Registered number
3487308

LAND SECURITIES TRILLIUM LIMITED

CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

31 March 2006

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LAND SECURITIES TRILLIUM LIMITED
Consolidated report and financial statements
For the year ended 31 March 2006

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LAND SECURITIES TRILLIUM LIMITED
Directors' report
For the year ended 31 March 2006

The directors present their report and the audited financial statements for the company and group for the year ended 31 March 2006.

Principal activities

Land Securities Trillium Limited is the holding company of the Land Securities Trillium group of companies (the "group"). The group provides property services to accommodation users. Its principal clients are the Department of Work and Pensions, the Driver and Vehicle Licensing Agency , Norwich Union and Barclays Bank PLC.

Results and dividends

In the year to 31 March 2006, the group made a profit after tax of £347,637,000 (2005: £151,045,000).

The directors do not recommend payment of a dividend for the year ended 31 March 2006 (2005: nil).

Policy for payment of creditors

It is the group's policy to pay all creditors within thirty days or in accordance with negotiated terms. Trade creditors as at 31 March 2006 were £42,316,000 (2005: £39,143,000).

Review of the business and future developments

In the year to 31 March 2006 the group continued to provide property outsourcing services. Property outsourcing is the transfer of an organisation's risks and management on some or all of its property to an expert property partner, converting its property assets and liabilities into an integrated property contract. This allows organisations to align their property requirements with their business strategy, so their accommodation supports their needs.

The group has several main clients, amongst which are the Department of Works and Pensions (DWP), Barclays Bank, Driver and Vehicle Licensing Agency (DVLA) and Norwich Union, where services are provided through other Land Securities Trillium group companies.

During the year the following activities took place:

- On 12 May 2005 it was decided not to participate in the re-tender process to provide facilities management services to the BBC. As a result the outsourcing contract terminated on 30 June 2006.
- On 30 September 2005, the subsidiaries of LST Telereal Holdings Limited were sold to Drummond Ventures Limited and Amberglow Ventures Limited for £300m as part of the Land Securities Trillium Group's sale of its investment in the Telereal Joint Venture.
- On 30 January 2006, Land Securities Trillium Group acquired an interest in two parts of the Mill Group: a 50% interest in Investors in the Community Group Ltd which carries out the bid procurement and project management activities and a 20% interest in Mill Group Limited which carries out fund management activities in the PFI/PPP markets.

Directors

Details of directors who held office during the year are as follows:

Lord Griffiths
Ian Ellis*
David Godden
David Holt
Mark Collins*
Nicholas Foster
Fiona Ramsay
Michael Schraer
Martin Greenslade*
Andrew Macfarlane (resigned 5 August 2005)

Company Secretary: Peter Dudgeon

The directors had no interests in the shares of the company throughout the year.

*Mark Collins , Martin Greenslade and Ian Ellis are directors of Land Securities Group PLC, the ultimate parent company, and their interests in that company are shown in its Report and Financial Statements for the year ended 31 March 2006. The ultimate parent company's register of directors' shares and debenture interests and holdings of options, which are open for inspection at its registered office, contain full details of their shareholdings and share options.

The beneficial interests of the other directors in the shares of Land Securities Group PLC and their holdings of options over shares in that company are shown below:

Beneficial interest in shares of Land Securities Group PLC

	2006	2005
Nicholas Foster	5,981	5,625
David Godden	23,981	9,233
David Holt	15,367	2,264
Fiona Ramsay	7,725	-
Michael Schraer	10,618	-

LAND SECURITIES TRILLIUM LIMITED
Directors' report
For the year ended 31 March 2006

Options in respect of ordinary shares in Land Securities Group PLC

Name	Granted during year			Exercised during year			Options as at 31 March 2006		
	No. of options at 1 April 2005	No.	Grant price (pence)	No.	Exercise price (pence)	Market price on exercise (pence)	No.	Weighted average exercise price (pence)	Exercisable dates
Nicholas Foster	47,743	-	-	(13,500)	812.0	1,398.0	34,243	964.0	07/2003 - 07/2014
	545	-	-	-	-	-	**545**	**677.0**	**7/2006**
David Godden	78,427	-	-	(30,000)	812.0	1,855.6	48,427	967.5	07/2003 - 07/2014
	990	-	-	-	-	-	**990**	**957.0**	**10/2007**
David Holt	41,307	-	-	-	-	-	41,307	968.1	07/2006 - 07/2014
	990	-	-	-	-	-	**990**	**957.0**	**10/2007**
Fiona Ramsay	-	-	-	-	-	-	-	-	-
	-	**815**	**1,146.0**	-	-	-	**815**	**1,146.0**	**9/2008**
Michael Schraer	-	-	-	-	-	-	-	-	-
	-	**815**	**1,146.0**	-	-	-	**815**	**1,146.0**	**9/2008**

The range of the closing middle market prices for Land Securities Group PLC shares during the year was 1,292p to 2,080p. The middle market price at 31 March 2006 was 1,928p.

Share options at 1 April are held under the Land Securities PLC 2000 Executive Share Option Scheme and the Land Securities Group PLC 2002 Executive Share Option Schemes, or (if shown in bold) the 1993 and 2003 Savings Related Option Scheme.

Options granted during the year were under the Land Securities PLC 2000 Executive Share Option Scheme, the Land Securities Group PLC 2002 Executive Share Option Scheme, or (if shown in bold) the 1993 and 2003 Savings Related Option Scheme.

Options granted under the savings related schemes are exercisable after three, five and seven years from date of grant and are not subject to any performance conditions.

