

TRANSFORMING
WORKSPACES

EVOLVING
WITH OUR
CUSTOMERS

ENABLING PEOPLE TO ACHIEVE MORE!

NORWICH UNION

This year we delivered a fully refurbished headquarters building to Norwich Union – on budget and three weeks early. Around 3,000 employees now enjoy a more open and contemporary work environment, including a new state-of-the-art atrium.

Land Securities Trillium

Successful launch and close of the £1.136bn Trillium Investment Partners fund

Strong financial performance on existing contracts

New business success in key strategic areas, including education and waste

Acquisition and integration of AMEC Project Investments (PFI) business



Ian Ellis, Chief Executive
Land Securities Trillium

We are the clear market leader in property partnerships and Public Private Partnerships (PPP). We help transform the performance of businesses and public services through long-term partnerships that invest in, manage and service property and community infrastructure. Our work enables organisations to transform workspace, enhance employees' performance and create value for stakeholders.

“We met important deadlines early, we won a number of substantial contracts and we closed the Trillium Investment Partners fund successfully. We are now the market leader in property partnerships and PPP, and we see good prospects for further growth in both areas.”

Land Securities Trillium

Our market

Despite uncertainty in the economy, our markets are in good shape. As UK market leader in property partnerships we are in a very strong position to compete for major opportunities as they arise. Central and local government are committed to achieving more efficient use of assets and we believe this is likely to create further market opportunities for us.

The PPP market is also strong. Our focus here is on education, waste and local authority infrastructure, all of which offer a pipeline of major opportunities. Building Schools for the Future (BSF) is a 15-year government programme with £45bn committed for the upgrading of every secondary school in the country. In waste, the government must address the UK's reliance on landfill by 2010 or face heavy penalties from the EU – £10bn is one estimate of the investment needed to address this. To date, £2bn has been committed to PFI in the waste sector and this has been matched by an equal amount from local authorities.

Meanwhile, the Government Efficiency Review is requiring some £30bn to be realised from the sale of assets by central government departments and local authorities, and many are looking to partner with the private sector to achieve this and to upgrade their estates.

We also see good potential revenue opportunities on the Continent. With EU money moving towards eastern Europe, more governments in the west are adopting PPP to procure and deliver social infrastructure investment. In Continental Europe our initial focus is on acquiring investments in secondary market assets already in operation.

Our strategy

We invest in and manage properties and facilities for a wide range of organisations across the public and private sectors. We don't just supply better buildings – we own, manage, develop and upgrade everything from individual properties to entire estates. Government departments, international businesses, individual schools and many other organisations use our expertise to maximise the potential of their infrastructure for their business and their people.

We create value by:

- Using our asset management skills and development expertise to improve performance and reduce risk for customers while growing our own business
- Increasing the scope, scale and value of our contracts with customers by forming excellent long-term relationships, earning trust and delivering major improvements
- Developing new and better ways to get the most from properties, workspaces and facilities
- Gaining access to new market areas and strengthening our leadership position by acquiring specialist businesses
- Supporting the growth of our pipeline of opportunities through Trillium Investment Partners acquiring mature assets.

Our performance

We delivered an underlying operating profit of £129.1m (2007: £98.8m), significantly higher than last year largely due to our new contracts with Accor and Royal Mail and around £43.0m of non-recurring items. On the DWP contract, which accounted for the majority of the non-recurring items, the anticipated decline in operating profits due to vacations did indeed materialise, but this was offset by us resolving a number of outstanding issues which allowed us to recognise additional profits of £31.3m.

Higher operating profit contributions from DVLA and Norwich Union reflect the completion of major refurbishment works, while the DVLA contract has also benefited from scope extensions.

Increased costs reflect the overhead associated with the former SMIF, IIC and AMEC teams. Bid costs increased due to the high level of new business activity associated with our appointment as preferred bidder on both DTR and Kent BSF, and our involvement in Workplace 2010.

The successful launch and close of the Trillium Investment Partners fund and the sale of the Meterfit asset has given rise to a profit on disposal of £47.5m.

Chart 38

Existing portfolio by use (million m²)

