Registered number
3487308

LAND SECURITIES TRILLIUM LIMITED

CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

31 March 2007

LAND SECURITIES TRILLIUM LIMITED
Consolidated report and financial statements
For the year ended 31 March 2007

LAND SECURITIES TRILLIUM LIMITED
Directors' report
For the year ended 31 March 2007

The directors present their report and the audited financial statements for the company and group for the year ended 31 March 2007

Principal activities

Land Securities Trillium Limited is the holding company of the Land Securities Trillium group of companies ('the group') The group provides property partnerships with public and private sector organisations encompassing property outsourcing and PPP markets Property partnerships offer a wide range of property and accommodation services to clients through long-term contracts

Review of the business and future developments

In the year to 31 March 2007 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

There was an increased level of acquisitions and new business activity during the year, particularly in the second half During the year, the group made acquisitions totalling £1 4bn, including £910 5m acquisition of SMIF, the £439 0m acquisition of Accor hotel portfolio, the £71 1m acquisition of Royal Mail and the purchase of the remaining 50% of IIC (Investors in the Community Group Limited) for £8 5m

With the acquisition of SMIF in February 2007 and with the remaining 50% of IIC, Land Securities Trillium has made a major investment in the UK market of PPP contracts, covering education, health, security and roads amongst others

It is the intention of the group to divest the underlying projects by transferring them to a fund and bringing in third-party investors whilst maintaining a minority interest

In addition, the group adopted a more cost effective and flexible refinancing structure of the PRIME Estate with Eurohypo effective from 29 December 2006 The £245m Eurohypo facility is underpinned by the underlying value of the freehold and long leasehold estate, allowing the group to enjoy operational flexibility benefits compared to a PFI type funding arrangement

The ultimate parent company, Land Securities Group PLC, has elected for group Real Estate Investment Trust ("REIT") status with effect from 1 January 2007 As a result the group will no longer pay UK corporation tax on profits and gains from qualifying rental business in the UK provided that the group meets certain conditions Non-qualifying profits and gains of the group continue to be subject to corporation tax as normal On entering the REIT regime an entry charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business of the group is payable Deferred tax accrued at the date of conversion in respect of the assets and liabilities of the qualifying rental business has been released to the profit and loss account as the relevant temporary differences will no longer be taxable on reversal

During the year, the company adopted FRS20, 'Share-based Payment', for the first time In accordance with FRS 20, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares or options that will eventually vest. Fair value is calculated using a Black-Scholes option pricing model The adoption of FRS20 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 the notes to financial statements (note 34)

It is the intention of the Group to continue its current strategy as follows
- Access new opportunities for Property Partnerships in existing and new markets
- Grow our business with existing and new clients
- Lead innovation in the outsourcing industry

LAND SECURITIES TRILLIUM LIMITED
Directors' report
For the year ended 31 March 2007

Post balance sheet event

The parent of the group announced on 14th November 2007, that it intented to demerge the company from the parent group The demerger will be executed when the prepartory work has been completed and only when market conditions are favourable

Principal risks and uncertainties

The group recognises that the business faces various risks and uncertainties such as those described below Procedures have been put in place to mitigate the risks

As the group's major source of income is its property outsourcing services, factors such as poor economy and non-satisfactory delivery of charges could impact new business acquisitions or the expansion of existing ones To mitigate the risks, the group has a dedicated new business team, established a framework and has regular Investment Committee reviews

Service partners' and suppliers' performances are regularly assessed and reviewed to ensure satisfactory delivery of services Poor performance by of service partners could impact the group's reputation and cause potential financial penalties

Poor performance of investment and operating properties may also have a material impact on the asset valuation and rental income in the financial statements The group's performance during the year indicates a satisfactory performance of the properties held

The group is also responsible for some of the health and safety and environmental risks on behalf of clients and their employees To mitigate the risks it faces on the impact on reputation or potential criminal proceedings resulting in financial impact, the group has put in place,

- dedicated specialist personnel for environment and health and safety,
- health and safety policy and procedures, and
- annual cycle of health and safety audits

Results and dividends

In the year to 31 March 2007, the group made a profit after tax of £74 879m (2006 £346 276m)

The directors recommend a payment of a dividend of £69 094m for the year ended 31 March 2007 (2006 £nil)

Key performance indicators ("KPIs")

A full business review of the Group has been included in the Land Securities Group PLC financial statements for the year ended 31 March 2007, on pages 57 to 62

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 2007 were £22 874m (2006 £42 316m) Trade creditors at year end represented 12 days (2006 19 days) of purchases

Directors

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

Lord Griffiths
Ian Ellis*
David Godden
David Holt
Mark Collins** (Resigned 19 October 2006)
Nicholas Foster
Fiona Ramsay
Michael Schraer
Martin Greenslade*

Company Secretary Peter Dudgeon

* Martin Greenslade and Ian Ellis are also directors of Land Securities Group PLC, the ultimate parent company
** Mark Collins who resigned on 19 October 2006 was also a director of Land Securities Group PLC, the ultimate parent company

LAND SECURITIES TRILLIUM LIMITED
Directors' report
For the year ended 31 March 2007

This directors' report does not contain a statement as to directors' interests in shares, debentures or options over shares in the company, Land Securities Group PLC, the ultimate parent company of the company, or any other body corporate in the same group following the repeal of paragraphs 2, 2A and 2B of Schedule 7 to Companies Act 1985 which ceased to be in force on 6 April 2007 in relation to accounts approved following that date by The Companies Act 2006 (Commencement No 2, Consequential Amendments, Transitional Provisions and Savings) Order 2007 (SI 2007/1093)

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

Disclosure of information to auditors

So far as each director at the date of approval of this report is aware
- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

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

1 April 2008

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 2007 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 the 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 also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

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 parent company's affairs as at 31 March 2007 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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

1 April 2008

LAND SECURITIES TRILLIUM LIMITED
Consolidated profit and loss account
For the year ended 31 March 2007

	Note	2007 £ '000	2006 (restated) £ '000
Gross Income - Group	4	791,183	924,503
Plus share of joint venture	4	1,697	86,333
Gross Income - Total	4	792,880	1,010,836
Less Share of joint venture gross income		(1,697)	(86,333)
Turnover		791,183	924,503
Operating costs - Group		(689,897)	(825,026)
Operating profit - Group	5	101,286	99,477
Share of operating profit of joint venture	5	(2,987)	53,312
Operating profit - total	5	98,299	152,789
Profit on disposal - Group	6	7,460	352,916
Profit on disposal of tangible fixed assets of joint venture	6	-	902
		7,460	353,818
Profit on ordinary activities before interest and taxation		105,759	506,607
Interest receivable by Group	11	74,501	58,133
Share of interest receivable by joint venture	11	29	1,282
Total interest receivable		74,530	59,415
Interest payable by Group	12	(90,290)	(59,005)
Share of interest payable by joint venture	12	(170)	(34,223)
Total interest payable		(90,460)	(93,228)
Profit on ordinary activities before taxation		89,829	472,794
Tax on profit on ordinary activities	13	(14,950)	(126,518)
Profit for the financial year	33	74,879	346,276