The interests of Mark Collins, Martin Greenslade and Ian Ellis, who are also directors of the ultimate parent company, Land Securities Group PLC, are set out in the report and financial statements of that company.

Employment policies

The group's employment policies and practices are informed by best practice and are designed to create a motivating and rewarding work environment for its entire staff. Regional forums exist for discussions and the national Senior Management Group meets regularly. There is a Trillium newsletter and a nationwide intranet accessible by all employees.

Policy on the disabled

The group recognises that it has clear obligations to all its employees and the community at large to ensure that people with disabilities are afforded equal opportunities to enter employment and progress within the organisation. In addition to complying with legislative requirements affecting the disabled, the company follows procedures designed to provide for fair consideration and selection of disabled applicants and to satisfy their training and career development needs.

If an employee becomes disabled in the course of their employment all steps will be taken, through retraining or redeployment if necessary, to ensure that the employee is able to remain in employment with the group wherever possible.

Directors' responsibilities

The directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of their profit or loss for that period and comply with the Companies Act 1985.

The directors are responsible for ensuring that applicable accounting standards have been followed and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements.

It is also the responsibility of the directors to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for maintaining proper accounting records so as to enable them to comply with company law. The directors have general responsibilities for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Annual general meeting

Elective resolutions were passed on 1 December 1998 dispensing with the need for Land Securities Trillium Limited to lay accounts in general meeting and to dispense with the need to hold annual general meetings.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

By order of the Board

Peter Dudgeon
Company Secretary

20/10 2006

LAND SECURITIES TRILLIUM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAND SECURITIES TRILLIUM LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Land Securities Trillium Limited for the year ended 31 March 2006 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the statement of consolidated total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the company's affairs as at 31 March 2006 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

20 October 2006

LAND SECURITIES TRILLIUM LIMITED
Consolidated profit and loss account
For the year ended 31 March 2006

	Note	2006 £ '000	2005 (restated) £ '000
Gross Income - Group	2	924,503	866,025
Plus share of joint venture	2	86,333	190,967
Gross Income - Total	2	1,010,836	1,056,992
Less: Share of joint venture gross income		(86,333)	(190,967)
Turnover		924,503	866,025
Operating costs - Group		(823,820)	(764,919)
Operating profit - Group	3	100,683	101,106
Share of operating profit of joint venture	3	53,312	117,544
Operating profit - Total	3	153,995	218,650
Profit on disposal - Group	4	352,916	33,898
Profit on disposal of tangible fixed assets of joint venture	4	902	12,274
		353,818	46,172
Profit on ordinary activities before interest and taxation		507,813	264,822
Interest receivable by Group		58,133	18,358
Share of interest receivable by joint venture		1,282	2,239
Total interest receivable		59,415	20,597
Interest payable by Group	9	(59,005)	(54,977)
Share of interest payable by joint venture	9	(34,223)	(68,683)
Total interest payable		(93,228)	(123,660)
Profit on ordinary activities before taxation		474,000	161,759
Tax on profit on ordinary activities	10	(126,518)	(10,714)
Profit for the financial year	27	347,482	151,045

All activities arise from continuing operations and all income is derived from the UK.

LAND SECURITIES TRILLIUM LIMITED
Statement of consolidated total recognised gains and losses
For the year ended 31 March 2006

	Note	2006 £ '000	2005 (restated) £ '000
Profit for the financial year		347,482	151,045
Actuarial loss on pension scheme	8	(2,075)	(549)
Movement on deferred tax relating to pension liability		712	540
Unrealised revaluation gain/(deficit) on investment properties	26	2,700	(768)
Total recognised gains and losses related to the year		348,819	150,268
Prior year adjustments	27	(852)	-
Total recognised gains and losses since last financial statements		347,967	150,268

LAND SECURITIES TRILLIUM LIMITED
Consolidated balance sheet
As at 31 March 2006

	Note		2006 £ '000		2005 (restated) £ '000
Fixed assets					
Goodwill	11		18,451		-
Investment property	12		27,100		24,400
Tangible assets	13		591,328		569,496
			636,879		593,896
Investment in joint ventures and associated companies					
Share of gross assets of joint ventures	16	-		1,065,941	
Share of gross liabilities of joint ventures	16	-		(1,137,028)	
			-		(71,087)
			636,879		522,809
Current assets					
Trading Properties	17	1,056		1,056	
Debtors falling due within one year	18	732,254		416,794	
Debtors falling due after one year	19	70,651		33,762	
Investments : short term deposits		10,484		-	
		814,445		451,612	
Creditors: amounts falling due within one year	20	(505,056)		(377,680)	
Current assets less current liabilities			309,389		73,932
Creditors: amounts falling due after one year	21		(253,195)		(266,330)
Provisions for liabilities and charges					
Deferred taxation	23	(28,405)		(20,237)	
Other provisions	24	(52,973)		(48,960)	
			(81,378)		(69,197)
Net assets excluding pension liability			611,695		261,214
Pension liability	8		(2,921)		(1,259)
Net assets including pension liability			608,774		259,955
Capital and reserves					
Share capital	25		25,000		25,000
Revaluation reserve	26		1,932		(768)
Profit and loss account	27		581,842		235,723
Equity shareholder's funds	28		608,774		259,955

The financial statements on pages 4 - 17 were approved by the board of directors on ....