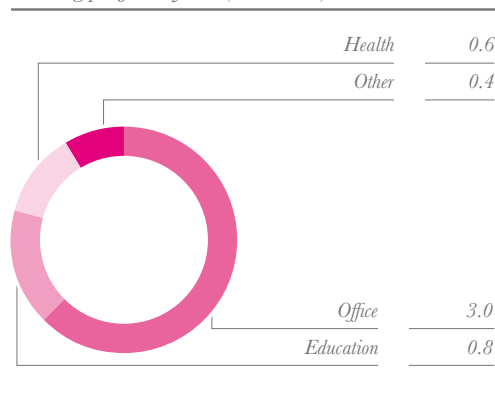
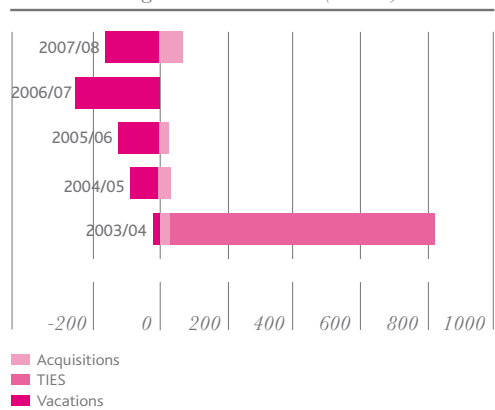


Chart 39

DWP contract growth and vacation (000m²)



Trillium Investment Partners

This year we achieved a major success with the launch and close of the Trillium Investment Partners, a £1.136bn fund that enables third party investors to gain exposure to our PPP contracts.

The launch of the fund attracted very strong interest, despite one of the weakest debt and equity markets for some time, and the calibre of the equity partners is a testament to the strength and quality of the assets and our business. We have retained a 10% stake in the venture.

Trillium Investment Partners is now the largest investment vehicle of its kind focused on PPP contracts. We intend to grow the fund to around £2bn over five years through the acquisition of mature PPP assets, such as schools and hospitals already in operation. The fund will acquire these assets from Trillium, where our market leading New Business division has already secured £240m of new opportunities. The fund is aiming to invest £200m every year for the next four years.

A new division of Trillium, authorised by the FSA, will manage the fund and receive an annual management fee.

AMEC PFI acquisition

In November 2007 we completed the acquisition of AMEC's Project Investments business, which included interests in seven signed PFI projects and one project at preferred bidder stage. We paid £158.5m for the business, which provides us with a top quality portfolio of assets and a specialist team experienced across the complete PFI/PPP process, from bidding to long-term management of investments. This acquisition is now fully integrated into Trillium, and reinforced our position as a leader in PFI, transport and health sectors.

New business

Property partnerships

▪ **Defence Training Review**

Having won preferred bidder status in January 2007, Metrix – our 50:50 joint venture with QinetiQ – continues to work with the Ministry of Defence to create a new defence training academy at St Athan, South Wales. This is one of the UK's largest PPP projects.

▪ **Workplace 2010**

This is a 20-year contract to provide a full range of property outsourcing services for the Northern Ireland Civil Service. Workplace 2010 includes a major five-to-seven-year programme to transform the Northern Ireland Civil Service's office estate, improve working environments for staff and facilitate new ways of working, with the aim of delivering greater value for the taxpayer. We are one of two final short-listed bidders.

£158.5m

Paid to acquire AMEC's Project Investments Business.

Our partners in the Trillium Investment Partners fund:

HBOS plc, Victorian Funds Management Corporation of Australia, funds managed by Bank of Ireland, Transport for London Pension Fund, Lloyds TSB, London Pensions Fund Authority and pension funds operated by Daily Mail General Trust plc.

HINCHLEY WOOD

We purchased this 12-acre site in 1998 through our contract with the DWP. Since then we have paved the way for a transformation from outdated government buildings on brownfield land to a site with outline planning permission for 136 much-needed homes. We sold the site in August 2007 for £32m – 50% of the profit is retained by us, 50% enjoyed by our client.

Held public consultations before submitting proposals – no objections made

Handed over ownership of gardens occupied under licence

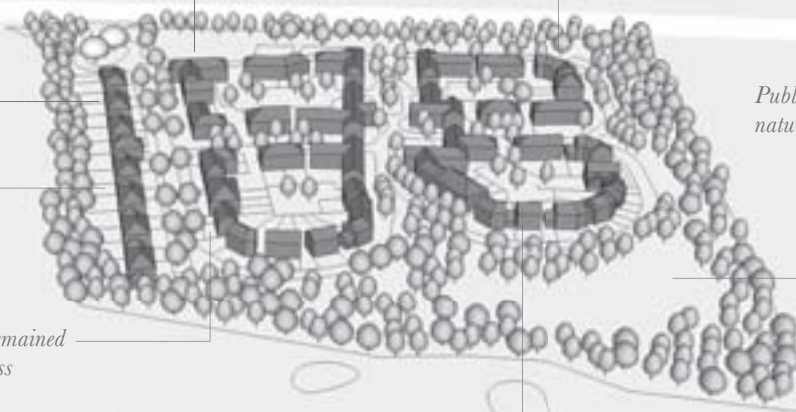
On-site nursery remained open during process

Outline planning consent for residential development granted in 2005

Land set aside for community hall

Took leaseback on site while we helped DWP relocate

Public access to natural habitat



DWP

Our fit-out at the DWP's Caxton House offices in London required us to relocate the Ministerial team and civil servants while we transformed the space to increase collaboration and flexibility. The tight nine-month turnaround was determined by the Parliamentary calendar, but we delivered on time.