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 2007

	Note	2007 £ '000	2006 (restated) £ '000
Profit for the financial year		74,879	346,276
Actuarial gain/(loss) on pension scheme	10	2,323	(2,075)
Movement on deferred tax relating to pension liability		(604)	712
Unrealised revaluation gain/(deficit) on investment properties	32	(13,653)	2,700
Total recognised gains and losses related to the year		62,945	347,613
Prior year adjustments for adoption of amendment to FRS 17		-	(852)
Prior year adjustments for adoption of FRS 20	33	(2,160)	-
Total recognised gains and losses since last financial statements		60,785	346,761

There is no material difference between the group's profit and loss account and the historical cost profit and loss account Accordingly, no note of the historical cost profit and loss for the year has been presented

LAND SECURITIES TRILLIUM LIMITED
Consolidated balance sheet
As at 31 March 2007

	Note		2007 £ '000		2006 (restated) £ '000
Fixed assets					
Goodwill	15		98,103		18,451
Investment property	16		427,533		27,100
Tangible assets	17		607,973		591,328
			1,133,609		636,879
Investment in joint ventures and associated companies					
Share of gross assets of joint ventures	20	711		-	
			1,134,320		636,879
Current assets					
Trading Properties	21	704		1,056	
Debtors falling due within one year	22	194,619		732,254	
Debtors falling due after one year	23	107,048		70,651	
Assets held for sale	24	819,281		-	
Investments short term deposits		7,247		10,484	
		1,128,899		814,445	
Creditors. amounts falling due within one year	25	(1,435,339)		(505,056)	
Current assets less current liabilities			(306,440)		309,389
Creditors amounts falling due after one year	26		(136,442)		(253,195)
Provisions for liabilities and charges					
Deferred taxation	28	(4,736)		(28,405)	
Other provisions	29	(80,732)		(52,973)	
			(85,468)		(81,378)
Net assets excluding pension liability			605,970		611,695
Pension liability	10		(1,512)		(2,921)
Net assets including pension liability			604,458		608,774
Capital and reserves					
Called up share capital	30		25,000		25,000
Share-based payments	31		3,993		2,160
Revaluation reserve	32		(11,721)		1,932
Profit and loss account	33		587,186		579,682
Equity shareholder's funds	34		604,458		608,774

The financial statements on pages 5 - 34 were approved by the board of directors on 1 April 2008

Mike Schraer
Director

LAND SECURITIES TRILLIUM LIMITED
Company balance sheet
As at 31 March 2007

	Note		2007 £ '000		2006 £ '000
Fixed assets					
Investments in Group Undertaking	18		267,989		177,989
Current assets					
Debtors	23	596,566		252,300	
Creditors amounts falling due within one year	26	(426,709)		(179,316)	
Net current assets			169,857		72,984
Total assets less current liabilities			437,846		250,973
Capital and reserves					
Called up share capital	30		25,000		25,000
Profit and loss account	33		412,846		225,973
Equity shareholder's funds	34		437,846		250,973

The financial statements on pages 5 - 34 were approved by the board of directors on 1 April 2008

Mike Schraer
Director

LAND SECURITIES TRILLIUM LIMITED
Notes to the financial statements
For the year ended 31 March 2007

1 Accounting policies

Basis of preparation

These 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 ***Cash flow 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's registered office, 5 Strand, London, WC2N 5AF Consequently, the company has taken advantage of the exemption from preparing a 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

b ***Consolidation***

The consolidated financial statements of the group include the financial statements of Land Securities Trillium Limited (the company) and its subsidiary undertakings (the Group) made up to 31 March 2007

Joint ventures are those entities over whose actvities the Group has joint control, established by contractual agreement Interests in joint ventures are accounted for 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

Investments 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 management of portfolio of surplus leasehold properties, 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

LAND SECURITIES TRILLIUM LIMITED
Notes to the financial statements
For the year ended 31 March 2007

1 Accounting policies (continued)

f *Leased assets*

i) Operating lease - rentals paid under operating leases are charged to income on a straight line basis over the lease term

ii) Finance lease - finance leases are capitalised at the leases' commencement at the lower of the fair value of the property and the present value of the minimum lease payments

g *Investment properties*

Investment properties are those properties that are held either to earn rental income or for capital appreciation, or both Investment property is measured initially at cost including transaction costs

1) Valuation

With the exception of properties acquired from Royal Mail in February 2007 which are valued at cost (excluding acquisition costs) by the Directors, investment properties are carried in the financial statements at market values based on the latest professional valuation on an open market basis as of each reporting date 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 1985 which requires all tangible 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 accumulated 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

Plant and machinery	over 3 - 10 years
Freehold buildings	over 50 years
Leasehold land and buildings	Shorter of the unexpired lease term and 20 years
Freehold 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.

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

LAND SECURITIES TRILLIUM LIMITED
Notes to the financial statements
For the year ended 31 March 2007

1 Accounting policies (continued)

k *Taxation*

Income tax on the profit for the year comprises current and deferred tax

In accordance with FRS16 "Current taxation", current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years

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

The ultimate parent company, Land Securities Group PLC, has elected for group Real Estate Investment Trust ("REIT") status with effect from 1 January 2007 As a result the company will no longer pay UK corporation tax on profits and gains from qualifying rental business in the UK provided that the group meets certain conditions Non-qualifying profits and gains of the company continue to be subject to corporation tax as normal On entering the REIT regime an entry charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business of the company is payable Deferred tax accrued at the date of conversion in respect of the assets and liabilities of the qualifying rental business has been released to the profit and loss account as the relevant temporary differences will no longer be taxable on reversal

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

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract

Provision is made for dilapidations that will crystallise in the future where, on the basis of the present condition of the property, an obligation exists at the reporting date and can be reliably measured The estimate is revised over the remaining period of the lease to reflect changes in the condition of the building or other changes in circumstances The estimate of the obligation takes account of relevant external advice

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 *Debtors*

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 ***Share-based payments***

The company's share-based payments are all equity-settled and comprise the Savings Related Share Option Schemes (Sharesave), various Executive Share Option Schemes (ESOS), Performance and Deferred Bonus share schemes related to the annual bonus scheme, and the Long-Term Incentive Plan In accordance with FRS20 'Share-based Payment' the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the group's estimate of shares or options that will eventually vest Fair value is calculated using a Black-Scholes option pricing model

q ***Change in accounting policy***

In the year ended 31 March 2007, the group adopted FRS20, 'Share-based Payment' The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly except where the exemption to restate comparatives has been taken Details of the effect of the prior year adjustment is given in note 33

r ***Assets held for sale***

Assets held for sale have been recorded as a current asset at the lower of cost and net realisable value

2 **Significant estimates**

The Groups significant accounting policies are stated in note 1 above Not all of these significant accounting policies require management to make difficult, subjective or complex judgements or estimates The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the consolidated financial statements These judgements involve assumptions or estimates in respect of future events Actual results may differ from those estimates

a ***Distinction between operating properties and investment properties***

A property is classified as an operating property rather than an investment property where the degree of ancillary services supplied is judged to be significant in the context of the arrangements between landlord and tenant

b ***Investment property valuation***

The Group normally uses the valuation performed by its independent valuers as the fair value of its investment properties The valuation is based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate The valuers also make reference to market evidence of transaction prices for similar properties

c ***Compliance with Real Estate Investment Trust taxation regime***

On 1 January 2007 the Group converted to a group REIT In order to achieve and retain REIT status, several entrance test had to be met and certain ongoing criteria must be maintained The main criteria are as follows

- at the start of each accounting period, the assets of the tax exempt business must be at least 75% of the total value of the Group's assets
- at least 75% of the Group's total profits must arise from the tax exempt business
- at least 90% of the profit of the property rental business must be distributed

