the ranking. Awards made in 2006 did not satisfy the performance conditions, in full or in part, and the awards lapsed.

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

Details of outstanding awards made to the Executive Directors under the Co-Investment Plan are shown on page 53. No awards were made during the year under the Co-Investment Plan and no further awards will be made.

### Executive Share Options

Details of outstanding grants made to the Executive Directors under the Executive Share Option Scheme and the performance targets that have to be satisfied for the options to become exercisable are shown on pages 52 and 53. 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.

### Other Benefits

All Executive Directors are provided with a Company mobile phone, a car allowance, private health insurance, death in service cover and an employer's contribution equal to 16.5% of basic salary to a defined contribution (money purchase) scheme.

### 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 and by the Executive Directors.

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

### The 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:

Name	Date of letter	Unexpired term as at June 2010	Date of appointment/last reappointment at AGM	Notice period
A J Hales	December 2008	18 months	2009	12 months
B Cragg	June 2009	24 months	2008	6 months
J Bywater	August 2007	2 months	2009	6 months
R Dickinson	June 2009	0 months	2007	6 months

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 2010 and are currently an annual base fee of £40,000 with additional annual fees of £5,000 for the role of Chairman of the Audit or Remuneration Committees. Non-Executive Directors receive no other pay or benefits (other than the reimbursement of expenses incurred in respect of their duties as Directors of the Company). The Chairman's annual fee, which has not been subject to any increase since November 2005, is £100,000.

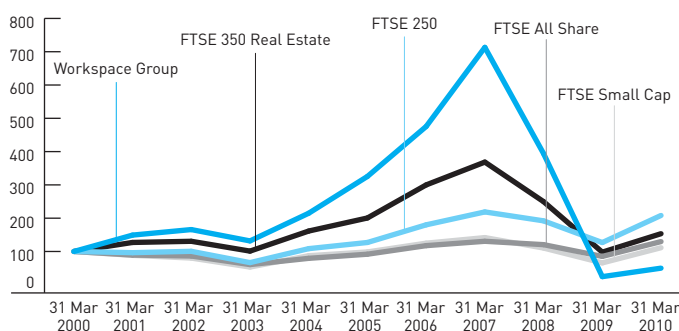
### External Appointments

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.

### Performance Review

The following graph 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 Allshare, FTSE Smallcap and FTSE 350 Real Estate indices.

Total relative shareholder return (TSR) index



## Directors' Emoluments (Audited)

	Fees 2010 £000	Base salary 2010 £000	Performance bonus 2010 £000	Other benefits 2010 £000	Compensation paid for loss of office £000	Total emoluments 2010 £000	Pension scheme contributions 2010 £000	Total emoluments 2009 £000	Pension scheme contributions 2009 £000
<b>Executive Directors</b>									
H Platt (Chief Executive)	–	330.8	165.3 <sup>3</sup>	23.0	–	519.1	54.6	389.3	54.6
G Clemett (Finance Director)	–	217.3	156.4 <sup>3</sup>	17.0	–	390.7	35.9	260.8	35.9
	–	548.1	321.7	40.0	–	909.8	90.5	650.1	90.5
Director who resigned during the year: JP Marples <sup>1</sup>		35.8	40.5	9.1	349.5	434.9	5.9	266.2	35.5
<b>Non-Executive Directors</b>									
A J Hales (Chairman)	100.0	–	–	–	–	100	–	100.0	–
B Cragg <sup>2</sup>	45.0	–	–	–	–	45	–	45.0	–
J Bywater <sup>2</sup>	45.0	–	–	–	–	45	–	45.0	–
R Dickinson	40.0	–	–	–	–	40	–	40.0	–
	230.0	–	–	–	–	230	–	230.0	–
	230.0	583.9	362.2	49.1	349.5	1,574.7	96.4	1,146.3	126.0

### Notes:

- Mr Marples resigned as a Director of the Company on 22 May 2009. £35,800 is the salary paid to Mr Marples from 1 April 2009 until 22 May 2009, the date he ceased to be a Director. Following the termination of his employment by the Company on 21 May 2009 a Compromise Agreement ('the Compromise Agreement') was entered into between Mr Marples and the Company on 15 June 2009. The compensation arrangements agreed with Mr Marples took into account the reason for his departure and reflected the value of his salary, annual incentives and benefits during the unexpired portion of his notice period and of any statutory claims. They also embodied appropriate provisions in respect of mitigation. The financial terms were a payment of £40,487 (less statutory deductions) in settlement of all outstanding claims in respect of bonus for the period up to the Termination Date; the sum of £72,500, paid without admission of liability, but in settlement of all statutory claims of whatsoever nature arising from the termination of employment and the sum of £276,965 (less statutory deductions) in settlement of all contractual and other claims. Subject to compliance with the terms of the Compromise Agreement, a further amount may be due in relation to his bonus.
- Messrs Cragg and Bywater received a fee of £5,000 for acting as chairman of the Audit and Remuneration Committee respectively.
- 40% of the performance bonus will be in the form of deferred shares.