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PPP

Education

With Northgate Information Solutions, we were announced as Kent County Council's preferred bidder for the first phase of its £1.8bn BSF programme. Through this, we will enter into a new £600m public private partnership with Kent County Council and Partnerships for Schools to refurbish or rebuild secondary schools and help transform education in the Gravesham, Swale and Thanet districts by 2014. Our success in Kent builds on our work across the UK, where we now own or manage 197 schools with 174,000 pupils. This year we were also named as one of the two final short-listed bidders for the Birmingham BSF programme, with a final decision expected in September 2008; and in April 2008 *e4i* (Education for Inverclyde) – a consortium comprising Trillium, Miller Construction, Cyril Sweett and FES – was named preferred bidder for the £80m Inverclyde Schools PPP project.

Waste

This year we secured our first major success in the fast-growing waste sector. Working in partnership with Norfolk Environmental Waste Services and Cyril Sweett Investments, we became preferred bidder for Norfolk Waste Management Contract A, a 25 year project to build and operate an Advanced Mechanical Biological Treatment (AMBT) facility to treat and recycle solid waste. AMBT facilities are considered effective and environment-friendly, and we are now demonstrating to other local authorities that our solution in Norfolk can help them meet pressing EU environment and waste targets.

Thornton Hall Prison

Working in partnership with Global Solutions Limited, in the Leargas consortium with McNamara and Barclays Private Equity, we have been named preferred bidder for Thornton Hall, a €500m PFI prison near Dublin, Republic of Ireland.

Table 42

Trillium financial results

	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Contract level operating profit		
– DWP	94.3	81.0
– Norwich Union	11.1	9.2
– Barclays	1.9	3.3
– DVLA	3.7	1.7
– Telereal II	15.5	16.1
– Accor	27.1	1.5
– Royal Mail	4.1	–
– BBC	9.2	2.8
Bid costs	(11.9)	(2.8)
Central and other costs	(25.9)	(14.0)
Underlying operating profit	129.1	98.8
Net deficit on revaluation of investment properties	(24.9)	(13.6)
Profit on disposal of properties	18.1	7.5
Segment profit	122.3	92.7
Share of profit/(loss) from Investors in the Community (IIC) (joint venture)	0.1	(3.0)
Share of loss of Trillium Investment Partners (associate)	(0.5)	–
Profit on sale of interest in Trillium Investment Partners (discontinued operation)	37.5	–
Profit on sale of Meterfit (discontinued operation)	10.0	–

Chart 40

History of Trillium

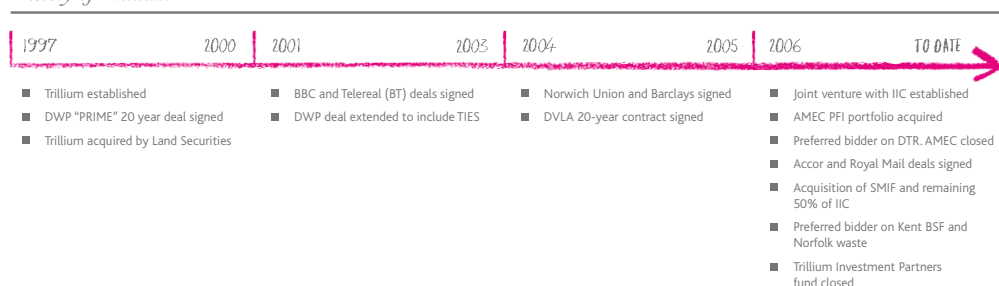
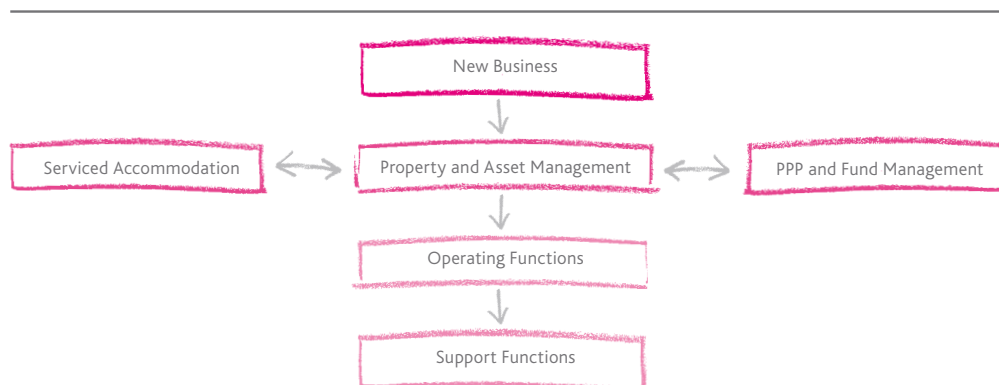


Chart 41

The Trillium business model



Education

This year, 'Investment in school facilities and PFI – do they play a role in educational outcomes?', an independent KPMG report, stated that new PFI schools are improving pupil performance.