The directors intend that the Group should continue as a group REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property retail business

d ***Onerous lease & dilapidation provisions***

The Group needs to use judgement in determining its onerous leases and dilapidation provisions, based on the condition of each property and market conditions in the relevant location External advice is obtained where appropriate

LAND SECURITIES TRILLIUM LIMITED
Notes to the financial statements
For the year ended 31 March 2007

3 Segmental Information

Substantially all turnover and all operating profit is generated in the United Kingdom and relate to the business segment of property partnerships and outsourcing

4 Gross income	Group 2007 £ '000	Share of Joint Venture 2007 £ '000	Group 2006 £ '000	Share of Joint Venture 2006 £ '000
Property services income	556,225	-	627,450	67,505
Capital projects and other reimbursable costs	147,496	-	222,803	-
Third party rents	12,344	-	12,532	-
Finance lease interest receivable	5,044	-	-	-
Proceeds of sales of trading properties	1,749	-	-	5,524
Other reimbursable costs	68,325	1,697	61,718	13,304
	791,183	1,697	924,503	86,333
Total		792,880		1,010,836

5 Operating profit - total	2007 £ '000	2006 (restated) £ '000
This is stated after charging		
Depreciation of owned fixed assets	26,570	20,557
Amortisation of goodwill	1,567	155
Operating lease charge on properties	177,877	194,202
Operating lease rentals on plant and machinery	2,668	-
Auditors' remuneration audit services	260	267
Auditors' remuneration non audit services	77	113

6 Profit on disposal	2007 £ '000	2006 £ '000
Profit on disposal of land and buildings - group	7,460	1,028
Profit on disposal of land and buildings - in joint venture	-	902
Profit on disposal of joint venture - group	-	351,888
	7,460	353,818

7 Directors' emoluments	2007 £ '000	2006 (restated) £ '000
Aggregate emoluments excluding pensions	2,119	2,226
Company contributions to pension schemes	154	172
	2,273	2,398

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	869	788
Contributions to pension schemes	86	87
	955	875

During the year, the highest paid director did not receive any shares under the executive long-term incentive scheme or exercised any share options The aggregate emoluments for 2006 have been restated to reflect the correct bonus payments

	2007 Number	2006 Number
Number of directors in money purchase pension schemes	7	7
Number of directors who exercised share options	4	4
Number of directors in respect of whose qualifying services shares were received under long-term incentive schemes	-	-

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8 Audit fee

The audit fee of £260,100 (2006 £267,000) was paid by Trillium Property Services Limited on the group's behalf The audit fee of the parent company of £2,000 (2006 £2,000) was paid by Trillium Property Services Limited on the company's behalf

9 Employees

	2007	2006 (restated)
	£ '000	£ '000
Employee costs		
Salaries	40,861	44,100
Social security	4,586	4,900
Other pension	2,255	2,500
Share-based payments	1,833	1,206
	49,535	52,706
Average number of employees during the year	**Number**	**Number**
Total employees	852	1,132

The Company had no employees during the year (2006 nil)

10 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 £2,250,000 (2006 £2,086,000) 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 and therefore the service cost as a percentage of Pensionable Salaries is expected to rise over time A full actuarial valuation was carried out at 1 July 2004 and updated to 31 March 2007 by a qualified independent actuary As a result of a contract termination with the BBC, there was a large shift in the membership profile from active to deferred status at 30 June 2006 The mortality assumptions used in this valuation were that the current life expectancies at age 60 (in years) are 25 5 (2006 25 5) years for a male currently aged 60 and 25 9 (2006 25 9) for a male currently aged 40 The current life expectancies at age 60 (in years) are 28 6 (2006 28 6) years for a female currently aged 60 and 28 7 (2006 28 7) for a female currently aged 40

	2007	2006
Rate of increase in salaries	4 50%	4 25%
Rate of increase of pensions in payment	3 25%	3 00%
Rate of increase in pensions in deferment	3 25%	3 00%
Discount rate	5 40%	4 90%
Inflation assumption	3 25%	3 00%

The fair value of the assets in the scheme and the expected rate of return were

	Long-term rate of return expected 2007	Value 2007 £ '000	Long-term rate of return expected 2006	Value 2006 £ '000
Equities	7 50%	3,881	7 00%	1,622
Bonds	4 50%	10,034	4 75%	14,405
Total market value of assets		13,915		16,027
Actuarial value of liabilities		(16,075)		(20,200)
Deficit in the scheme		(2,160)		(4,173)
Related deferred tax asset		648		1,252
Net pension liability		(1,512)		(2,921)

10 Pensions (continued)

The major catergories of plan assets as a percentage of total plan assets are as follows

	2007 %	2006 %
Equities	28	10
Bonds	72	87

Analysis of the amount charged to operating profit

	2007 £ '000	2006 £ '000
Current service cost	(489)	(1,247)
Total operating cost	(489)	(1,247)

Analysis of the amount charged to interest payable

	2007 £ '000	2006 £ '000
Expected return on pension scheme assets	753	697
Interest on pension scheme liabilities	(949)	(860)
Net return	(196)	(163)

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

	2007 £ '000	2006 £ '000
Actual return less expected return on assets	323	584
Experience gains and losses on liabilities	1,105	-
Changes in assumptions	895	(2,659)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	2,323	(2,075)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0 1%	Decrease/increase by 2 3% or £0 4m
Rate of mortality	Increase by 1 year	Increase by 1 9% or £0 3m

Analysis of the movement of the balance sheet deficit

	2007 £ '000	2006 £ '000
At beginning of year	(2,921)	(1,259)
Movement in year		
Current service cost	(489)	(1,247)
Contributions	375	1,111
Net interest cost	(196)	(163)
Actuarial gain/(loss)	2,323	(2,075)
Movement in deferred tax asset	(604)	712
At end of year	(1,512)	(2,921)

Estimated Pensionable Salaries as at the beginning of the year were £5,820,000 and reduced to approximately £635,000 as a result of the BBC Contract termination with effect from 30 June 2006 The Employer made contributions of approximately 19 4% of Pensionable Salaries over the year

10 Pensions (continued)

Changes in the fair value of plan assets

	2007 £ '000	2006 £ '000
At the beginning of the year	16,027	13,385
Expected return on assets	753	697
Contributions by plan participants	96	250
Contributions by the employer	375	1,111
Actuarial gains	323	584
Benefits paid	(3,659)	-
	13,915	16,027

Analysis of the present value of the defined benefit obligation

	2007 £ '000	2006 £ '000
At the beginning of the year	20,200	15,184
Charge to operating profit	489	1,247
Interest on schemes liabilities	949	860
Benefits paid	(3,664)	-
Actuarial (gains)/losses	(1,995)	2,659
Contributions	96	250
	16,075	20,200

History of experience gains and losses

	2007	2006
Difference between expected and actual return on scheme assets		
amount	323	584
percentage of scheme assets	2%	4%
Experience gains and losses on scheme liabilities		
amount	1,105	-
percentage of scheme liabilities	7%	0%
Total amount recognised in statement of total recognised gains and losses		
amount	2,323	(2,075)
percentage of scheme liabilities	14%	(10%)

