Introduction – Francis Salway

Slide 1 Good morning and welcome. The primary purpose of this investor conference is to give a deeper insight into the main areas of our business - rather than to concentrate on Group financial numbers. By way of introduction, I will talk briefly about our recent achievements, the outlook for our markets and how we are responding to that outlook in terms of allocating capital and managing the risk profile of our activities.

You can ask questions at the end of each Business Unit session and then Martin and I will also take questions at the end of this morning.

Slide 2 A key strategic objective for us has been to grow Land Securities Trillium. I am therefore delighted that this year we have been enormously successful in winning new business and making acquisitions for Trillium. We have now completed or exchanged contracts on the Secondary Market Infrastructure Fund acquisition, the Accor hotel portfolio and the Royal Mail property outsourcing with total capital committed over £1.4bn. In addition, in partnership with Qinetiq, we are the preferred bidder for tranche 1 of the Defence Training Rationalisation outsourcing, involving just under £0.5bn of capital investment for Trillium, and provisional preferred bidder for tranche 2 - the two tranches having a potential combined capital commitment for Trillium of around £0.75bn.

Slide 3 A key differentiator of property companies, as compared to other categories of investor in property, is that we achieve a disproportionate share of lettings in the market. Over the financial year to date, we have secured or agreed terms for lettings across our retail development programme with over £15m rent roll.

Slide 4 On London offices, lettings from our development programme will generate just under £15m of income and total some 650,000 sq ft.

Slide 5 Now, at this point, you have to make the comment that 'beauty is in the eye of the beholder'. It certainly is for us. Since March 2006, we have let, assigned or surrendered some 670,000 sq ft from the DWP commercial estate in 89 separate transactions.

Slide 6 We know that we also have to build for success in the future - and this requires us to anticipate future trends and future customer needs.

We are the largest commercial property developer in the UK and current UK planning policy means that large schemes are mixed use. Over the last 12 months we have demonstrated our capabilities as the number one mixed use developer with Cardinal Place receiving accolades as the best office development from the British Council for Offices and, a first for an office-led scheme, best retail development from the British Council of Shopping Centres.

Sustainability is a buzz-word. What matters is that it is important to our clients. Here, we show 40 Eastbourne Terrace where we used borehole technology to provide heating in winter and cooling in summer from the earth's core. You will hear more about our environmental initiatives on other development projects from Mike and Richard.

To highlight why it matters, I recently asked the Chairman or Chief Executive of three of the largest retailers in the UK what was the one thing we could do to help them with on their property. All three said it was to help them with energy efficiency on the new buildings we provide for them. This month, we are hosting an environmental seminar with retailers.

We aspire to lead the property sector in terms of customer service, and we were therefore delighted to be recognised by the PMA, the representative organisation of retail property directors, as 'Landlord of the Year' - an award perhaps prompted by innovation such as the one you see here with display cabinets in shopping malls which led to H&M selling out of the displayed clothes in 3 days and Zara seeing a 37% increase in the sales of the displayed garments.

Slide 7 We are often asked for market forecasts. We do not provide these - not just because you won't pay us for them, but because we are not a forecasting consultancy. However, it absolutely is the case that we need to have a view on the market to drive our capital allocation strategy and our willingness to take on risk at different stages in the cycle. We have an in-house research capability and we link this to our depth of experience of transactional trends in the market.

Slide 8 There is clear evidence that we have linked our views on market outlook to shifts in transaction activity and development.

In 2003/4 we were the first to initiate a large office development programme in London on the premise that rental growth would resume in the West End in 2004 and the City in 2006. This resulted in us accounting for as much as 25% of the speculative development under construction some 18 months ago. Clearly, that figure is now much lower, but we were delighted to have first mover advantage.

In 2004/5, we initiated a programme of buying low-rented London office investments and, since August 2004, have committed some £1.5bn.

In January 2005, we resolved to increase gearing and within 9 months we had been net investors by some £1bn with the acquisitions of Tops Estates and LxB. Richard will comment on the performance of those acquisitions later this morning.

In 2006 we were intentionally quieter - not an easy thing to do. We felt that pricing was such as to create relatively few attractive buying opportunities and we held back on sales pending the extinguishment of CGT liabilities upon REIT conversion.

2007 - I will come onto shortly.

Over the last four financial years, our total capital turnover has been very approximately £10bn. We have market views and we act upon them.

As I said, we will not provide a formal property market forecast, but I will give you an insight into our current outlook by reference to historic data on performance over the last three years.

Slide 9 Clearly, the last three years have shown tremendous increases in value for direct property. It is not surprising there has been a 'feel good' factor in the sector.

Slide 10 Disaggregating returns over that three year period presents a slightly more worrying analysis. Virtually all of the strong performance has come from yield impact - and even the most optimistic would struggle to assert that this can continue at the same rate.

Slide 11 In fact, the relative movements of property yields and cost of borrowing during 2006 suggest that it would be stretching rationality for that to happen - although, of course, weight of money can stretch rationality. Nevertheless, over 125 basis points relative movement is hard to ignore - and highly leveraged debt buyers certainly have not. They are now scarcely in the market.

And, for institutions with balanced mandates (as opposed to property only mandates), the relative pricing has also changed - and institutional money from balance mandates is now generally selling property rather than buying.

There is good buying interest in London - with the attractions of being a global city for private wealth preservation and as having good rental growth prospects. In the retail sector demand is patchy for investments with a weak growth story and broadly in equilibrium for better quality assets.

However, we see the figures on this slide as representing a 'risk factor' in terms of future return prospects.

Slide 12 Yields are, of course, only half the story. On the rental side, we absolutely have not seen any bubble in rents, as was the case in the late 1980's. In fact rental value growth over the last three years has been precisely in line with reasonable long term expectations - slightly above inflation at around 3% per annum.
If we look at the last three years' rental value growth by sector and compare it to prospects for the next three years, our view is that future rental value growth will actually be a little stronger overall.

Retail rental value growth will be a little lower. However, all the evidence shows that when GDP growth is strong, retail sales grow and retail property rents rise. In the last quarter of 2006, consumer spending growth was 1% in the quarter.

On the other hand, retailer margins are tighter and there is a pick up in the supply pipeline for town centre developments, particularly in 2008. So, in existing shopping centres where there are typically only a couple of vacant units, there is a healthy equilibrium with rents continuing to move ahead in some centres. It is where one has a new development with 50 to 100 units to let that negotiating strength has shifted to retailers and, as we have openly said, incentive packages have probably doubled, albeit with headline rents remaining stable or even moving ahead a little, as on our scheme in Exeter.