## Directors' interests in shares

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

Director	31 March 2010	31 March 2009
AJ Hales	7,135,263	3,200,000
H Platt	3,846,478	3,098,847
G Clemett	652,864	389,706
J Bywater	30,463	25,200
B Cragg	646,316	120,000
R Dickinson	73,200	73,200
JP Marples <sup>1</sup>	77,550	623,900

### Note:

- Interest in shares for Mr Marples is at the date of his resignation on 22 May 2009.

Directors' interests in Incentive Plans and Share Options are disclosed on pages 52 to 54.

There have been no changes in the interests in the period between 31 March 2010 and 7 June 2010.

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

### Supplementary Information on Directors' Remuneration Long-Term Equity Incentive Plan 2008 (Audited)

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

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

Notes:

- Awards will vest subject to the satisfaction of performance conditions detailed on page 49 above over the three-year performance period.
- Performance Awards were made to the Executive Directors:
  - In June 2008 in respect of 200% of their annual salary based on a share price at date of award of £1.644.
  - In June 2009 in respect of 100% and 125% of annual salary for Harry Platt and Graham Clemett respectively based on a share price at date of award of 16 pence.
- The Executive Directors invested an amount equal to 50% of their net annual basic salary to purchase Invested Shares in June 2008. Any shares purchased by the Executive Directors during and since the Rights Issue were allowed to count towards investments for the Invested Shares subject to the normal cap on individual participation of 50% of net salary. The reference share price for determining this cap was 16 pence being the average share price for the three days preceding the date of grant of Matching Awards.
- Matching Awards were granted to participants who purchased Invested Shares or who used shares acquired during and since the Rights Issue as Invested Shares. The number of shares comprised in a matching award for Harry Platt and Graham Clemett, who pledged the maximum number of shares as Invested Shares, was calculated by dividing the participant's gross salary by 16 pence.
- Participants are entitled to dividends payable on the Invested Shares, which are held in Trust. They may also instruct the Trustee how they wish to vote on their shares. The Invested Shares which are beneficially owned by participants are included in the table detailing Ordinary Shares held by Directors on page 51 of this Report.
- 2009 awards were initially granted as conditional award of shares. On 8 December 2009 the Executive Directors elected to convert part of the awards into a combination of interest in shares beneficially held, and linked options over the same total value.

### Share Options (Audited)

Outstanding Options for the Directors of the Company as at 31 March 2010, granted pursuant to the Company's 2000 Share Option Scheme:

Director	At 01/04/2009	Granted during the year	Lapsed during the year	At 31/03/2010	Exercise price <sup>4</sup>	Normal exercise date		Exercise terms (see table following)
						From	To	
H Platt	232,879 <sup>1</sup>	–	–	232,879	£0.8202	24.07.2004	24.07.2011	B
	545,603 <sup>1</sup>	–	–	545,603	£0.8939	29.07.2005	29.07.2012	C
	363,282 <sup>1</sup>	–	–	363,282	£0.8510	30.06.2006	30.06.2013	D
	183,642 <sup>1</sup>	–	–	183,642	£1.3583	30.06.2007	30.06.2014	D
	109,287 <sup>2</sup>	–	–	109,287	£1.8373	17.06.2008	17.06.2015	F
	115,641	–	(115,641) <sup>6</sup>	–	£2.5925	19.06.2009	19.06.2016	F
	95,946	–	–	95,946	£3.2824	15.06.2010	15.06.2017	F
	17,752 <sup>3</sup>	–	(17,752)	–	£0.9168	01.09.2011	01.03.2012	E
		76,260 <sup>3</sup>	–	76,260	£0.1190	01.09.2012	01.03.2013	E
G Clemett	146,913	–	–	146,913	£3.0378	25.06.2010	25.06.2017	F
	17,752 <sup>3</sup>	–	(17,752)	–	£0.9168	01.09.2011	01.03.2012	E
			76,260 <sup>3</sup>	–	76,260	£0.1190	01.09.2012	01.03.2013
<b>Total<sup>5</sup></b>	<b>1,828,697</b>	<b>152,520</b>	<b>(151,145)</b>	<b>1,830,072</b>				

Notes:

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

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

Basis of grant	Terms for exercise
A. 2 times total earnings	1 times earnings at EPS growth of RPI plus 3% p.a. compound plus 1 times earnings at EPS growth of RPI plus 8% p.a. compound (pro rata)
B. 1 times total earnings	EPS growth of RPI plus 3% p.a. compound
C. 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)
D. 1 times salary	EPS growth of RPI plus 5% p.a. compound
E. Per Inland Revenue Rules	SAYE options with no terms for exercise
F. 2 times salary for Mr Clemett 1 times salary for Messrs Platt and Marples	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 7 June 2010.