11 Interest receivable

	2007	2007	2006	2006
	Group £ '000	Share of joint venture £ '000	Group £ '000	Share of joint venture £ '000
Short term bank deposits	898	29	502	1,282
Loans to ultimate parent	72,588	-	55,160	-
Interest receivable under finance lease	1,015	-	2,471	-
Total interest receivable	74,501	29	58,133	1,282
Total		74,530		59,415

12 Interest payable

	2007	2007	2006	2006
	Group £ '000	Share of joint venture £ '000	Group £ '000	Share of joint venture £ '000
Borrowings not wholly repayable within five years	14,171	-	16,121	33,497
Release of discount on provisions	1,027	-	-	-
Other interest payable	2,528	170	-	-
Loan from group undertaking	61,133	-	41,048	-
Amortisation of finance costs	11,235	-	1,673	726
Net interest cost on pension liabilities	196	-	163	-
	90,290	170	59,005	34,223
Total		90,460		93,228

Included within amortisation of finance costs is the write-off of finance costs due to the refinancing of the loan

13 Taxation

		2007 £ '000	2006 (restated) £ '000
Current tax:			
UK corporation tax on profits of the period @ 30% (2006 30%)		19,981	118,787
Real Estate Investment Trust conversion charge		18,638	-
Share of joint venture's current tax		-	3,488
Adjustments in respect of previous periods		-	(4,967)
Total current tax		38,619	117,308
Deferred tax	- charge for the 9 months ended 31 December 2006	9,109	8,168
	- credit for the 3 months ended 31 March 2007	(118)	-
	- released on REIT conversion	(32,660)	-
Share of joint venture's deferred tax		-	1,042
Tax on profit on ordinary activities		14,950	126,518

Factors affecting tax charge for period

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	2007 £ '000	2006 (restated) £ '000
Profit on ordinary activities before tax	89,829	472,794
Standard rate of corporation tax in the UK	30%	30%
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	26,949	141,838
Effects of		
Capital allowances	(12,913)	(11,069)
Depreciation of fixed assets qualifying for capital allowances	4,767	4,046
	18,803	134,815
Expenses not deductible for tax purposes	7,784	3,484
Telereal depreciation	-	1,294
Deferred tax originating in period	(2,456)	(1,398)
Capital gains	5,163	-
Real Estate Investment Trust conversion charge	18,638	-
Exempt property rental profits in 3 months ended 31 March 2007	(4,574)	-
Exempt property gains in 3 months ended 31 March 2007	(166)	-
Reduced rate of tax on profit on disposal of fixed assets	(4,573)	(15,920)
Prior year corporation tax adjustment	-	(4,967)
Current tax charge for period	38,619	117,308

14 Dividends

	2007 £ '000	2006 £ '000
Final dividend for the year ended 31 March 2007 (276p per share) (2006 nil)	69,094	-

15 Intangible fixed assets

Goodwill	Group £ '000	Company £ '000
Cost		
At 1 April 2006	18,606	-
Additions	81,219	-
At 31 March 2007	99,825	-
Amortisation		
At 1 April 2006	155	-
Provided during the year	1,567	-
At 31 March 2007	1,722	-
Net book value		
At 31 March 2007	98,103	-
At 31 March 2006	18,451	-

The goodwill value of the investment in the 20% investment in the associated company Mill Group Limited amounts to £4,574,000 and is being amortised over twenty years on a straight line basis

Included in additions for the period is £71,525,000 relating to the retained management subsidiaries from the SMIF acquistion, this will be amortised over twenty years on a straight line basis

The remaining goodwill value relates to the acquisition of a subsidiary from the Mill Group Limited in two phases (50% included in the opening balance) Goodwill for these acquistions total £23,726,000 and is being amortised over 20 years on a straight line basis

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16 Investment property

	2007	2006
	£ '000	£ '000
Cost		
At 1 April 2006	27,100	24,400
Additions	409,129	-
Reclassifications	3,779	-
Development gain	1,178	-
Unrealised gain/(deficit) on revaluation	(13,653)	2,700
At 31 March 2007	427,533	27,100

The fair value of the group's investment properties at 31 March 2007 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP, independent valuers, with the exception of properties acquired from Royal Mail in February 2007 with a value of £97 8m, which have been valued at cost (excluding acquisition costs) by the Directors The valuation by Knight Frank LLP which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties

Development Gain is an estimated value either payable or deductable from the amount due to the DWP, this is based upon the disposable value of a property and is calculated at the point the DWP vacate a property

17 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings Over 50 years	Leasehold land and buildings Under 50 years	Plant and machinery	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Cost					
At 1 April 2006	463,568	20,753	104,345	84,764	673,430
Additions	58,395	-	-	12,815	71,210
Reclassifications	(5,408)	-	-	-	(5,408)
Transfers from joint ventures	-	-	-	(54)	(54)
Disposals	(24,381)	-	-	(52)	(24,433)
At 31 March 2007	492,174	20,753	104,345	97,473	714,745
Depreciation					
At 1 April 2006	32,956	1,057	18,377	29,712	82,102
Charge for the year	15,392	-	-	11,178	26,570
Reclassifications	(497)	-	-	(8)	(505)
On disposals	(1,379)	-	-	(16)	(1,395)
At 31 March 2007	46,472	1,057	18,377	40,866	106,772
Net book value					
At 31 March 2007	445,702	19,696	85,968	56,607	607,973
At 31 March 2006	430,612	19,696	85,968	55,052	591,328

18 Investments

Company	Investments in subsidiary undertakings £ '000
Cost	
At 1 April 2006	177,989
Additions	90,000
At 31 March 2007	267,989

The additions to investments are due to the company investing (100% shareholding) in Land Securities Trillium (Hotels) Limited (formerly known as Shelfco (No 3355) Limited on 28 February 2007 The company is incorporated in England and Wales and holds a December year end This company was incorporated to acquire a portfolio of assets from Accor

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 2007, will be annexed to the company's next annual return

19 Principal group and associated undertakings

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length

All principal subsidiary undertakings operate in Great Britain and are registered in England

A full list of Land Securities Group plc subsidiary undertakings will be appended to their next annual return

20 Investments in joint ventures and associated companies

Summary financial information of Group's share of joint ventures

	Mill Group Limited	2007 Total	2006 Total
	£ '000	£ '000	£ '000
Profit and Loss Account			
Property services and rental income	-	-	80,809
Proceeds of sales of trading properties	-	-	5,524
Gross property Income	-	-	86,333
Rents payable	-	-	(17,092)
Indirect property or contract expenditure	-	-	(7,590)
Costs of sales of trading properties	-	-	(1,269)
Depreciation	-	-	(7,070)
Operating Profit	-	-	53,312
Profit on sale of fixed asset properties	-	-	902
Profit before interest and taxation	-	-	54,214
Net interest payable	-	-	(32,941)
Profit before taxation	-	-	21,273
Taxation	-	-	(4,530)
Profit after taxation	-	-	16,743

20 Investments in joint ventures and associated companies (Continued)

	Mill Group Limited	2007 Total	2006 Total
	£ '000	£ '000	£ '000
Balance Sheet			
Fixed assets - operating properties	-	-	-
Current assets	711	711	-
	711	711	-
Liabilities due within one year	-	-	-
Liabilities due after one year	-	-	-
	-	-	-
Net investment in joint ventures	711	711	-
Notional 50% share of non-recourse net (debt) / cash within joint ventures	-	-	-

In July 2006, the company invested in a PFI contract (20% share) with the Mill Group to build schools in the Bristol area