Fiona Ramsay
Director

LAND SECURITIES TRILLIUM LIMITED
Company balance sheet
As at 31 March 2006

	Note		2006 £ '000		2005 £ '000
Fixed assets					
Investments	14		177,989		177,989
Current assets					
Debtors	18	252,300		215,473	
Creditors: amounts falling due within one year	20	(179,316)		(142,006)	
Net current assets			72,984		73,467
Total assets less current liabilities			250,973		251,456
Capital and reserves					
Share Capital	25		25,000		25,000
Profit and loss account	27		225,973		226,456
Equity shareholder's funds	28		250,973		251,456

The financial statements on pages 4 - 17 were approved by the board of directors on ....

Fiona Ramsay
Director

1 Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention, modified by the revaluation of investment properties, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. Compliance with SSAP 19 'Accounting for Investment Properties' requires a departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of this departure is given in "g" below. The principal accounting policies are set out below.

a Cashflow statements and related party disclosures

The Company is a wholly owned subsidiary of Land Securities Group PLC and is included in the consolidated financial statements of Land Securities Group PLC, which are publicly available at the company'sregistered office, 5 Strand, London, WC2N 5AF. Consequently, the company has taken advantage of the exemption from preparinga cash flow statement under the terms of FRS1. The company is also exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of Land Securities Group PLC.

Related party transactions with Telereal entities that were 50% owned are disclosed in note 32 of these accounts.

b Consolidation

The consolidated financial statements of the group include the financial statements of the company and its subsidiary undertakings made up to 31 March 2006.

The joint venture is included under the gross equity method in accordance with FRS9 "Associates and Joint Ventures". This requires the Group's share of the joint venture's profit and loss account to be shown separately in the profit and loss statement, and the Group's share of the joint venture's gross assets and liabilities to be shown separately on the face of the balance sheet.

The investment in associated companies are included in accordance with FRS9 "Associates and Joint Ventures". This requires the results and assets and liabilities of associates to be incorporated using the equity method of accounting.

The Group has interests in various partnerships which are treated as "joint arrangements" in the Group's financial statements. The Group's share of the assets, liabilities, income and expenditure of these partnerships is included in the relevant sections of the consolidated profit and loss account and balance sheet as required by FRS9.

On the acquisition of a business, including an interest in joint ventures and associated companies, fair values are attributed to the Group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet. The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business not previously charged through the profit and loss account.

c Gross income

The group's gross income comprises *property services income, capital projects and other reimbursable* costs, third party rents and sales of trading properties. Property services income represents unitary charges and the recovery of other direct property or contract expenditure, reimbursable by customers.
Capital projects and reimbursable costs includes income received for development of owned and leased property. Third party rental income includes net income from owned and leased properties. All turnover is recognised on a receivable basis net of VAT.

d Bid costs

In accordance with ASB's Urgent Issues Task Force Abstract 34 "Pre-contract Costs" (UITF34), bid costs incurred prior to the exchange of a contract, with no material pre-conditions to completion, and which do not comprise incidental costs associated with the acquisition of fixed assets or finance costs, are expensed.

e Pensions

The company operates both a defined benefit scheme and a defined contribution scheme.

The defined benefit liability recognised in the balance sheet is the present value of the defined benefit obligations, less the fair value of plan assets, adjusted for past service costs. The defined benefit obligations and current service costs are calculated annually by independent actuaries using the attained age funding method. Actuarial gains and losses are immediately recognised in the statement of total recognised gains and losses.

The costs of defined contribution schemes are charged against profits in the year in which they are incurred.

f Leased assets

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

g Investment properties

1) Valuation
Investment properties are carried in the financial statements at market based values based on the latest professional valuation on an open market basis. Properties are treated as acquired when the group completes on an unconditional purchase contract and as sold when subject to an unconditional contract for sale. Valuation gains and temporary diminutions in value are taken to reserves and permanent diminutions are taken to the profit and loss account.

2) Depreciation
In accordance with SSAP19, depreciation is not provided on investment properties that are held as freeholds or on leases having more than 20 years unexpired. This is a departure from the Companies Act 1985which requires alltangible assets to be depreciated. In the opinion of the directors, this departure is necessary for the financial statements to give a true and fair view and comply with applicable accounting standards which require investment properties to be included in the financial statements at market value. The effect of depreciation is implicitly reflected in the valuation of investment properties, and the amount attributable to this factor cannot reasonably be separately identified or quantified by the valuers. Had the provisions of the Act been followed, net assets would not have been affected but revenue profits would have been reduced for this and earlier years and revaluation surpluses/deficits would have been correspondingly increased/decreased.

h Tangible fixed assets

All tangible fixed assets, other than investment properties, are stated at historical cost less depreciation. Depreciation is provided to write off the cost of the asset, in equal annual instalments, over its estimated useful life, after taking account of any estimated residual value.

The rates applied are:-

Plant and machinery	over 3 - 10 years
Freehold buildings	over 50 years
Leasehold land and buildings	over the lease term
Land	not depreciated

i Trading properties

Trading properties, which are held with the intention of being sold, are included at the lower of cost and net realisable value within current assets in the balance sheet.

1 Accounting policies (continued)

j Investments in Group Undertakings

The Company's investments in the shares of Group undertakings are carried at the lower of cost and net realisable value. Assets and liabilities are brought into consolidation at fair value as at the date of acquisition. Where the cost of the acquisition exceeds the fair value of the net assets acquired, the difference is treated as goodwill and capitalised in the group's balance sheet in the year of acquisition. The goodwill arising is amortised to the profit and loss account in accordance with note 1 (l).