### Co-Investment Plan (Audited)

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

	Date awarded	Interests in shares as at 1 April 2009 (post Rights-Issue)		Market value of shares at date of award	Matching Shares lapsed during the year	Interests in Shares as at 31 March 2010 <sup>4</sup>		Vesting dates of outstanding Matching Shares
		Invested	Matching			Invested	Matching	
H Platt <sup>1,2</sup>	13/06/2006	32,606	73,453	£3.450	73,453	–	–	13/06/2009
	12/06/2007	11,826	26,673	£4.013	–	11,826	26,673	12/06/2010
G Clemett <sup>1</sup>	26/06/2007	22,173	50,012	£4.045	–	22,173	50,012	26/06/2010

#### Notes:

- Participants are entitled to dividends payable on the Invested Shares, which are held in Trust. They may also instruct the Trustee how they wish to vote on their shares. The Invested Shares which are beneficially owned by participants are included in the table detailing Ordinary Shares held by Directors on page 51 of this Report.
- The Matching Award made on 13 June 2006 did not meet the performance conditions and therefore lapsed in full. The Invested Shares are beneficially owned by the participants.
- No Awards were made during the year.
- Awards made on 12 June 2007 will vest on 12 June 2010 subject to satisfaction of the performance conditions.

### Details of Options granted to Mr Marples (Audited)

As reported in last year's Report and Accounts Mr Marples resigned as a Director on 22 May 2009.

This section of the Remuneration Report explains the arrangements made with regard to his entitlement to shares under the Company's share plans in accordance with the Rules of the Relevant plan.

### a) Long Term Equity Incentive Plan ('LTIP') (Audited)

Date Awarded	Interests in Shares as at 1 April 2009 (post Rights-Issue adjustment)			Lapsed during the year		Interests in Shares as at 22 May 2009		
	Performance	Invested	Matching	Performance	Matching	Performance	Matching	Invested
13/06/2008	348,470	37,422	168,812	–	–	348,470	168,812	37,422

### b) Executive Share Options (Audited)

Outstanding Options for Mr Marples as at the date of his resignation, granted pursuant to the Company's 2000 Share Option Scheme:

	At 01/04/09	Granted during the year	Lapsed during the year	At 22/05/09	Exercise price <sup>1</sup>	Normal exercise date		Exercise terms*
						From	To	
	179,650	–	–	179,650	£0.6932	09.08.2003	09.08.2010	A
	172,996	–	–	172,996	£0.8202	24.07.2004	24.07.2011	B
	412,529	–	–	412,529	£0.8939	29.07.2005	29.07.2012	C
	272,802	–	–	272,802	£0.8510	30.06.2006	30.06.2013	D
	128,416	–	–	128,416	£1.3583	30.06.2007	30.06.2014	D
	76,352	–	–	76,352	£1.8373	17.06.2008	17.06.2015	F
	75,187	–	–	75,187	£2.5925	19.06.2009	19.06.2016	F
	62,412	–	–	62,412	£3.2824	15.06.2010	15.06.2017	F
<b>Total</b>	<b>1,380,344</b>	<b>–</b>	<b>–</b>	<b>1,380,344</b>				

#### Notes:

- \* See above for details of grant and the performance tests for exercise of options.
- The exercise price has been adjusted for the effect of the rights issue.

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

### c) Co-Investment Plan (Audited)

Details of outstanding awards made to Mr Marples under the Co-Investment Plan are shown below:

Date Awarded	Interests in shares as at 1 April 2009 (post Rights-Issue)		Market value of shares at date of award	Matching Shares lapsed during the year	Interests in shares as at 22 May 2009		Vesting dates of outstanding Matching Shares
	Invested	Matching			Invested	Matching	
13/06/2006	22,332	50,370	£3.450	–	22,332	50,370	13/06/2009
12/06/2007	7,687	17,339	£4.013	–	7,687	17,339	12/06/2010

### ESOT (Audited)

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

Year of purchase	Share price Pence	Number of shares purchased
1999	50.7 (average)	2,000,000
2002	103.0	5,067,700
2004	180.8	169,210
2005	238.2	170,567
2006	345.0	164,788
2007	402.2 (average)	70,655
2007	382.0	500,000
2008	168.0	697,168
		<b>8,840,088</b>

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

Of these shares 4,946,075 have been transferred on exercise of options and vesting through the Co-Investment Plan and the balance has been allocated to meet future exercises. The market value of the ESOT holding at 31 March 2010 was £1.4m compared with a book cost of £7.2m.

The ESOT also holds 1,120,775 shares as bare trustee on behalf of participants following purchases by them under the terms of the Group's Co-Investment Plan and Long Term Incentive Plan.

### Wider Group remuneration policy

The Group's wider people policies are reported separately on pages 20 to 23.

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

The closing mid-market price of Workspace Group PLC ordinary shares at 31 March 2010 was 24 pence. During the year, the price of the Company's shares varied between 12.5 pence and 26.2 pence.

By Order of the Board

**John Bywater**

Chairman of the Remuneration Committee

7 June 2010

## 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). In preparing the Group financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under the 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 Company and 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 that the Group financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by the IASB, and with regard to the Parent Company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group and Parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 38 to 39 and 42 to 43 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, and the Parent Company financial statements which have been prepared in accordance with UK accounting standards and applicable law, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the Business Review and Managing our Risk Sections on pages 29 to 36 include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.