In January 2006 the group invested in a 50% holding in the Investors in the Community Group Limited ('IIC') for £14,086,202 At the date of acquisition the net assets of the joint venture was nil The excess of the acquisition price represents goodwill In February 2007, the group increased its shareholding from 50% to 100% IIC thus became a subsidiary on this date

The group also has 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 carrying value of £4,574,000 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

21 Trading Properties held as current assets

	Group 2007	Group 2006	Company 2007	Company 2006
	£ '000	£ '000	£ '000	£ '000
Trading Properties	704	1,056	-	-

22 Debtors less than one year

	Group 2007	Group 2006	Company 2007	Company 2006
	£ '000	£ '000	£ '000	£ '000
Trade debtors	97,047	109,749	-	-
Property sales debtor	1,696	-	-	-
Amounts owed by group undertakings	-	-	591,966	245,113
Amounts owed by ultimate parent	-	544,425	-	-
Working capital facility provided to joint venture partnei	-	1,200	-	-
Other debtors	7,832	14,900	-	-
Capital projects debtor	12,036	7,347	-	-
Corporation tax	-	-	4,600	7,187
Prepayments and accrued income	76,008	54,633	-	-
	194,619	732,254	596,566	252,300

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 2007 the interest rate was 5 25% per annum

23 Debtors greater than one year

	Group 2007	Group 2006	Company 2007	Company 2006
	£ '000	£ '000	£ '000	£ '000
Other debtors	550	280	-	-
Accrued income	9,105	15,820	-	-
Amounts receivable on finance leases	97,393	54,551	-	-
	107,048	70,651	-	-

24 Assets held for sale

	Group 2007 £ '000	Group 2006 £ '000	Company 2007 £ '000	Company 2006 £ '000
Assets held for sale	819,281	-	-	-

SMIF was acquired on 5 February 2007 for £517 0m SMIF includes a number of PPP contracts which the group acquired exclusively with a view to being resold to third-party investors, while maintaining a minority share The group announced at the time of the acquisition that these PPP contracts would be sold, and an Investment Bank has been appointed to execute the disposal strategy The PPP contracts have been transferred into a new fund structure and has been partially disposed (see note 41) The planned divestment was completed in March 2008 Accordingly, these PPP contracts have been designated as a disposal group The net carrying value of the disposal group is based on its fair value less costs to sell at the date of acquisition, as adjusted to reflect cash advanced to the disposal group to enable it to repay external debt (£397 6m) and cash returned from the disposal group prior to the year end (£25 0m) The disposal group represents a discontinued operation, and the group has not recognised any profits or losses in respect of this discontinued operation for the period from acquisition to 31 March 2007

Please refer to Note 39 (Business Combinations) for Fair Value table

25 Creditors amounts falling due within one year

	Group 2007 £ '000	Group 2006 £ '000	Company 2007 £ '000	Company 2006 £ '000
Bank overdrafts	262,814	77,864	148,355	21,971
Bank loans	48,939	9,446	-	-
Trade creditors	22,874	42,316	-	100
Amounts due to ultimate parent	746,449	-	53,081	20,447
Amounts due to group undertakings	-	-	124,373	35,898
Shareholder's loan	100,900	100,900	100,900	100,900
Corporation tax	19,664	101,820	-	-
Other taxes and social security costs	1,913	-	-	-
Other creditors	591	1,037	-	-
VAT payable	6,943	8,773	-	-
Accruals and deferred income	224,252	162,900	-	-
	1,435,339	505,056	426,709	179,316

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 2007 the interest rate was 5 25% per annum

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

26 Creditors· amounts falling due after one year

	Group 2007 £ '000	Group 2006 £ '000	Company 2007 £ '000	Company 2006 £ '000
Bank loan	124,217	239,350	-	-
Obligations under finance lease and hire purchase contracts	158	73	-	-
Accruals and deferred income	12,067	13,772	-	-
	136,442	253,195	-	-

27 Loans

	2007 £ '000	2006 £ '000
Analysis of maturity of debt		
Within one year or on demand	48,989	9,446
Between one and two years	-	11,160
Between two and five years	-	54,152
After five years	124,217	174,038
	173,206	248,796

The company adopted a more cost effective and flexible refinancing structure of the PRIME Estate with Eurohypo effective from 29 December 2006 The £245m Eurohypo facility is underpinned by the underlying value of the freehold and long leasehold estate, allowing the group to enjoy operational flexibility benefits compared to a PFI type funding arrangement

The effective interest rate on the secured bank loan is 5 7% The weighted average time for which interest rate is fixed is 0 5 years

28 Deferred taxation

	Group 2007 £ '000	Group 2006 £ '000	Company 2007 £ '000	Company 2006 £ '000
Provision for deferred tax comprises				
Accelerated capital allowances	5,246	29,370	-	-
Other timing differences	(510)	(965)	-	-
Deferred tax liability excluding that relating to pension liability	4,736	28,405	-	-
Pension liability (note 10)	(648)	(1,252)	-	-
Total provision for deferred tax	4,088	27,153	-	-

	Group 2007 £ '000	Company 2007 £ '000
At 1 April	27,153	-
Charge for the 9 months ended 31 December 2006	9,109	-
Credit for the 3 months ended 31 March 2007	(118)	
Released on REIT conversion	(32,660)	
Deferred tax asset to statement of recognised gains and losses	604	-
At 31 March	4,088	-

The deferred tax liability is expected to crystallise in the foreseeable future

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and have been enacted in the 2007 and 2008 Finance Acts The changes had not been substantively enacted at the balance sheet date and, therefore are not included in these financial statements

The effect of the changes to be enacted in the Finance Act 2007 would be to reduce the deferred tax liability provided at 31 March 2007 by £272,000 in 2007 This £272,000 decrease in deferred tax would increase profit for the year by £272,000 This decrease in deferred tax is due to the reduction in the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008

29 Provisions for liabilities and charges

Group

	Dilapidation £ '000	Life cycle expenditure £ '000	Central risk provision £ '000	Onerous leases £ '000	Total £ '000
At 1 April 2006	18,148	12,272	2,738	19,815	52,973
Net provisions established	5,891	5,038	2,054	-	12,983
Amounts used	(3,103)		(2,128)	(5,242)	(10,473)
Amortisation of discount	-	-	-	1,027	1,027
Acquisition of Royal Mail property portfolio	-	-	-	24,222	24,222
At 31 March 2007	20,936	17,310	2,664	39,822	80,732

Company

	Total £ '000
At 1 April 2006 and at 31 March 2007	-

A provision for dilapidations is made in respect of certain leasehold properties where it is anticipated that future expenditure will be incurred at the end of the lease The provision is calculated on those leases that expire within the next five years or where the lease has already expired and the liability has not yet been settled The amounts provided are based on the current estimate of the future costs determined on the basis of the present condition of the relevant properties Settlement of the amounts provided occurs once agreement is reached with the parties to the lease

A provision for life cycle expenditure is made arising for contractual arrangements with the respective clients Settlement of the amounts provided follows agreement with the clients

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

An onerous lease provision is established in respect of leasehold properties that are unoccupied or the expected future rental income is not expected to meet the rental obligations The provisions are based on assumptions about expected future rentals and voids This provision will be settled as the net rental obligation develop The provision may vary based on the reassessment of the relevant assumptions as circumstances change and new obligations are established A provision of £24 2m had been set up to recognise the expected costs to be incurred on the surplus leasehold estate of the newly acquired Royal Mail portflio