Our view is that, over the next three years, individual shopping centres will see rental value growth in the range of 0% to 5% per annum - averaging some 1% - 3% per annum across an aggregated portfolio. Out of town, the outlook is stronger - with individual assets likely to show between 0% and 8% per annum growth - generating an average of some 2% - 5% per annum.

For London offices, the outlook for rental value growth over the next three years is extremely favourable and we expect at least 6% per annum. In 2007, we think it is possible that rental value growth, particularly in the City, may surprise very substantially on the upside. The reason is that in 2005 and 2006, employment growth in financial services was generally absorbed within surplus space from the previous cycle. Now, employment growth is leading to an immediate requirement for additional floor space.

Slide 13

Against the background of this market outlook, we are delighted to have set up a substantial forward development pipeline, some 70% of which is in London. You will also see us continuing to target property outsourcing for additional investment with higher total return prospects and a positive earnings contribution. From within the investment portfolio, and particularly the retail portfolio, you will see an increase in sales of lower yielding assets with limited growth prospects. These sales will be accretive to earnings.

We have already embarked at a cracking pace on implementing this strategy with £2bn of turnover in the first quarter of the calendar year - approaching £1.5bn invested in Trillium and £0.5bn of investment property sales.

I will now hand you over to Martin Greenslade to talk about the implications of being a REIT.

Being a REIT – Martin Greenslade

Slide 1 Good morning ladies and gentlemen. Over the next 15 minutes or so I would like to take you through what being a listed REIT means to Land Securities, how it impacts the type of business we pursue, and what it will mean to our dividend.

Slide 2 Having received shareholder approval on 15 December 2006 and duly notified the tax authorities of our intention to convert, Land Securities Group became a REIT on 1 January 2007. By market capitalisation, Land Securities is now the largest European REIT and the third largest REIT globally. And with our REIT status, we increased our potential shareholder base to the ever expanding number of local and global REIT funds. Also, we have seen interest increasing from the private client broker community as the removal of the tax anomaly between direct and indirect property holdings encourages people to revisit how they should achieve an exposure to property in their investment portfolios.

If we look at the graph on the right hand side, you can see that there has been strong growth in our US shareholder base since the announcement by the Chancellor in last year's budget confirming the introduction of REITs in the UK.

So what impact has becoming a REIT had on our day to day operations? In summary, there has been very little impact with almost all of it focused on whether or not investment opportunities produce reitable or non-reitable income and what investment returns we require from those two different types of income.

Slide 3 When it comes to our return requirements, we need to consider how our weighted average cost of capital is affected by tax or the lack of it. On this slide, instead of going through the detailed formula for our weighted average cost of capital, I thought it was better just to pick out the key considerations. In a taxed environment, the ability to offset interest before calculating taxable profits reduces the amount of tax payable, providing a tax shield which effectively reduces the cost of debt. However, it does not eliminate the amount of tax paid.

In an untaxed environment, the cost of debt doesn't benefit from this tax shield and is therefore equal to the company's borrowing rate and closer to the cost of equity. So to answer the question "How does our WACC change in a REIT environment?", the answer is - "It goes up". However, this is more than compensated for by the fact that our cash flows will no longer be taxed. In practice, we appraise all projects on a pre-tax basis, grossing up our WACC for the tax we expect to pay. This puts our non REITable or taxed business at a disadvantage leading to a 2% higher return requirement to compensate for the tax.

Slide 4 As part of our circular to shareholders, we reviewed the balance of business tests as set out in the REIT legislation. As you know, 75% of our profits and 75% of our assets have to relate to the qualifying or reitable part of our business. As you can see, around 88% of our profits and 93% of our assets are qualifying for REIT purposes based on our results to 30th September. While it is not a requirement to have an interest cover ratio above 1.25 times, if you fail to meet this requirement, additional tax will become payable. Our estimates for the period shown suggests that our interest cover ratio, calculated for REIT purposes, is in excess of two times.

In the right hand table, I have listed our key sources of income together with our view on whether they are REIT qualifying or not. For our investment business, rental income on our investment properties and developments is tax free as are capital gains on investment properties so long as we are not disposing of a development that was completed in the last three years. Long term contract income (such as Bankside 1) and trading property profits (such as any residential component of our developments or our UCD business) are also taxable. Turning to the various sources of income in Trillium, DWP is largely tax free income as it relates to the rental of property but certain services such as catering are considered more than incidental and therefore remain taxable. Norwich Union is reitable income as we own the properties and therefore receive rental income. Both DVLA and Telereal are non-qualifying income as we do not have an interest in the properties, while on the Barclays contract only the investment property produces qualifying income. With respect to new business, our investments in the Accor portfolio will be REIT qualifying, unlike our investment in the Howard Hotel. The determining factor between which hotels qualify for tax exempt status and which don't is the nature of the underlying management contracts. If we are effectively running a hotel business, even if those operations are outsourced to a third party, we would be engaged in a trade and not receiving rental income. On the Accor portfolio, we are receiving rental income - it just happens to be tied in to the turnover of the hotel. Income from the Royal Mail portfolio is also expected to be REIT qualifying income.

Towards the bottom of this list, SMIF is non-qualifying income as the acquisition was structured to sit outside our REIT group, and the Building Schools for the Future contracts currently being reviewed by IIC are unlikely to be REIT qualifying. On the latter, the reitability of income will depend on whether we secure an interest in the property or whether it ends up being a finance lease with the property reverting to the Local Authority at the end of the term.

Finally, on DTR, we are currently assuming that this will not be reitable income but there is quite a long way to go in the structuring of the transaction and we will have to await the outcome of that process before we can be sure.

If you look at Trillium as a whole, of their current profits around 75% are REIT qualifying with the balance being taxable. This will vary over time and clearly depends on contract success and the nature of the business conducted. As a Group, Land Securities is committed to using the permitted 25% of non-qualifying profits to drive additional return for shareholders where we find attractive opportunities. As I pointed out earlier, however, the returns on the taxable part of the business do need to be greater than on the qualifying side to compensate for the tax which remains payable.

Slide 5 Many of you will have seen this slide before. It shows how our dividend has grown in recent years, what our proforma mandatory dividend level would have been for the year ended 31 March 2006, and what REIT status means for our future dividend.