2gether

DIO



LEEDS SCHOOLS

We've been helping to improve the quality of education and educational facilities at six schools in Leeds. Our approach has created flexible, efficient and innovative spaces – like a new centre at Primrose High School where pupils and local people can gain media training.

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Property partnerships

This was a very successful year for a number of our property partnership contracts with major long-term customers. Key highlights included:

- **Department for Work and Pensions**
We achieved a customer satisfaction rating of 94% this year – three percentage points better than last year’s level. This is particularly impressive given the enormous scale of the portfolio, with some 1,300 properties under management. Notable successes also included the sale for development of the Hinchley Wood site.
- **Norwich Union**
We completed a major three-year refurbishment of Norwich Union’s headquarters this year – three weeks ahead of schedule and on budget. Our work has helped to transform the working environment.
- **DVLA**
The major refurbishment of the main HQ offices and a number of other sites were completed successfully, with the main HQ works handed over eight weeks early and on budget. We also provided a new print facility building in September 2007. We continue to support DVLA with increased investment and services in its ongoing estates transformation project.
- **Royal Mail**
Our contract with Royal Mail went live in March 2007, when we took over freeholds and the risk and management of 296 vacant and sublet leaseholds. We have made good progress on the disposal of surplus space and have continued to evolve our relationship with Royal Mail.
- **Accor**
In May we completed the purchase of a further seven Ibis and Novotel hotels, bringing the portfolio owned to 29 hotels in London and across the UK. The hotels are leased back to Accor on a turnover rent basis and we maintain the structural fabric of each hotel.

Our outlook

We are market leader in two sectors – property partnerships and PPP – both of which offer stable long-term cashflows and good growth prospects. We have a well-rounded business with a strong supply of investment capital and a comprehensive range of services. We have robust contracts, a strong new business pipeline and operate in market sectors driven by government investment and blue chip corporate activity. We see excellent prospects for continued growth in the short, medium and long term.

Chart 43
Our history

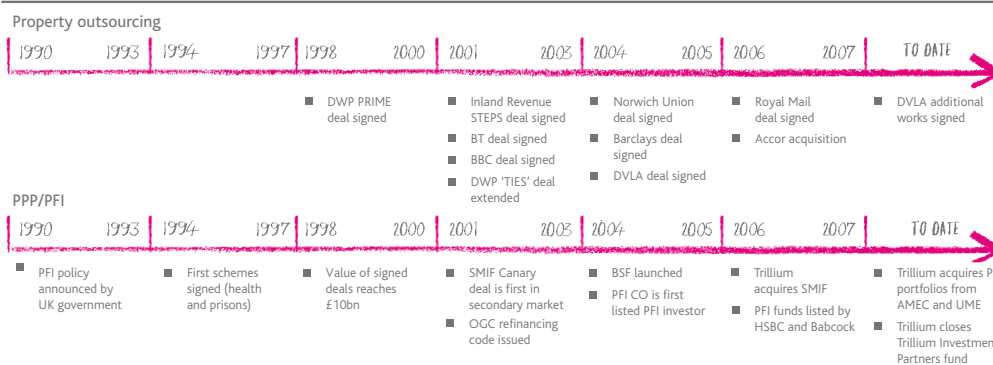
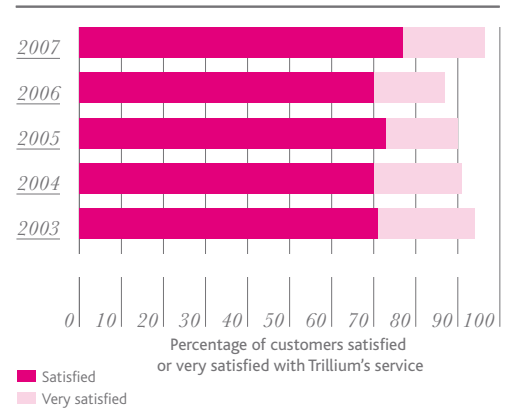


Chart 44
DWP customer satisfaction (%)



94%

Record DWP customer satisfaction score achieved this year

8 weeks

Early delivery of DVLA facilities

3 weeks

Early delivery of Norwich Union headquarters

Table 45
Trillium number of people by occupation

As at 31 March 2008	Total
Asset management	105
Call centre	68
Capital projects	139
Quality assurance	30
Facilities management	377
HR/finance	115
Business development and commercial	95
Total	929