30 Called up share capital

	2007 £ '000	2006 £ '000
Authorised		
25,000,000 Ordinary shares of £1 each	25,000	25,000

	2007 No.	2006 No	2007 £ '000	2006 £ '000
Allotted, called up and fully paid				
Ordinary Shares of £1	25,000,000	25,000,000	25,000	25,000

31 Share-based payments

The Company's share-based payments are all equity-settled and comprise the Savings Related Share Option Schemes (Sharesave), various Executive Share Option Schemes (ESOS), Performance and Deferred Bonus share schemes related to the annual bonus scheme, and the Long-Term Incentive Plan In accordance with FRS 20 'Share Based Payment' the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares or options that will eventually vest Fair value is calculated using a Black-Scholes option pricing model

Savings Related Share Option Schemes

Under the 1993 and 2003 Savings Related Share Option Schemes all staff who have been with the Group for a continuous period of not less than six months are eligible to make regular monthly contributions into a Sharesave scheme operated by Lloyds TSB Bank Plc On completion of the 3, 5 or 7 year contract period ordinary shares in Land Securities Group PLC may be purchased at a price based upon the current market price at date of invitation less 20% discount Options are satisfied by the issue of new shares Options are normally forfeited if the employee leaves the scheme before the options vest or lapse if options are not exercised within six months of the bonus date In certain circumstances leavers may exercise their options early based upon current savings Alternatively, they may continue saving to receive the tax-free bonus at the end of the contract or withdraw their cash immediately Fair value calculations, which relate to the 2003 Scheme only, assume a lapse rate, based upon historic values, of approximately 20% for employees leaving the Group before vesting

Details of the share options outstanding during the year are as follows

1993 Savings Related Share Option Scheme	Number of options		Weighted average exercise price	
	2007	2006	2007	2006
			pence	pence
At beginning of year	124,948	212,670	665	659
Exercised	(42,726)	(79,968)	684	650
Forfeited	(6,031)	(4,026)	651	650
Lapsed	109	(3,728)	682	661
At end of year	76,300	124,948	658	665
Exercisable at end of year	-	3,355	-	650
			Years	Years
Weighted average remaining contractual life (years)			0 80	1 57

The options outstanding under the scheme are exercisable at prices between 628p and 713p after three, five or seven years from the date of grant during the period 2007 to 2009

The weighted average share price at the date of exercise during the year was 2038p (2006 1481p)

No expense was recognised by the company during the year, or during the corresponding year as the grants preceded the date relevant for FRS 20 'Share Based Payment'

LAND SECURITIES TRILLIUM LIMITED
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2003 Savings Related Share Option Scheme

	Number of options		Weighted average exercise price	
	2007	2006	2007	2006
			pence	pence
At beginning of year	257,834	186,498	914	807
Granted	52,028	85,174	1,523	1,146
Exercised	(62,023)	(267)	725	677
Forfeited	(28,325)	(5,614)	952	825
Lapsed	(10,627)	(7,957)	1,081	935
At end of year	208,887	257,834	1,109	914
Exercisable at end of year	-	1,376	-	758
			Years	Years
Weighted average remaining contractual life (years)			2 24	2 48

The options outstanding under the scheme are exercisable at prices between 677p and 1523p after three, five or seven years from the date of grant 33,965 of the options outstanding are exercisable at 677p, 56,591 at 957p, 68,337 at 1146p, and 49,994 at 1523p during the periods 2007 to 2010, 2007 to 2011, 2008 to 2012 and 2009 to 2013, respectively

The weighted average share price at the date of exercise during the year was 2150p (2006 1296p) During the year, options were granted on 29 September 2006 (2006 30 September 2005) The estimated fair value of the options granted on that date was £242,671 (2006 £275,000)

During the year, the company recognised total expenses of £149,318 (2006 £105,186) relating to the 2003 Savings Related Share Option Scheme

2000 Executive Share Option Scheme

No new grants to directors and senior management of the Group have been made under this scheme since 19 July 2002 These options have fully vested as the growth in the Group's normalised adjusted diluted earnings per share exceeded the growth in the Retail Prices Index by 2 5% per annum over the vesting period Options are satisfied by the issue of new shares Options are forfeited, in most circumstances, when an employee leaves the Group before vesting or lapse if they are not exercised within 10 years of the date of grant.

Details of the share options outstanding during the year are as follows

	Number of options		Weighted average exercise price	
	2007	2006	2007	2006
			pence	pence
At beginning of year	82,800	406,952	825	820
Exercised	(2,500)	(307,152)	835	818
Forfeited	-	(17,000)	-	841
At end of year	80,300	82,800	824	825
Exercisable at end of year	80,300	82,800	824	825
			Years	Years
Weighted average remaining contractual life (years)			5 08	6 08

The options outstanding under the scheme are exercisable at prices between 812p and 869p up to 2012 The weighted average share price at the date of exercise for share options exercised during the year was 2086p (2006 1535p)

No expense was recognised by the Group during the year, or during the corresponding year as the grants preceded the date relevant for FRS 20 'Share-based Payment'

2002 Executive Share Option Scheme

The final grants to directors and senior management of the Group under this scheme were made on 12 July 2004 Vesting is subject to growth in the Group's normalised adjusted diluted earnings per share exceeding the growth in the Retail Prices Index by 2 5% per annum over the three year vesting period For options granted in the year ended 31 March 2004 there are a maximum of two re-tests for performance criteria in years 4 and 5 For options granted in the year ended 31 March 2005 there is no re-testing of performance criteria Options are satisfied by the issue of new shares

Options are normally forfeited if the employee leaves the scheme before the options vest or lapse if options are not exercised within 10 years of the date of grant Fair value calculations assume a lapse rate, based upon historic values, of between 2% and 5% per annum for employees leaving the Group before vesting

Details of the share options outstanding during the year are as follows

	Number of options		Weighted average exercise price	
	2007	2006	2007 pence	2006 pence
At beginning of year	922,989	1,049,574	977	972
Exercised	(209,494)	(73,924)	814	883
Forfeited	(10,299)	(52,661)	1,159	1,009
At end of year	703,196	922,989	1,023	977
Exercisable at end of year	258,253	7,700	788	756
			Years	Years
Weighted average remaining contractual life (years)			6 91	7 78

258,253 and 444,943 of the options outstanding under the 2002 Executive Share Option Scheme are exercisable at 788p and 1159p respectively up to 2014, provided the associated performance conditions are met

The weighted average share price at the date of exercise for share options exercised during the year was 2071p (2006 1684p)

During the year, the Group recognised an expense of £422,703 (2006 £275,320) relating to 2002 Executive Share Option Scheme

2005 Executive Share Option Scheme

The 2005 Executive Share Option Scheme is open to executives and management staff not eligible to participate in the Land Securities 2005 Long-Term Incentive Plan for senior executives Options are granted in the ordinary shares of Land Securities Group PLC at the middle market price on the three dealing days immediately preceding the date of grant The 3 year vesting period is not subject to performance conditions Options are satisfied by the transfer of shares

Options are normally forfeited if the employee leaves the scheme before the options vest or lapse if options are not exercised within 10 years of the date of grant Fair value calculations assume a lapse rate, based upon historic values, of 2% per annum for employees leaving the Group before vesting