As we have stated in the past, as a REIT, we expect to pay over to shareholders in the form of an increased dividend, the tax that we are no longer required to pay. This will result in an increase in the dividend of around 30% although that increase will come through over two financial periods, not one. For the year to 31 March 2007, you can expect a small increase as a result of the conversion to REIT status with the full effect of this policy being evident in the financial year to 31 March 2008.

The dividend that we pay to shareholders will be comprised of two parts, a Property Income Distribution (PID) and a Non-PID dividend (which is equivalent to the old dividend). Land Securities will be obliged to deduct basic rate tax (i.e. 22%) from all PIDs except those where we reasonably believe that the beneficial owner of the shares falls into one of the exempt categories. These exempt categories include charities, pension funds, ISAs, UK resident companies and the like. Investors who are not eligible to obtain gross payment of the PID include individual investors even where they may be entitled to repayment of the basic rate tax and all non-resident investors, irrespective of their position under double-tax treaties.

Due to the withholding tax, it is likely that companies will try to keep the PID element of the dividend to a minimum. Where a company has distributed insufficient PID, either because the dividend was too low or because the non-PID element of the dividend was too high, the company has 12 months to put that situation right. Given the complexity of the PID calculation, it is quite likely that there will be some volatility in the percentage of PID in each dividend.

Slide 6 So to summarise, our strategy of generating shareholder value by putting more capital into developments and Trillium while making some selective sales, sits very comfortably within the framework of REIT regulations.

Land Securities Trillium – Ian Ellis

Slide 1 Over the next hour my colleagues and I intend to explain to you the Land Securities Trillium business. This will give you a feel for the scale of our operation, our business model, an analysis of our existing contracts and an explanation of the exciting growth potential in the markets in which we operate.

During the first half of this presentation I will provide key facts about LST and our business model and David Godden will describe our existing contracts and explain why they are performing well. Barry Williams will then examine in some detail our activity in the community infrastructure Public Private Partnership market. After the coffee break Mike Schraer will update you on our success with the Ministry of Defence and Bill Doughty will then outline our approach to most efficiently accessing investment capital. Finally Martin Greenslade will review key financial metrics and the shareholder value that we create.

Slide 2 Land Securities Trillium has made a strong contribution to group profits over several years and, not withstanding the disposal of our Telereal and BBC interests, produced just over £120 m of profits in the 12 months ending September 2006, a healthy 19.5% return on capital employed. Through our existing long term partnerships for the Department for Work and Pensions, Barclays, DVLA, Norwich Union and Telereal we had some 30 million ft^2 under management as at December 2006. Since then the IIC and SMIF acquisitions provide access to involvement with a further 15 million ft^2 on an equity weighted basis and our recent successes with Leicester Grammar School, Accor Hotels, Royal Mail and further PPP acquisitions add another 6 million ft^2. This produces a total portfolio today of some 51 million ft^2.

In addition to these contracts we have seen significant progress with our selection as preferred bidder on the Defence Training Review which Mike Schraer will cover in detail after the coffee break. I will provide further analysis of our portfolio later.

Slide 3 We have rather more presenters today than other parts of the business but I was keen that you had the opportunity to hear not only from the team which has delivered significant growth and returns over recent years but also from Bill and Barry who joined us with the acquisition of SMIF.

Bill and Barry were founder members of SMIF in 2001 and grew it from scratch to a £900 million business in 5 years. Both have structured finance and investment bank backgrounds and have excellent reputations in the PPP market. When we looked at SMIF we were particularly impressed by the match between our businesses in terms of target markets, culture and aspirations for the future. This dynamic has enabled us to rapidly integrate our business and, together with our acquisition of the remaining 50% interest in IIC, provides us with an exceptional business platform.

This slide shows the senior Land Securities Trillium Management team and the integrated end to end business model that gives us a leading position in our target markets. Our model is built upon long term partnerships through which we deliver accommodation solutions fully aligned to our counterparties business objectives. We seek to invest in and operate long term contracts which create high quality cash flows, backed by the public sector or strong covenant corporates, typically backed by property assets and where we have the opportunities to create value through active asset management.

I will now explain our business model. At the front end under Barry's leadership we have strong Origination capability in the property outsourcing and Public Private Partnership markets, embracing both corporate and public sector clients. These markets have enormous deal potential in the UK alone totalling in excess of £500 billion of property assets, of which we believe the addressable potential market is in excess of £100 billion.

Our Business and Commercial Strategy area lead by Mike is focused on supporting the Origination team in terms of identifying value enhancement opportunities and also ensuring that those opportunities are implemented through the Partnership Delivery team under David Godden. Mike's area is also able to focus on value enhancement through portfolio aggregation opportunities such as insurance and procurement, fully leveraging off our scale of operations.

The Partnership Delivery area under David is fundamental to the success of our model as it has the principal customer interface and is responsible for service delivery and ensuring that customer satisfaction is maintained at high levels. This stimulates future business opportunities as we become the partner of choice.

The first three business areas ensure that we secure good deal flow and establish excellent working relationships with long term partners, with a clear value enhancement and risk management strategy to provide strong cashflows. These long dated, asset backed cashflows are then attractive to many investors and our Investment Capital Group under Bill Doughty is focused on accessing the most appropriate holders of those cashflows. Bill's team are also fully involved with the Origination team ensuring that we are focused on the products which appeal most to investors.

Slide 4 Very few businesses can provide the top to toe conduit that Land Securities Trillium does and this places us in a very strong position to provide clients with the levels of services and financial innovation that is sought whilst maximising opportunities for our shareholders. This slide summarises the key attributes of our partnership approach in terms of the Land Securities Trillium offer, why our customers benefit from that offer and what LST and our shareholders get in return.

At the heart of LS Trillium's culture is the philosophy that we aspire to become entrusted business partners, providing flexible accommodation solutions which are fully aligned with our customers' requirements.