The results of the acquired Group undertakings are included in the consolidated profit and loss account from the date of the acquisition.

k Deferred taxation

In accordance with FRS19 "Deferred Tax": i) deferred tax is recognised in full in respect of transactions or events that have taken place by the balance sheet date and which could give the company an obligation to pay more or less tax in the future; ii) full provision is made for timing differences, which arise primarily from capital allowances.

l Goodwill and intangible fixed assets

For acquisitions of a business, including an interest in a joint venture or associated company, purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 20 years.

m Provisions for liabilities and charges

A provision is recognised in the balance sheet when the Company has a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

n Financial instruments

The Group uses interest rate swaps to help manage its interest rate risk.

Where interest rate swaps are hedging existing interest rate exposures or are expected to hedge future interest rate exposures, the differences between the interest payable by the group and the interest payable to the group by the swap counterparties are dealt with on an accruals basis. If interest rate swaps are not deemed likely to hedge interest rate exposures for the foreseeable future, the mark to market value of the relevant interest rate swaps would be taken to the profit and loss account.

o Receivables

All trade debtors are recognised at the amounts receivable less any provision for doubtful debts. Collectibility of trade debtors is reviewed on an ongoing basis.

p Change in accounting policy

The Group has adopted FRS17, 'Retirement benefits', for the first time. Prior to the adoption of FRS17, pension costs were accounted for in the financial statements in accordance with SSAP24, 'Accounting for pension costs' together with the transitional disclosure requirements of FRS17. The full adoption of FRS17 represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of the prior year adjustment is given in note 27 .

A prior year adjustment has been made to the opening balance of the provision and liabilities account to reflect the life cycle capital expenditure and central riskprovisions which were previously shown under the accruals and deferred income note in 2005 financial statements.

2 Gross income

	Group	Share of Joint Venture	Group	Share of Joint Venture
	2006	2006	2005	2005
	£ '000	£ '000	£ '000	£ '000
Property services income	627,450	67,505	595,760	137,005
Capital projects and other reimbursable costs	222,803	-	126,058	-
Third party rents	12,532	-	-	-
Proceeds of sales of trading properties	-	5,524	100,196	25,659
Other reimbursable costs	61,718	13,304	44,011	28,303
	924,503	86,333	866,025	190,967
Total		1,010,836		1,056,992

3 Operating profit - Total

	2006	2005
	£ '000	£ '000
This is stated after charging:		
Directors' remuneration	1,716	3,434
Depreciation of owned fixed assets	20,557	29,017
Amortisation of goodwill	155	-
Operating lease charge on properties	194,202	185,158
Operating lease rentals on plant and machinery	-	2,717
Auditors' remuneration: non audit services	113	124
Auditors' remuneration	267	228

4 Profit on disposal

	2006	2005
	£ '000	£ '000
Profit on disposal of land and buildings - group	1,028	33,898
Profit on disposal of land and buildings - in joint venture	902	12,274
Profit on disposal of joint venture - group	351,888	-
	353,818	46,172

The profit on the group's disposal of joint venture arose on the sale of the group's investment in the Telereal Joint Venture.

5 Directors' emoluments

	2006 £ '000	2005 £ '000
Aggregate emoluments excluding pensions	1,566	3,141
Company contributions to pension schemes	150	293
	1,716	3,434

None of the directors received remuneration for their services to the company during the year. Directors are remunerated by Land Securities Group PLC and amounts are disclosed in those financial statements.

Highest paid director:		
Emoluments	585	721
Contributions to pension schemes	87	69
	672	790

Number of directors in company pension schemes:	2006 Number	2005 Number
Money purchase pension schemes	7	9

6 Audit fee

The audit fee of £267,000 (2005: £227,900) was paid by Trillium Property Services Limited on the group's behalf. The audit fee of the parent company of £2,000 (2005: £2,000) was paid by Trillium Property Services Limited on the company's behalf.

7 Employees

	2006 £ '000	2005 £ '000
Employee costs		
Salaries	44,100	40,029
Social security	4,900	4,595
Other pension	2,500	3,040
	51,500	47,664

Average number of employees during the year	Number	Number
Total employees	1,132	1,107

8 Pensions

The company operates a defined contribution scheme which all employees are eligible to join. This is controlled by a Board of Trustees, comprising directors, management and staff representatives. Mercer is the professional advisor and Fidelity is the investment manager. The investment choices are directly under the control of individual beneficiaries. The company provides contributions for each member at twice the level of member contributions up to a maximum of 10% and contributed £2,086,000 (2005: £1,878,000) to the defined contribution scheme for the year. The company also operates a defined benefit scheme, mainly for certain employees who transferred from DWP. This scheme is also controlled by the same Board of Trustees, administered by Mercer with Fidelity as the investment manager. The further disclosures below relate to the defined benefit scheme only.