Details of the share options outstanding during the year are as follows

	Number of options		Weighted average exercise price	
	2007	2006	2007 pence	2006 pence
At beginning of year	146,572	-	1,421	-
Granted	108,690	153,727	1,737	1,421
Exercised	(5,295)	-	1,454	1,421
Forfeited	(15,603)	(7,155)	1,539	1,421
At end of year	234,364	146,572	1,559	1,421
Exercisable at end of year	-	-	-	-
			Years	Years
Weighted average remaining contractual life (years)			8 74	9 33

The options outstanding under the scheme are exercisable at 1421p and 1737p during the periods 2008 to 2015, and 2009 to 2016, respectively

The weighted average share price at the date of exercise for share options exercised during the year was 1972p During the year, options were granted on 29 June 2006 (2006 29 July 2005) The estimated fair value of the options granted on that date is £254,335 (2006 £304,379)

During the year, the Company recognised an expense of £141,420 (2006 £62,053) relating to the 2005 Executive Share Option Scheme

Performance shares

Under the performance share plan approved by shareholders in 2002, senior executives of the Group receive up to two shares for each deferred share received under the separate management bonus scheme depending on the extent to which performance criteria are satisfied Half of these performance shares are dependent on the real increase in the Group's normalised adjusted diluted earnings per share over three financial years The other half of the performance shares are subject to the Group's total property return equalling or exceeding the Investment Property Databank All Fund Universe Index over a three year rolling period The final grant under the scheme was made in July 2005 Awards under the plan are satisfied by transfer of existing shares Fair value calculations have been adjusted for participants who have left the Group but no adjustment has been made for future anticipated lapses

Details of the share options outstanding during the year are as follows

	Number of options	
	2007	2006
At beginning of year	133,286	105,927
Granted	-	51,602
Exercised	(31,080)	(13,863)
Forfeited	-	(2,319)
Lapsed	(7,270)	(8,061)
At end of year	94,936	133,286
Exercisable at end of year	-	-
	Years	Years
Weighted average remaining contractual life (years)	0 76	1 41

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The performance shares outstanding under the scheme are to be issued at £nil consideration provided that performance conditions are met.

The weighted average share price at the date of exercise for performance shares exercised during the year was 1821p (2006 1416p) The final grant of performance shares was made on 4 July 2005 The estimated fair value of the shares granted on that date is £323,331

During the year, the Company recognised an expense of £264,006 (2006 £305,121) relating to Performance Shares

Deferred Bonus Shares

Under the Executive Directors' and senior management bonus plan participants are eligible for awards in cash and deferred shares The underlying performance criteria are earnings per share and increase in net asset value over the previous year In previous years Executive Directors have had the opportunity to earn a bonus of up to 20% of salary in cash and 20% of salary in shares for meeting rigorous targets and up to a maximum of 40% of salary in cash and 40% of salary in shares for superior results Following a review of the reward structure by the Remuneration Committee, Executive Directors are in future eligible for awards of up to 100% of salary, 25% of which must be taken in deferred shares Other management grades must now take their entire bonus in cash Awards under the plan are satisfied by transfers of existing shares

The shares are deferred for three years and normally forfeited if the executive leaves employment during the period Fair value has been adjusted for participants who have left the Group, but no adjustment has been made for future anticipated lapses

Details of the share options outstanding during the year are as follows

	Number of options	
	2007	**2006**
At beginning of year	90,557	66,322
Granted	23,436	31,288
Capitalisation of dividends	2,035	2,263
Exercised	(25,704)	(4,846)
Lapsed	(1,211)	(4,470)
At end of year	89,113	90,557
Exercisable at end of year	-	-
	Years	**Years**
Weighted average remaining contractual life (years)	1 16	1 31

The deferred shares outstanding under the scheme are to be issued at £nil consideration subject to vesting conditions being met

The weighted average share price at the date of exercise for shares exercised during the year was 1824p (2006 1447p) During the year, rights were granted over 4,609 deferred shares on 29 June 2006 and 18,827 deferred shares on 24 July 2006 (2006 4 July 2005) The estimated fair value of the rights over shares granted on those dates is £367,245 (2006 £354,470)

During the year, the Group recognised an expense of £340,394 (2006 £254,444) relating to Deferred Bonus Shares

2005 Long-Term Incentive Plan

The new Long-Term Incentive Plan ('LTIP') for executive directors and senior executives authorises the Remuneration Committee to make grants of LTIP shares with a face value of up to 100% of salary for executive directors and up to 75% of salary for senior executives In addition, an award of matching shares can be made, linked to co-investment in shares by participants The employee's investment can be made through deferral of an annual bonus award and / or through optional pledging of shares purchased in the market The maximum level of matching is shares with a face value of 50% of salary for executive directors and 25% of salary for senior executives Performance conditions are similarly structured to those applying to the Performance Share Plan except that the EPS targets are increased and the IPD index measure is more closely targeted to the Group's asset classes Awards may be satisfied by the issue of new shares and / or transfer of treasury shares and / or transfer of shares other than treasury shares

Fair value calculations include the assumption that LTIP and matching shares will be awarded at 50% of the maximum possible under the scheme and have been adjusted for participants who have left the scheme but no adjustment has been made for future anticipated lapses

Details of the share options outstanding during the year are as follows

	Number of options 2007	2006
At beginning of year	88,179	-
Granted	107,150	88,179
At end of year	195,329	88,179
Exercisable at end of year	-	-
	Years	Years
Weighted average remaining contractual life (years)	1 85	2 33

The shares outstanding under the scheme are to be issued at £nil consideration provided performance conditions are met

Rights to receive 67,194 performance shares were granted on 29 June 2006 Rights to receive 39,956 matching shares were granted on 31 July 2006 The estimated fair value of the rights over the shares granted on those dates is £886,471 (2006 £1,062,317)

During the year, the Company recognised an expense of £515,599 (2006 £203,842) relating to the 2005 Long-Term Incentive Plan

	1993 Savings Related Share Option Schemes	2002 Executive Share Option Scheme	2005 Executive Share Option Scheme	Performance Share Plan	Deferred Bonus Shares	2005 Long-Term Incentive Plan
Range of share prices at grant date	846p to 1903p	756p to 1159p	1421p to 1737p	787p to 1405p	787p to 1737p	1421p to 1737p
Range of exercise prices	677p to 1523p	756p to 1159p	1421p to 1737p	nil p	nil p	nil p
Expected volatility	19%	19%	19%	-	-	-
Expected life	3 to 7 years	3 to 5 years	3 to 5 years	3 years	3 to 5 years	3 to 5 years
Risk free rate	4 17% to 4 84%	3 60% to 5 10%	4 17% to 4 81%	3 60% to 5 03%	4 08% to 5 03%	4 17% to 4 81%
Expected dividend yield	3 43% to 4 37%	4 11% to 4 34%	3 43% to 3 81%	3 81% to 4 34%	3 43% to 4 34%	3 43% to 3 81%

Expected volatility was determined by calculating the historic volatility of the Group's share price over the previous 10 years The expected life used in the model has been determined, based upon management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations Risk free rate is the yield, at the date of the grant of an option, on a gilt-edged stock with a redemption date equal to the anticipated exercise of that option

32 Revaluation reserve

	2007 £ '000	2006 £ '000
At 1 April	1,932	(768)
Unrealised revaluation (deficit)/gain on investment property	(13,653)	2,700
At 31 March	(11,721)	1,932