Slide 5 Some 18 months ago we set out our strategy to build upon our existing strong client base to access opportunities in the Community Infrastructure and Ministry of Defence markets. We identified these markets as having significant financial depth and the potential for strong deal flow. Mike Schraer will describe our success with the MOD later. In the Community Infrastructure market we originally focused on the 15 year, £45 billion Government Building Schools for the Future market which led to our acquisition of a 50% stake in the Investors in the Community joint venture. We rapidly appreciated that there was a much wider opportunity in the community infrastructure market for a truly integrated investor and service provider, taking a long term partnering approach. This was not only true of the primary end of the market, where we were bidding for new projects, but also in the secondary area where the original financial and construction partners were seeking to exit after 3 – 5 years. These exits were from contracts of 20 – 30 years duration and we believe there are very significant opportunities to continue to work with those customers to our mutual benefit. This will be evidenced when David Godden explains activity across our existing client base where expanded activity above that included in the original contract has provided additional facilities and services to our clients whilst producing growing profits for ourselves.

The acquisition of SMIF in December gave us accelerated penetration into the PPP market as well as increased activity in the Education and Health sectors. The portfolio of properties in which SMIF had an investment totals some 23.6 million sq feet but we have adjusted it to reflect the underlying equity interest that we have in the SPV's. This produces an equity weighted figure of 15 million sq feet. At the end of February we acquired the remaining 50% interest in IIC giving us a fully integrated primary and secondary PPP capability. The left hand chart shows the split of our existing contracts as at 1st February 2007 by use. Other includes primarily hotels and secure accommodation. The right hand chart shows clearly the major impact of our SMIF acquisition in January 2007.

Slide 6 This slide shows the significant increase in our portfolio arising from the SMIF acquisition in January 2007, the subsequent acquisition of a further 450,000 ft^2 of secondary market PPP's and the recent close of our partnerships with ACCOR Hotels and Royal Mail which add some 5.4 million ft^2 in the Property Outsourcing area. The Accor transaction which we closed last week will enable us to invest £474 m into a long term partnership to own and maintain 30 Novotel and Ibis Hotels, and to help expand Accor's UK presence. The Royal Mail deal involves our acquisition of a portfolio of freehold properties with a value of circa £100 m in which they will stay for a minimum of 10 years and the transfer to us of surplus leasehold liabilities with a negative value of circa £30 m. Both contracts provide REIT qualifying profit. In addition this chart shows bids at an advanced stage being 7 million sq feet in the Defence Training Review and the 2.4 million ft^2 Northern Ireland Civil Estate outsourcing where we are waiting to hear whether we have progressed from the last 4.

The strength of our new business growth is illustrated by the fact that since September 2006 we have increased the accommodation in which we have an interest by some 70% to 51 m ft^2 and are targeting further growth to 61 million sq feet which would be twice the size of our portfolio in September 2006.

David Godden will now describe the performance and growth we are generating from our older partnerships

Existing contracts performance – David Godden

Slide 1 Thank you Ian and Good Morning everyone. As Ian has said, in this part of our presentation I intend to focus on our existing contracts, and in particular show you how we are able to expand those contracts and grow our profits over time. The key to this, we believe, is a strong delivery performance across all aspects of our operation, high levels of customer satisfaction, and our ability to develop constructive long term relationships with our customers and clients.

Before I share with you some examples of the way in which we grow our contracts, perhaps it would be helpful if I gave you a brief reminder of our existing business.

Slide 2 On this slide I have identified our 6 current contracts and areas of business. I will not focus on the section on Community Infrastructure, as my colleagues will be addressing this later.

Many of you will be familiar with the first LST contract which commenced in 1998 with the Department for Work and Pensions. You will be aware that this is a full property outsourcing, and part of the contract the client has pre-paid for the flexibility to vacate a proportion of the estate each year. This contract initially included some 700 buildings from the old Department of Social Security, and, following the Employment Services expansion, extends today to over 1500 buildings amounting to some 25 million ft^2, of which all but 2.5 million is occupied by DWP.

Moving on, following the disposal of our share of the Telereal joint venture, which was formed to acquire and service the BT estate, we have retained leasehold management responsibilities under contract to Telereal for 50 former BT properties. On this slide you see this described as Telereal II.

Our contract with the Driver and Vehicle Licensing Agency has now been underway for some 2 years and is based at the DVLA headquarters in Swansea where we are responsible for a major refurbishment project as part of the client's drive to transform that business. We also deliver facilities management services in Swansea and to a further 50 DVLA local offices spread across the country.

Our Norwich Union contract sees us undertaking a series of major projects for Norwich Union, one of which has seen us investing in excess of £100m in its Norwich-based headquarters. We have also taken on life cycle and maintenance responsibilities across this portfolio and at two of Norwich Unions other major locations at Perth in Scotland and in York.

Finally in our agreement with Barclays Bank we have assumed the liabilities of 30 properties which were surplus to Barclays requirements, and our task here is to dispose of these properties – something which we have been doing very successfully over the last 2 years.

From my brief explanations of these contracts you will see our offering is bespoke to each client. Whilst there are of course similarities, the key for us is to identify clients who are keen to transfer their property issues and risks. In addition we value clients for whom customer service is important and who are prepared to work with us to expand and evolve relationships over time.

Indeed this slide serves to demonstrate the way in which we have been able to do just that. I have included only our current contracts, and you can see the operating profits delivered by each one. Clearly to obtain an overall view of LST's financial performance, bid costs and other overheads would need to be included.

You can see here the steady growth in contract profits over the past 4 or 5 years, and I will now go on to explain the circumstances behind this growth.

Slide 3 Whilst there are individual circumstances at each contract it is possible to identify a number of generic drivers of this profit growth.

In the first instance the implementation phase of each contract is critical. The methodology we have developed and refined over a series of contract mobilisations has served us well in establishing the right platform for future success, and in giving assurance to our clients that there will be no disruption to their businesses during the critical early months of the new relationship.

In this implementation phase we allocate clear ownership of our contract risks. These can cover a wide range of people, systems or commercial issues, and will extend to ensuring that we have clear targets in place for disposing of any surplus space which has come back to us from our clients.

Slide 4 As well as managing risks our strong delivery model, which has been developed and proven on a nationwide basis, delivers high levels of customer satisfaction. I am personally in no doubt that our new business success in recent years has been in no small way due to the quality of service we deliver day to day in our existing operations.

At the strategic level we also focus heavily upon relationship management. We aim to understand the challenges facing our clients; seek to identify opportunities for us in helping our clients to address their challenges, and we provide a simple way in which our clients can resolve their issues through expanding our relationship rather than undertaking a separate commercial process. If we are engaging with our customers in the right way, delivering excellent customer service and showing an empathy with our clients, our experience is that the partnership will grow.

By way of example I will look briefly at the growth in the Norwich Union, DVLA and DWP contracts.