Pension Cost

The defined benefit scheme is closed to new entrants, therefore, the service cost as a percentage of salaries is expected to rise over time. A full actuarial valuation was carried out at 1 July 2004 and updated to 31 March 2006 by a qualified independent actuary. The major assumptions used by the actuary were:

	2006	2005
Rate of increase in salaries	4.25%	4.25%
Rate of increase of pensions in payment	3.00%	3.00%
Rate of increase in pensions in deferment	3.00%	3.00%
Discount rate	4.90%	5.40%
Inflation assumption	3.00%	3.00%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected 2006	Value 2006 £ '000	Long-term rate of return expected 2005	Value 2005 £ '000
Equities	7.00%	1,622	7.00%	1,219
Bonds	4.75%	14,405	4.75%	12,166
Total market value of assets		16,027		13,385
Actuarial value of liabilities		(20,200)		(15,184)
Deficit in the scheme		(4,173)		(1,799)
Related deferred tax asset		1,252		540
Net pension liability		(2,921)		(1,259)

Analysis of the amount charged to operating profit

	2006 £ '000	2005 £ '000
Current service cost	(1,247)	(1,235)
Total operating cost	(1,247)	(1,235)

8 Pensions (continued)

Analysis of the amount charged to other finance cost

	2006 £ '000	2005 £ '000
Expected return on pension scheme assets	697	585
Interest on pension scheme liabilities	(860)	(707)
Other finance cost	(163)	(122)

Whilst the actuarial losses in respect of the scheme are dealt with in the statement of recognised gains and losses, the difference between the notional interest cost of the scheme liabilities and the expected return on the scheme's assets is included in the company's net interest cost.

Analysis of amount recognised in statement of total recognised gains and losses

	2006 £ '000	2005 £ '000
Actual return less expected return on assets	584	341
Experience gains and losses on liabilities	-	391
Changes in assumptions	(2,659)	(1,281)
Actuarial loss recognised in statement of total recognised gains and losses	(2,075)	(549)

Movement in deficit during the year

	2006 £ '000	2005 £ '000
Deficit in scheme at beginning of year	(1,799)	(1,053)
Movement in year:		
Current service cost	(1,247)	(1,235)
Contributions	1,111	1,160
Net interest cost	(163)	(122)
Actuarial loss	(2,075)	(549)
Deficit in scheme at end of year	(4,173)	(1,799)

Employer's contributions paid during the year were at a rate of 19.7% of pensionable salaries of £5,640,000.

History of experience gains and losses

	2006	2005
Difference between expected and actual return on scheme assets:		
amount	584	341
percentage of scheme assets	4%	3%
Experience gains and losses on scheme liabilities:		
amount	-	391
percentage of scheme liabilities	0%	3%
Total amount recognised in statement of total recognised gains and losses:		
amount	(2,075)	(549)
percentage of scheme liabilities	-10%	-4%

9 Interest payable

	2006 Group £ '000	2006 Share of joint venture £ '000	2005 Group £ '000	2005 Share of joint venture £ '000
Borrowings not wholly repayable within five years	16,121	33,497	-	58,180
Borrowings wholly repayable within five years	-	-	15,852	9,194
Loan from group undertaking	41,048	-	37,315	-
Amortisation of finance costs	1,673	726	1,688	1,309
Net interest cost on pension liabilities	163	-	122	-
	59,005	34,223	54,977	68,683
Total		93,228		123,660

10 Taxation

	2006 £ '000	2005 (restated) £ '000
Current tax:		
UK corporation tax on profits of the period @ 30% (2005: 30%)	118,787	7,224
Share of joint venture's current tax	3,488	21,314
Adjustments in respect of previous periods	(4,967)	(1,594)
Total current tax	117,308	26,944
Deferred tax	8,168	(16,034)
Share of joint venture's deferred tax	1,042	(196)
Tax on profit on ordinary activities	126,518	10,714

Factors affecting tax charge for period

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2005: 30%)
The differences are explained below.

	2006 £ '000	2005 £ '000
Profit on ordinary activities before tax	474,000	161,759
Standard rate of corporation tax in the UK	30%	30%
	£ '000	£ '000
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%.	142,200	48,528
Effects of:		
Capital allowances	(11,069)	(25,894)
Depreciation of fixed assets qualifying for capital allowances	4,046	3,765
	135,177	26,399
Expenses not deductible for tax purposes	3,075	91
Telereal depreciation	1,294	3,863
Deferred tax originating in period	(1,398)	(243)
Reduced rate of tax on profit on disposal of fixed assets	(15,920)	(1,572)
Prior year corporation tax adjustment	(4,967)	(1,594)
Current tax charge for period	117,261	26,944

11 Intangible fixed assets

	Group £ '000	Company £ '000
Goodwill:		
Cost		
At 1 April 2005	-	-
Additions	18,606	-
At 31 March 2006	18,606	-
Amortisation		
At 1 April 2005	-	-
Provided during the year	155	-
At 31 March 2006	155	-
Net book value		
At 31 March 2006	18,451	-
At 31 March 2005	-	-

The goodwill value of the investment in the 50% joint venture in The Investors in the Community Group Limited amounts to £14,086,000 and in the 20% investment in the associated company Mill Group Limited amounts to £4,520,000. The total value of goodwill of £18,606,000 is shown in the balance sheet, amortised over twenty years.

12 Investment property

	2006 £ '000	2005 £ '000
Cost		
At 1 April 2005	24,400	-
Additions	-	25,168
Unrealised gain/(deficit) on revaluation	2,700	(768)
At 31 March 2006	27,100	24,400

The investment property represents the long leasehold title at Westwood Park, Coventry expiring in 2115.

The leasehold interest was revalued on an open market value basis as on 31 March 2006 by Knight Frank, members of the Royal Institute of Chartered Surveyors.