The revaluation reserve represents the revaluation of investment properties held at 31 March 2007
The directors are of the opinion that the revaluation deficit is temporary and the value of the investment properties will increase in the future

33 Profit and loss account

	Group £ '000	Company £ '000
At 1 April 2006 as previously reported	581,842	225,973
Prior year adjustment - FRS 20	(2,160)	-
At 1 April 2006 restated	579,682	225,973
Profit/(loss) for the financial year	74,879	255,967
Dividends	(69,094)	(69,094)
Actuarial gain on pension scheme (note 10)	2,323	-
Movement on deferred tax relating to pension liability (note 10)	(604)	-
At 31 March 2007	587,186	412,846

Prior year adjustment and the impact of FRS20
The prior year adjustment relates to the implementation of FRS 20 - share-based payments

The adoption of IFRS2 has resulted in an increase in staff costs by £1,833,000 (2006 £1,206,000), and a reduction of retained profit by £3,993,000 due to share based-payments made in the following years

	£ '000
Prior years to 31 March 2005	954
Year ended 31 March 2006	1,206
Year ended 31 March 2007	1,833
	3,993

Reserves in fair value share-based payments has also increased accordingly

34 Reconciliation of movement in shareholder's funds

	Group £ '000	Company £ '000
At 1 April 2006 as previously reported	608,774	250,973
Prior year adjustment - FRS20	(2,160)	-
At 1 April 2006 restated	606,614	250,973
Profit for the financial year	74,879	255,967
Fair value of share-based payments	3,993	-
Dividends	(69,094)	(69,094)
Unrealised revaluation deficit on investment property	(13,653)	-
Actuarial gain on pension scheme (note 10)	2,323	-
Movement on deferred tax relating to pension liability (note 10)	(604)	-
At 31 March 2007	604,458	437,846

Land Securities Trillium Limited has not presented its own profit and loss account as permitted by Section 230(1) (b) Companies Act 1985 The profit for the year of the Company, dealt within its financial statements, was £255,967 (2006 loss of £483,000)

35 Derivative 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 an interest rate swap (2006 2 interest rate swaps) in place to hedge the interest rate risk on the group's term loan The swaps are amortising and their nominal amounts decrease in line with the repayment profile of the debt The fair value of the swaps are

	2007 £ '000	2006 £ '000
Group		
Interest rate swaps (deficit unprovided)	2,129	4,735
Company		
Interest rate swaps (deficit unprovided)	-	-

The notional principal amount of the outstanding interest rate swap contract at 31 March 2007 was £180,100,000 (2006 £174,530,340 and £53,193,150)

36 Capital and other commitments

	2007 £ '000	2006 £ '000
Contracts placed for future capital expenditure not provided in the financial statements in relation to the acquisition of Accor	43,290	-

37 Other financial commitments

Commitments under leases to pay rentals during the year following the year of these accounts are given in the table below, analysed to the period in which each lease expires

	Land and buildings 2007 £ '000	Land and buildings 2006 £ '000	Other 2007 £ '000	Other 2006 £ '000
Obligations under operating lease				
Expiring within 1 year	3,469	4,187	4	135
Expiring during years 2 to 5	32,448	31,569	437	749
Expiring thereafter	153,840	154,527	-	-
	189,757	190,283	441	884

38 Contingent liabilities

Certain subsidiaries of the group are obligors to £173 2m debt (2006 £260 1m held with Barclays Bank PLC) which Trillium (PRIME) Property GP Limited, a subsidiary of the company, had with Eurohypo at 31 March 2007 This is secured by a fixed and floating charge over the assets of the following companies

Trillium (PRIME) Property GP Limited
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

39 Business Combinations

Secondary Market Infrastructure Fund (SMIF)

The Group acquired 100% of the voting rights of SMIF on 5 February 2007 for a consideration of £517 0m, including costs This has been accounted for as a business combination

	£ '000
Fair value of net assets/(liabilities) acquired	
Assets held for sale	446,700
Current assets	1,200
Cash and cash equivalents	4,100
Current liabilities	(6,500)
	445,500
Fair value consideration	
Cash	514,000
Costs	3,000
	517,000
Goodwill (note 15)	(71,500)
	445,500

The assets held for sale comprise a number of PPP contracts which were acquired exclusively with the view to being resold to third-party investors, while maintaining a minority share The net amount attributed to the assets held for sale at the date of acquistion represents fair value less costs to sell The net assets of the assets held for sale reported above include external debt of £397 6m that was repaid immediately after the acquistion using cash advanced by the Group This debt is excluded from the net assets of the assets held for sale reported at 31 March 2007 The remaining assets and liabilities relate to the management companies within SMIF that are being retained The fair values reported above in respect fo these assets and liabilities equate to their book values, with the exception of goodwill of £6 3m recognised by the companies that has been excluded The goodwill acquired is attributable to the knowledge and market expertise of the management team of the retained portion of the SMIF business

Set out below are the results of SMIF, excluding the assets held for sale, from the date of acquistion (5 February 2007) to 31 March 2007 and for the period from 1 April 2006 to the date of acquistion

	Results for SMIF from 05/02/2007 to 31/03/2007 £'000	Results for the Group excluding SMIF for the year ended 31/03/2007 £'000	Results for the Group for the year ended 31/03/2007 £'000	Results for SMIF from 01/04/2006 to 05/02/2007 £'000	Results for the Group as if SMIF had been acquired on 01/04/2006 £'000
Turnover	1,700	789,500	791,200	9,500	800,700
Profit before tax	-	89,800	89,800	300	90,100
Taxation expense	-	(14,900)	(14,900)	(100)	(15,000)
Profit after tax	-	74,900	74,900	200	75,100

There were no recognised gains or losses in the year other than the profit attributable to shareholders

39 Business Combinations (continued)

Investors in the Community (IIC)

The Group acquired the remaining 50% of the voting rights of IIC on 28 February 2007 for a consideration of £8 5m, including costs This has been accounted for as a business combination

	Fair value acquired £'000
Fair value of net assets acquired	
Current assets	1,577
Current liabilities	(4,747)
	(3,170)
Fair value consideration	
Cash	7,955
Costs	537
	8,492
Goodwill (note 15)	(11,662)
	(3,170)

No fair value adjustments have been made in respect of the book value of IIC's assets and liabilities at the date of acquistion The results of IIC for the date of acquistion (28 February 2007) to 31 March 2007 and for the period from 1 April 2006 to the date of acquistion are not material

40 Ultimate parent

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

41 Post balance sheet events

Subsequent to 31 March 2007, the group completed the acquisition of 8 PPP contracts from AMEC at a net cost of £160M This acquisition included the transfer of 30 staff

Further PPP contracts were acquired subsequent to 31 March 2007, including 15 contracts from UME at the cost of £56M

A partial disposal of the assets held for sale (refer note 24) has occurred subsequent to 31 March 2007 This consisted of £472M of debt and £468M of equity, and the transaction was completed on 14 March 2008 This leaves Land Securities Trillium with a 10% net investment in the fund

Land Securities Trillium's parent company has completed its review of the structure of its business and has concluded that, over the long-term, Land Securities Trillium Limited, and shareholders, will benefit from separation, and proposes to demerge Land Securities Trillium into a specialist separately quoted entity Extensive and detailed work needs to take place before the parent is in a position to seek shareholder approval and effect the demerger The demerger will be executed when the preparatory work has been completed and only when market conditions are favourable