Slide 5 You see here how the relationship with Norwich Union has grown from the initial delivery of projects and services to just over 1.2 million ft^2 of space, as represented by the first bar on this graph.

As the next three bars show we have grown the contract and now deliver services to an additional 300,000 ft^2 of Norwich Union space. We have incorporated into the contract the refurbishment and management of a listed building, and, having acquired the three new buildings you see here Norwich Union immediately incorporated these into our relationship.

This expansion of the contract was a joint objective at the outset. At the beginning of our Partnership we jointly developed a five year road map identifying opportunities to add further buildings in Norwich, and highlighting the potential to expand the LST estate by incorporating other Norwich Union offices across the UK.

Slide 6 A similar story can be told at DVLA. Here the two year old contract saw us commence major refurbishment works and service delivery at 1 million ft^2 of space in Swansea and at smaller offices across the country. This grew over the first 6 months of operation as other local offices were added and refurbished. Then in the second half of last year, we managed the construction of a new Facility, and we now deliver a full range of services to this building.

The final bar of this graph shows an artist's impression of a new 50,000 ft^2 Printing facility which will again be managed by LST during its construction phase prior to its ongoing management being incorporated into the contract. These expansions have increased our space under management by just over 100,000 ft^2 since contract commencement, and all of these have been achieved through variations to the existing contract.

Moreover, we are currently working with the DVLA to agree the basis on which we will invest some £25m in the development of a new data centre later this year, taking our capital employed in the contract from an initial £30 million to around £70 million at that point.

Slide 7 As I said earlier, customer satisfaction is paramount, and this graph shows the levels of customer satisfaction we have achieved in surveys of the 115,000 DWP staff over each of the past five years. It is interesting to see how our performance penalties correlate with the customer experience. As the quality of our service generates satisfied customers so our financial deductions expressed as a percentage of our revenues reduce; the total deductions over recent years being around £1 million per annum, the majority of which is borne by our Service Partners.

This customer view is an important part of the story which is depicted in my final 2 slides.

Slide 8 As I outlined earlier DWP has the ability to vacate space and transfer this space back to us. The blue bars here show the total amount of space (both freehold and leasehold) that DWP has actually vacated during the first nine years of the contract (2006/7, which is almost complete, represents Year 9). Over the past three years some 3.3 million ft^2 of leasehold space has been handed back to us, and we have disposed of around 2.1 million ft^2 of this, of which, as Francis said earlier, some 670,000 ft^2 has been during the course of this year.

The blue bars going forward from Year 2007/8 indicate the way in which we now anticipate DWP will use the remainder of its vacation allowance over the next five years or so. From that point in 2012/13 until the end of the contract in 2018 DWP is unable to vacate any further space free of charge.

The pink bars show the way in which the contract has grown since its inception. They represent the way in which DWP's incremental additional space requirements have been accommodated through the pricing methodology agreed at the outset. This additional space amounts to some 1.6 million ft^2 over the first nine years.

Even more significant was the major contract expansion in 2003 when DWP decided to add the 8.6 million ft^2 former Employment Services (or TIES) estate to our contract. This was achieved through a negotiated, not a competitive, process because DWP recognised that best value would be obtained for the tax payer by utilising our existing nationwide infrastructure. Moreover, the quality of customer service was such that the Department was pleased to expand our delivery capability across the 1100 Employment Services buildings to ensure a consistently high quality of accommodation for all DWP staff.

The net effect of these vacations and the new space is shown on the next slide.

Slide 9 The area shaded pink on this slide represents the expected profile of our original DWP contract when it commenced early in 1998. This depicts the 16 million ft^2 of space transferred to LST at the outset and the expected reductions through DWP's right to vacate space.

The effect of incorporating the additional space I have just described is reflected in the blue occupied floor area, clearly demonstrating the major increase when the Employment Services buildings were added. You can then see at the first point I have marked on the graph, representing today's situation, how the occupied floor area has reduced as DWP has used its vacation entitlement over the past three years. Thereafter, you can see how we expect it to continue to reduce as DWP uses the balance of its allowance up until the second point I have marked on the graph in 2012/13.

Clearly, the blue area represents a significant expansion in the scope of the contract- achieved through the relationship developed with DWP, the service provided and the value delivered to the tax payer.

Of course, once DWP has utilised its free vacation allowance the occupied floor area, and therefore the cash flows generated by the contract, achieve a steady state position for the final five years of the contract.

To conclude, I hope I have shown you that service delivery and customer relationships are critical not only to our day to day operations. They also have a major part to play in the maintenance of our reputation in support of our new business activities, and in enabling us to grow the scope and the financial returns from our existing business.

I should now like to hand over to Barry Williams, Managing Director of our Origination Group, who, as Ian outlined earlier, was one of the pioneers in the PPP market. In his presentation Barry will focus on an explanation of that market place and our activities within it.

Origination Group – Barry Williams

Slide 1 Good morning everyone

Slide 2 Today I am going to take you all through the origination (or new business) strategy for the LST Group.

I will firstly provide you with some context – through reviewing the history of our key markets.

I will then explain the characteristics underpinning the projects we will look to pursue, providing a case study to highlight the strong group prospects in the cashflows generated from such assets.

Following this I will detail our strategy going forward and why LST is uniquely placed to deliver this strategy.

Slide 3 Firstly, our current key markets – PPP and Property Outsourcing.

The PFI or PPP market was established in 1992 and has since grown to a substantial and increasingly global method for Governments to provide essential accommodation and infrastructure projects. In the UK alone approaching GBP 50 billion of projects have been completed.

The property outsourcing market began in earnest with the DWP contract – signed in 1998 - and has since expanded in both the corporate and public sectors.

Both markets are expanding in Europe and the UK with strong growth potential and good resilience to downturns in the economic cycle.

Slide 4 LST has now positioned itself as the clear market leader in the UK in both these markets.

By selectively targeting the acquisition of SMIF and IIC we have unrivalled capability in the primary and secondary PPP markets.

And we remain at the forefront of the property outsourcing market as the recent Royal Mail and Accor deals demonstrate.

Slide 5 Having generated this position LST will look to exploit the advantages of scale and diversity created. Ian has already outlined the huge potential market – over GBP 400 billion - in the property outsourcing sector and the same is true of the UK and European PPP markets.

Origination can selectively acquire in the GBP 95 billion PPP market of existing projects and bid for the c. £20 billion per annum current deal flow.