13 Tangible fixed assets

	Freehold land and buildings £ '000	Short leasehold land and buildings £ '000	Leasehold Under 50 years	Plant and machinery £ '000	Total £ '000
Cost					
At 1 April 2005	438,820	20,753	103,686	68,997	632,256
Additions	29,121	-	659	15,770	45,550
Disposals	(4,373)	-	-	(3)	(4,376)
At 31 March 2006	463,568	20,753	104,345	84,764	673,430
Depreciation					
At 1 April 2005	24,357	696	16,994	20,713	62,760
Charge for the year	9,814	361	1,383	8,999	20,557
On disposals	(1,215)	-	-	-	(1,215)
At 31 March 2006	32,956	1,057	18,377	29,712	82,102
Net book value					
At 31 March 2006	430,612	19,696	85,968	55,052	591,328
At 31 March 2005	414,463	20,057	86,692	48,284	569,496

14 Investments

Company

	Investments in subsidiary undertakings £ '000
Cost	
At 1 April 2005 and 31 March 2006	177,989

Investments in the group undertakings are stated at cost. As permitted by section 133 of the Companies Act 1985, where the relief afforded under section 131 of the Companies Act 1985 applies, cost is the aggregate of the nominal value of the relevant number of the company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings. The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A list of principal subsidiary undertaking and joint ventures is given in note 15. All companies are registered in England and Wales. A full list of subsidiary undertakings and joint ventures, at 31 March 2006, will be annexed to the company's next annual return .

15 Principal group and associated undertakings

The principal wholly-owned group undertakings are:

Principal wholly-owned group undertakings
Trillium (FHBI) Property Limited - (Freehold buying company)
Land Securities Trillium (DV1A) Limited - (Property services)
Land Securities Trillium New Business Limited - (New business bidding)
Trillium Group Limited - (Holding company)
LST (PRIME) Limited - (Holding company)
Land Securities Trillium (Eagle) Holdings Limited - (Holding company)
Land Securities Trillium (Horizon) Limited - (Developing and facility management)
LST Terrace Limited
Land Securities Trillium (Lancaster) Limited

Wholly-owned group undertakings
Trillium Bastion House Limited
Trillium Estates Limited
PPM Holdings Limited
Trillium Property Services Limited
Trillium Property Services (Steps) Limited
Trillium Property Services (PRIME) Limited
Land Securities Trillium (Media Services) Limited
Land Securities Trillium (Media Services) BH Limited
Insight Property Partnership
Land Securities Trillium (Media Services) Developments Limited
Trillium (PRIME) Project Holdings Limited
Trillium (PRIME) Property GP Limited
Trillium (PRIME) Property Limited Partnership
Trillium (PRIME) Limited
Trillium (PRIME) Trading Limited
Trillium (PRIME) Furniture Limited
Trillium Property Limited
Barry Road Limited
Land Securities Trillium (Eagle) Property Limited
Land Securities Trillium (Eagle) Limited
Land Securities Trillium (Horizon) Property Limited
Land Securities Trillium (Horizon) Leaseholds Limited
Land Securities Trillium (Horizon) Other Properties Limited
Land Securities Trillium (Lancaster) NewCo 50 Limited
Land Securities Trillium (Lancaster) NewCo 20 Limited
Land Securities Trillium (Lancaster) Subdebt Limited

Associated undertakings
Mill Group Limited - 20%

Joint ventures
Investors in the Community Group Limited - 50%

16 Investments in joint ventures and associated companies

Summary financial information of Group's share of joint ventures

	2006			2005
	Investors in the Community Group Limited & Mill Group Limited	Telereal JV	Total	Total
	£ '000	£ '000	£ '000	£ '000
Profit and Loss Account				
Property services and rental income	-	80,809	80,809	165,308
Proceeds of sales of trading properties	-	5,524	5,524	25,659
Gross property Income	-	86,333	86,333	190,967
Rents payable	-	(17,092)	(17,092)	(35,918)
Indirect property or contract expenditure	-	(7,590)	(7,590)	(15,727)
Costs of sales of trading properties	-	(1,269)	(1,269)	(7,996)
Depreciation	-	(7,070)	(7,070)	(13,782)
Operating Profit	-	53,312	53,312	117,544
Profit on sale of fixed asset properties	-	902	902	12,274
Profit before interest and taxation	-	54,214	54,214	129,818
Net interest payable	-	(32,941)	(32,941)	(66,444)
Profit before taxation	-	21,273	21,273	63,374
Taxation	-	(4,530)	(4,530)	(21,118)
Profit after taxation	-	16,743	16,743	42,256
Balance Sheet				
Fixed assets - operating properties	-	-	-	1,015,403
Current assets	-	-	-	50,538
	-	-	-	1,065,941
Liabilities due within one year	-	-	-	(50,625)
Liabilities due after one year	-	-	-	(1,086,403)
	-	-	-	(1,137,028)
Net investment in joint ventures	-	-	-	(71,087)
	-			
Notional 50% share of non-recourse net (debt) / cash within joint ventures	-	-	-	(1,053,500)

On 30 September 2005 the subsidiaries of LST Telereal Holdings Limited were sold to Drummond Ventures Limited and Amberglow Ventures Limited for £300m as part of the Land Securities Trillium Group's sale of the investment in the Telereal Joint Venture.

On 26th January 2006 the Group invested in a 50% holding in the Investors in the Community Group Limited for £14,086,202. At the date of acquisition the net assets of the joint venture was nil. The excess of the acquisition price over net assets is shown on the balance sheet as goodwill.

On the same date, the group invested a 20% holding in an associated company, the Mill Group Limited. After a fair value appraisal of the acquisition the directors are of the opinion that the price of £4,520,050 wholly represents goodwill. Mill Group Limited carries out fund management activities for institutional funds investing in small PFI schemes focusing on schools, local authorities and community health projects.