Naturally, origination activity will be selective, targeting specific sectors and geographies.

In the UK primary activity will focus upon sectors where we have competitive advantage, for example the Building Schools for the Future programme, using the service skills within LST

And in Europe, we will target jurisdictions where we can both quickly acquire diversified portfolios at attractive returns and look - over the medium term - to grow our partnering and primary bidding strategies.

We expect this strategy to secure annually around 12% of the potential secondary market and 2% of the primary market opportunity - less than 8% of the total available. This compares to current market share in the UK of over 30% in the secondary and around 1% in the primary market – or over 20% in total.

Slide 6 All our targets have common characteristics. They generate "high prospect cashflows".

Such cashflows:

- Have good credit quality – being generated from either an investment grade counterparty or a monopoly situation
- Are inflation linked - often being index-linked to inflation
- And have low volatility – normally being subject to limited performance and availability risk which LST is highly familiar with managing.

Slide 7 The diagram on this slide provides an indication of the cashflow derived from our target projects.

Let me highlight some of the key attractions to LST of such cashflows in addition to there obvious robust and long term nature.

First, operating cost flexibility. Facilities management, SPV management and maintenance expenditure over life – marked in **green, purple and pink**. We would hope to reduce these costs through the better procurement of these services.

Second, asset specific limited recourse debt marked in **brown**. Again Trillium would expect to reduce senior debt costs across the portfolio.

And third, risk capital returns – marked in **dark and light blue**. We will be investing in these cashflows and looking, through the aggregation of a diverse portfolio, to de-risk these cashflows as much as possible

Slide 8 These themes can be readily demonstrated through the existing LST asset base a representative example being the Falkirk Schools project.

A consortium closed this project in 1998 which was for the provision of 5 secondary schools in Falkirk and their subsequent maintenance over a 25 year period.

In 2004 SMIF acquired HSBC's position in the project and subsequently acquired Quayle Munro's interest to take 100% of the project in 2005.

SMIF bought the insurance under its group insurance scheme in 2004 and took control of the asset management of the project in 2005.

Both initiatives created substantial savings in the operating cost base of the company and gave SMIF better control over the operations of the company.

And finally, last year the asset specific debt was refinanced, generating a capital gain to the shareholders.

Slide 9 This diagram shows the IRR performance of Falkirk.

You can see that the asset performed (as outlined by the blue line) the original expectations.in green and were well in excess of the acquisition returns shown in red.

Slide 10 Having determined the attraction of these cashflows LST's strategy – as outlined by Ian – will be to create a machine which can secure and exploit such high prospect cashflow.

Origination will be the engine feeding the LST machine with this secure high prospect cashflow.

We will access such cashflows – through bidding and acquisition activities – at the most attractively risk weighted returns available.

The projects we target will have a high prospect of being enhanced through employing the active management skills from within the Trillium group.

Such cashflows will be sought from projects in the community infrastructure sector in the UK and, to a lesser degree, Western Europe.

And when building these cashflows we will be particularly conscious of the end to end strategy which Ian has outlined and, therefore, looking to build a well diversified and broad portfolio.

Slide 11 To maximise opportunity we will balance our primary, secondary and partnership activities.

Primary, often constrained by resource, will be targeted in areas such as BSF, Waste and Community Health, where we can create strong returns and a competitive service offering.

Secondary activities will focus on responding to competitive disposals but also on tapping organic growth from the existing IIC and SMIF portfolios and looking at targeted M&A activity where appropriate.

And we will also look to enter into strategic alliances and partnerships with organisations where this offers value to the LST and LS business.

This builds upon the partnerships in the property outsourcing sector such as Accor and those that we inherited as part of the SMIF acquisition such as Global Solutions Limited in the secure accommodation sector and Kier Project Investments division.

Slide 12 Our measure of success will be the underlying profits and returns generated by these investments for the LST group. The most widely used measure of performance in this asset class is IRR based.

And this table shows the differing returns available through the three principal investment routes for the Group.

The bidding route provides higher Group returns which should compensate for the bid cost risk taken to secure these schemes and the long gestation period – typically 2 years to bid, 2 years to build prior to schemes generating positive cashflow.

The acquisition route provides lower returns but at much less risk – either to bidding or construction. Additionally there is an available stream of projects to target.

Finally the partnership route provides a middle ground which is less resource intensive than bidding but gives higher returns than direct acquisition. This is achieved through entering into strategic alliances with project developers and paying a development fee after the bid is secured by the developer.

Slide 13 In conclusion, The Land Securities Trillium business is well positioned to build a strong and diverse target portfolio in the community infrastructure sector .

Trillium, SMIF and IIC are all proven market leaders in their respective fields and the combined business is the largest investor in the property partnership and PPP sectors.

We have market leading origination, portfolio enhancement, service management, and financing expertise.

And the culture of the LST group combines the three key requirements in our target markets – those of an active partnership outlook and excellence in service delivery – combined with an appetite for success.

Defence Training Review – Mike Schraer

Slide 1 We made the strategic decision around two years ago that the MoD represented a very attractive market for LST to address. As you can see, MoD has enormous land and property holdings which represent a major cost to the organisation. The increase in operational demands on our armed forces from the new global threats, combined with budgetary tightening by the Treasury, mean that the MoD is now under unprecedented pressure to make its assets work more efficiently. At the same time, the armed forces need to modernise and become more attractive to new recruits, yet this is hampered by dilapidated buildings, both operational and residential. So we recognised the immense potential for our long term partnership model to support MoD in modernising its estate, helping to transform the image of the services and at the same time, reducing costs through rationalisation of the estate. The MoDEL model is one whereby the value of surplus land is used to fund property new build or upgrade and is seen as a key tool for MoD. Private Public Partnerships to deliver new MoD facilities is the other main market for us.

Slide 2 The first successful manifestation of this strategy is our involvement in bidding for the Defence Training Review, or DTR, through the Metrix consortium which we joined in early 2005. The DTR began in 1999 as a complete overhaul of all non-combat training to prepare our armed forces for the demands of the 21st century, capturing the efficiencies of a tri-service approach which avoids the many existing duplications of effort in the current fragmented delivery. Formal bidding began at the end of 2004 with the DTR divided into 2 packages – technical and non-technical. Only Metrix bid for both – together, they constitute the largest single PFI ever undertaken with a 25 year lifetime value of around £15billion.