17 Trading Properties held as current assets

	Group 2006	2005	Company 2006	2005
	£ '000	£ '000	£ '000	£ '000
Trading Properties	1,056	1,056	-	-

18 Debtors less than one year

	Group 2006	2005	Company 2006	2005
	£ '000	£ '000	£ '000	£ '000
Trade debtors	109,749	186,174	-	-
Amounts owed by group undertakings	-	-	245,113	73,901
Amounts owed by ultimate parent	544,425	135,731	-	129,818
Working capital facility provided to joint venture partner	1,200	-	-	-
Other debtors	14,900	27,550	-	-
Capital projects debtor	7,347	11,366	-	-
Corporation tax	-	-	7,187	11,754
Prepayments and accrued income	54,633	55,973	-	-
	732,254	416,794	252,300	215,473

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Amounts owed by ultimate parent are unsecured and repayable on demand. Interest is received and as at 31 March 2006 the interest rate was 5.5% per annum.

19 Debtors greater than one year

	Group 2006 £ '000	Group 2005 £ '000	Company 2006 £ '000	Company 2005 £ '000
Other debtors	280	224	-	-
Accrued income	15,820	15,937	-	-
Amounts receivable on finance leases	54,551	17,601	-	-
	70,651	33,762	-	-

20 Creditors: amounts falling due within one year

	Group 2006 £ '000	Group 2005 £ '000	Company 2006 £ '000	Company 2005 £ '000
Bank overdrafts	77,864	20,749	21,971	8,063
Bank loans	9,446	4,232	-	-
Trade creditors	42,316	39,143	100	-
Amounts due to ultimate parent	-	-	20,447	-
Amounts due to group undertakings	-	-	35,898	33,043
Shareholder's loan	100,900	100,900	100,900	100,900
Corporation tax	101,820	6,747	-	-
Other creditors	1,037	792	-	-
VAT payable	8,773	73,983	-	-
Accruals and deferred income	162,900	131,134	-	-
	505,056	377,680	179,316	142,006

The amounts due to group undertakings are unsecured, interest free and repayable on demand.

Amounts due to ultimate parent are unsecured and repayable on demand. Interest is paid and as at 31 March 2006 the interest rate was 5.5% per annum.

The shareholder's loan is unsecured, interest free and repayable on demand.

21 Creditors: amounts falling due after one year

	Group 2006 £ '000	Group 2005 £ '000	Company 2006 £ '000	Company 2005 £ '000
Bank loan	239,350	250,956	-	-
Obligations under finance lease and hire purchase contracts	73	-	-	-
Accruals and deferred income	13,772	15,374	-	-
	253,195	266,330	-	-

22 Loans

	2006 £ '000	2005 £ '000
Analysis of maturity of debt:		
Within one year or on demand	9,446	4,232
Between one and two years	11,160	9,523
Between two and five years	54,152	44,938
After five years	174,038	196,495
	248,796	255,188

The carrying value of the secured bank loan comprises the loan amount £260.0m (2005 : £268.1m), the fair value of the linked interest rate swap outstanding at the time of the acquisition of the Trillium Investments Limited Partnership and the upfront arrangement fees relating to this funding. The arrangement fees are being written off over the life of the borrowing. The amortisation charge for the year was £563,000 (2005: £525,000).

The interest on the secured bank loan, which is a variable, includes a margin based on the Land Securities Group PLC credit rating. The variable rate has been swapped into a current fixed rate of 5.80%.

23 Deferred taxation

	Group 2006 £ '000	Group 2005 (restated) £ '000	Company 2006 £ '000	Company 2005 £ '000
Provision for deferred tax comprises				
Accelerated capital allowances	29,370	20,237	-	-
Other timing differences	(965)	-	-	-
Deferred tax liability excluding that relating to pension liability	28,405	20,237	-	-
Pension liability (note 8)	(1,252)	(540)	-	-
Total provision for deferred tax	27,153	19,697	-	-

	Group 2006 £ '000	Company 2006 £ '000
At 1 April as previously reported	20,237	-
Prior year adjustment - FRS17	(540)	-
At 1 April 2005 as restated	19,697	-
Deferred tax charge in profit and loss account	8,168	-
Deferred tax asset to statement of recognised gains and losses	(712)	-
At 31 March	27,153	-

24 Provisions for liabilities and charges

Group

	Dilapidation £ '000	Life cycle expenditure £ '000	Barclays surplus leases £ '000	Central risk provision £ '000	Total £ '000
At 1 April 2005	17,706	-	18,794	-	36,500
Prior year adjustment to opening balance	-	8,832	-	3,628	12,460
At 1 April 2005 - restated	17,706	8,832	18,794	3,628	48,960
Net provisions established	1,956	6,467	5,101	2,098	15,622
Amounts used	(1,514)	(3,027)	(5,090)	(2,988)	(12,619)
Amortisation of discount	-	-	1,010	-	1,010
At 31 March 2006	18,148	12,272	19,815	2,738	52,973

Company

	Total £ '000
At 1 April 2005 and at 31 March 2006	-

A provision is made for dilapidations and ongoing building maintenance including life cycle expenditure works that may crystallise where, on the basis of the present condition of the property an obligation already exists.

A provision is made on the Barclays contract based on the net present value of net property costs to be incurred on the surplus leasehold estate of the Barclays property outsourcing contract. The interest rate applied in this calculation is 6%.

A central risk provision is made for performance obligations that may arise based on a performance scoring system. The scoring system represents the PRIME contractor and its obligations under the PRIME agreement to provide facilities management services.