The total DTR estate is around 25% of the size of the DWP estate but concentrated in only a handful of sites – with a total standing population of around 15,000 on site at any one time at St Athan alone. Whilst the contract is essentially availability based, it does give MoD the ability to flex demand within pre-agreed limits in order to adapt to changing needs.

Slide 3 Metrix is a 50:50 Joint Venture between LST and Qinetiq, with the main sub-contracts for training going to Qinetiq and for estates to LST. Behind our two companies is an impressive array of leading providers in each specialist area – US-based Raytheon is a top defence and corporate training provider, our consortium also includes leaders in the fields of educational content and delivery. EDS is the lead IT supplier to MoD. Laing O'Rourke are our lead construction partner and Heathrow T5 demonstrates their ability to handle this scale of project. Sodexho and Dalkia are also leading global providers with very strong MoD credentials.

Slide 4 Metrix was announced as preferred bidder on Package 1 and provisional preferred bidder on Package 2 on 17th January. We expect up to 2 years before financial close, with construction at St Athan beginning shortly thereafter and being complete around 2013.

Slide 5 New build at St Athan is the major element of works, with over 4.5million ft^2 to be constructed but, as you can see here, refurbishment of other existing sites is also a significant work area.

Slide 6/7 Technical training is focused today on 9 main sites and our plan will reduce this to three main locations, the St Athan Defence Academy plus Sultan and Bordon for specific training needs. As sites are rationalised, any redundant sites would not automatically come across to us but this does create an upside opportunity in future.

Slide 8 The solution which we developed and which has proved so exciting and attractive for the MoD, plays to LST's strengths on the property side – an innovative design, major construction management and the full range of services, including hard and soft FM and lifecycle. Our decision to locate the main Defence Academy at St Athan in South Wales, though initially seen as highly risky, has turned out to be a master stroke because of the quality of the site, its location and its existing defence facilities, in particular the Red Dragon super-hangar which you see here.

Slide 9/10 Non-technical training is currently spread across many more sites and our plan will focus on 3 main sites – at St Athan, Chicksands and the main driver training centre at Leconfield near Hull, plus a number of satellite sites.

Slide 11 Our design for the site captures the sense of grandeur fitting for a world-class defence academy, whilst also reflecting the individual ethos of each service and regiment. The site has parkland features to create an outstanding environment for living and learning. Features such as lakes and fountains create a sense of place with the design centring around the central amenity building with shared leisure and catering facilities.

Slide 12 From an investment viewpoint, DTR provides us with three distinct cash flows. As an equity investor in Metrix, we have access to a classic PPP cash flow, with sub-debt interest and dividends once fully operational and future potential upsides such as refinancing if they arise. We are responsible for construction management of work with a total value of around £1billion across both packages, which offers us early year returns during the construction phase. At the same time, as estates sub-contractor, we will undertake all property functions including construction management and facilities management services management and take a margin for this. The overall financial outcome is of course commercially sensitive given continuing preferred bidder negotiations with MoD but overall we would normally target project returns of 8-10% on property partnerships of this nature, implying around £10-20million pa at PBT level for LST. We expect the contract to be profitable within 3 years.

Whilst this contract does include some demand risk, it is only within pre-defined bounds around the MoD central forecast, has been very carefully modelled and tested and we are comfortable that the risk is limited, well understood and manageable. In the worst case, the overall project returns would fall by around 1-1.5%.

Slide 13 So, to summarise, we see the MoD as a great market for the skills of the new expanded LST, our success in DTR is a hugely important step in this market but with other opportunities to follow in the next few years. The market expects fewer major PPP projects such as DTR to emerge from MoD in future but more opportunities to release value from the MoD estate and use this value to fund upgrades are likely to emerge in the coming years.

I am now delighted to hand over to Bill Doughty. As Ian mentioned earlier, Bill was CEO of the SMIF business that we recently acquired and is now MD, Investment Capital Group with the responsibility to raise third party capital for the new LST business.

Investment Capital Group – William Doughty

Thank you Mike. It is a pleasure to have the opportunity to discuss with you the development of this new addition to the LST stable, the Investment Capital Group.

Slide 1 Land Securities Trillium has created the Investment Capital Group to: 'Manage and recycle investment capital utilised within its Community Infrastructure activities.'

Key drivers:

1. LST's powerful origination capability;
2. Attractiveness of asset class particularly PPP;
3. Acceleration of investment earnings through partial divestment;
4. Potential for ongoing management income.

Slide 2 Up until just prior to the turn of the millennium, the global background for investment in public or community infrastructure was very limited in that many of the institutional funds, pension and life groups and institutional investors had little allocation given over to investment in infrastructure and even less to more domestic community infrastructure or Public Private Partnerships programmes.

The typical objections to the asset class being cited at the time were the absence of liquidity and patchy dealflow.

So what changed? Amongst other things, international pension funds were craving long term assets to match their lengthening liability profiles and private investors needed secure cashflows off which to produce robust income yields as part of their wealth management strategy.

Infrastructure became the alternative destination in the flight to quality for these investors.

Work recently undertaken with NM Rothschild and UBS indicates that some $150 billion remains allocated within private equity and pension funds for investment in infrastructure. It should be note that the opacity of private equity and pensions funds and the ever increasing amount of new sources of capital for this asset type could render these numbers a significant underestimate. I have provided data for listed funds because the data is in the public domain - not because we necessarily favour public vehicles over private.

Slide 2 Turning to these shores which will naturally be the main focus of our activities - allocations to investment in infrastructure in the UK continued to remain modest by comparison to those given over to the investment property sector.

Then came the advent of a secondary market, where assets were prised from the grasp of contractors, a string of new primary PPP deals responded to the Labour Government's spending priorities in health, education, law & order and defence and additionally the funding of healthcare projects with long dated index linked investment grade paper further opened the eyes of the pension fund industry, by then seeking to deal with an ever more acute asset quality versus lengthening liability profile issue.

At the same time a so called "wall of money" began to arrive from Australia, Canada and other jurisdictions where this cash needed a treasuries plus return, without excessive exposure to the economic cycle, and more importantly these investors were already comfortable with the asset quality that infrastructure could provide. Partly in response to this increasing demand some PPP specialist listed managers became open for investment.

As a result the UK and PPP was on the infrastructure investment map.

In a slide four, and for comparison purposes with the LST model only, I will look at some listed funds.