The prior year adjustment relates to items previously shown in accruals which the directors believe are more correctly shown in provisions for liabilities and charges.

25 Share capital

	2006 £ '000	2005 £ '000
Authorised:		
25,000,000 Ordinary shares of £1 each	25,000	25,000

	2006 No	2005 No	2006 £ '000	2005 £ '000
Allotted, called up and fully paid:				
Ordinary Shares of £1	25,000,000	25,000,000	25,000	25,000

26 Revaluation reserve

	2006 £ '000	2005 £ '000
At 1 April	(768)	-
Unrealised revaluation gain/(deficit) on investment property	2,700	(768)
At 31 March	1,932	(768)

The revaluation reserve represents the revaluation at 31 March 2006 of the Westwood Business Park, Coventry which is held as an investment property.

27 Profit and loss account

	Group £ '000	Company £ '000
At 1 April 2005 as previously reported	236,575	226,456
Prior year adjustment - FRS 17	(852)	-
At 1 April 2005 restated	235,723	226,456
Retained profit/(loss) for the financial year	347,482	(483)
Actuarial loss on pension scheme (note 8)	(2,075)	-
Movement on deferred tax relating to pension liability (note 8)	712	-
At 31 March 2006	581,842	225,973

Prior year adjustment and the impact of FRS17

The prior year adjustment relates to the implementation of FRS17

The adoption of FRS17 has resulted in an increase in staff costs by £1,247,000 (2005: £1,235,000) and other finance cost of £163,000 (2005: £122,000), a decrease in the profit for the year by £299,000 (2005: £238,000) and a decrease in total recognised gains and losses by £1,363,000 (2005: £9,000).

Analysis of prior year adjustment relating to FRS17

	£ '000
Adjustment to opening shareholder's funds at 1 April 2005	1,053
Adjustment to profit and loss for the year ended 31 March 2005	(210)
Adjustment to statement of total recognised gains and losses for the year ended 31 March 2005	9
	852

28 Reconciliation of movement in shareholder's funds

	Group £ '000	Company £ '000
At 1 April 2005 as previously reported	260,807	251,456
Prior year adjustment - FRS17	(852)	-
At 1 April 2005 restated	259,955	251,456
Profit for the financial year	347,482	(483)
Unrealised revaluation gain on investment property	2,700	-
Actuarial loss on pension scheme (note 8)	(2,075)	-
Movement on deferred tax relating to pension liability (note 8)	712	-
At 31 March 2006	608,774	250,973

Land Securities Trillium Limited has not presented its own profit and loss account as permitted by Section 230(1) (b) Companies Act 1985. The retained loss for the year of the Company, dealt within its financial statements, was £483,000 (2005 : profit of £99,4000,000).

29 Financial instruments

The Group's policy is to eliminate risk in respect of changes in interest rates such that over the longer term changes in interest rates will have little or no impact on reported profits. The Group has two interest rate swaps in place to hedge the interest rate risk on the group's term loan. Both swaps are amortising and their nominal amounts decrease in line with the repayment profile of the debt. The fair value of the two swaps are:

	2006 £ '000	2005 £ '000
Group		
Interest rate swaps (deficit unprovided)	4,735	1,998
Company		
Interest rate swaps (deficit unprovided)	-	-

The notional principal amount of the outstanding interest rate swap contracts at 31 March 2006 was £174,530,340 and £53,193,150 (2005: £183,089,541 and £62,822,589).

30 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2006 £ '000	Land and buildings 2005 £ '000	Other 2006 £ '000	Other 2005 £ '000
Operating leases which expire:				35
within 1 year	6,535	2,909	135	1,913
within 2 to 5 years	116,151	152,007	1,249	-
within 6 to 10 years	359,899	367,933	-	-
within 11 to 15 years	1,043,271	889,845	-	-
within 16 to 20 years	237,995	163,068	-	-
more than 20 years	420,222	598,705	-	
	2,184,073	2,174,467	1,384	1,948

31 Contingent liabilities

Certain subsidiaries of the group are obligors to the £260.0m debt (2005: £268.1m held with Lloyds TSB) which Trillium (PRIME) Property GP Limited has with Barclays Bank PLC at 31 March 2006. This is secured by a fixed and floating charge over the assets of the following companies:

Trillium (PRIME) Property GP Limited
Trillium (PRIME) Property Limited Partnership
Trillium (PRIME) Trading Limited

In circumstances of default, these companies could be called upon to repay this debt.

The company has given guarantees in the normal course of business to third parties in respect of the obligations of certain Group companies. The directors consider that the guarantees are unlikely to result in material loss to the Group.

32 Related parties

The LST Group had a 50% interest in the Telereal joint venture and related companies ("Telereal"). Land Securities Trillium Telecom Services Limited provided staff to Telereal to deliver services to BT, for which it received £nil (2005 : £16.1m) in the period to 30 September 2005. Land Securities Trillium Services Limited was sold to a third party on 28 February 2005.

A subsidiary of Land Securities Trillium Limited, Trillium Property Services Limited, provided management services to Telereal, for which it received £402,588 (2005: £730,652) in the period to 30 September 2005 when the company was sold to a third party.

33 *Controlling party*

The immediate parent company is LS Property Solutions Limited and the ultimate parent company is Land Securities Group PLC, which is incorporated in England and Wales. This is the largest parent company of the group to consolidate these financial statements. Copies of the consolidated financial statements of Land Securities Group PLC are available from the company secretary's office, 5 Strand, London, WC2N 5AF.