Slide 3 Having spent some time setting the scene, it is clear that the attractions of this asset class have become well known to many professional investors throughout the world. Let us briefly remind ourselves as to what LST does and in so doing we can see the relevance to my earlier background analysis, but more importantly we can begin to see that we create something that is, in my view unique, but most importantly for our objective, I believe, a highly desirable investment product.

We can see from the schematic here that we have now developed the most powerful origination engine within the community infrastructure market place.

Furthermore, the original LST business development reach now extends, through the acquisition of market knowledge, into new jurisdictions within the fast growing euro PPP market.

The partnership management phase, draws upon our strength as a service manager, value enhancer and importantly as a trusted long term partner to Government.

In the final phase, the machine produces a high quality, asset backed investment flow. This cashflow is characterised by a yield derived through remuneration under long term, monopoly contracts with public sector counterparties.

It has a strong inflation component and through both its essential underlying services nature and the diversity of its make up, coming from several exposures, is uncorrelated with the economic cycle.

All further evidence to my firm belief that this is a highly desirable investment product.

Slide 4 As you can see from this slide, I have picked out some comparables as to how investment opportunity within the community infrastructure market is offered today.

I should emphasise that the fact that these are quoted funds, is purely for comparative purposes and not necessarily indicative of our developing strategy.

As you can see the PFI Co, Babcock and Brown and HSBC Infrastructure Company or HICL had collective funds under management of c. £600million at initial offering, at the same point they targeted respective distributable cash yields of between 5% - 5.5%. And the overall return target was in the range of 7% - 12%, with PFI Co, the smaller of the funds at the top of this target range.

The number of assets and, therefore the diversity implied therein is currently 16 – 23 in each and only PFI Co has added more than 5 investments since launch.

The premium to launch price across these funds at today's date was 3 - 127% at the time of preparing this analysis and the current yield on each is an average of c.4%.

Each fund manager's remuneration ranges between 1.1% and 1.5% per annum plus incentive fees.

Importantly, substantially all asset management and origination capability is external to the listed fund entity.

Slide 5 In my view, the LST model potentially produces investment cashflows that are similar but arguably better than those assembled within other listed infrastructure funds.

Obviously this begs the question as to why potentially better?

Well, when we cast a glance back at the comparables, we can see that there is one obvious difference that in my view, makes our investment flows fundamentally better, that is, that ours benefit from asset enhancement and asset protection, delivered by the UK's leading service manager, namely LST.

LST has the skills to get the most value out of its contracts, but should the need arise to change a supplier or contractor, LST can manage that change, if necessary self providing the service.

Furthermore, LST has one of the most powerful origination engines in the business, with professionals covering all the growth sectors, from both a primary and secondary perspective – this calendar year already the group has secured exclusivity on 9 new opportunities, which compares well to thee listed examples cited previously.

In a competitive market, LST, through its strong banking connections via its parent and with its own relationships within this specialist PPP market can develop cutting edge funding solutions, which are only available to market participants, like LST, who have scale and diversity. When considering just the PPP interests held by the LST group i.e. excluding the corporate and public sector estates transactions, these add up to an unrivalled 100+ investments, reinforcing LST's position as the most diverse and largest participant in this attractive market.

Slide 6 Let us quickly remind ourselves of some of the key features of the LST features that will underpin our strategy in this area:

Importantly, at the time of the acquisition of the SMIF group, LST announced that it intended to substantially recycle the capital from the acquisition during the next financial year – this remains our priority whilst further developing the strategy for the Investment Capital Group.

However, such divestment does present us with a number of opportunities as well as a number of considerations.

Dealing with the latter, we must decide how much of this "highly desirable product" we should retain for our own investors, contrasted of course, by the opportunity to generate accelerated, arbitrage profits by selling down into those institutional and retail client markets with already proven and increasing demand for the community infrastructure product.

A market within which, we believe the "LST enhanced" story will be well received.

We must also evaluate whether it is possible to utilise the substantial skill base that exists within the business to manage a specialist fund, investors in which could benefit exclusively from the combined strengths of asset management and origination that the group uniquely offers.

It could be that our deliberations lead us to conclude that a clean divestment is the better option, naturally we would expect to be well rewarded for our undoubted quality of our continuing services and asset management,

Ultimately, our determination will be based around what we believe contributes to the optimal rate of return and shareholder value in respect of the LST group.

LST Financials – Martin Greenslade

Slide 1 My aim in this final presentation on LST is to pull together some of the valuation items, including Knight Frank's valuation of the DWP properties, and to cover the main accounting issues on the new business LST has won.

Slide 2 The valuation of Land Securities Trillium covered its REIT qualifying property assets held under the outsourcing contracts for the DWP, Barclays and Norwich Union. These property assets were valued at £931.9m as at 31 December. With the exception of the investment property let to Barclays Bank, these buildings are not classified as investment properties for accounting purposes and so have been and will continue to be held in the Group's balance sheet at book value. The book value of the qualifying property assets was £564.5m as at 31 December 2006. To reference these book values to our accounts, out of the assets that we show in note 12 of our year end accounts under operating and investment properties related to property outsourcing, only £1.4m by book value has not been valued at 31 December 2006. Finance leases, which are shown separately in our accounts, are not included in the book values given here or in the Knight Frank valuation.

With respect to the DWP contract, Knight Frank have valued the 479 freehold and valuable leasehold properties by reference to the property income element of the unitary charge that we receive under that contract. The property income element of the unitary charge is a somewhat arbitrary figure which has been broken out of the unitary charge by LST and I will come back to how the property valuation ties in with our view of how the DWP contract as a whole should be valued.

Slide 3 While we are on the subject of the December valuations, I thought it would be helpful to remind you of how the results of that whole exercise impact on our pro-forma adjusted diluted NAV per share. As you can see in this table if we just take into account the valuation surplus on the investment portfolio our adjusted diluted NAV per share increases by 47p to 2168p. If we deduct the REIT conversion charge, which is equivalent to 67p per share, we end up with a pro-forma adjusted diluted NAV per share of 2101p. That figure does not include the valuation surplus of Trillium properties of 78p nor does it include any other changes in shareholders' equity between September and December such as any profit or loss.

Slide 4 Let's turn now to LST's key contracts and the embedded value in them. Set out on this slide are LST's operating profits by contract for the last two and half years. The DWP contract is clearly a key driver of value and is the subject of my next slide. The BBC contract has been completed and any remaining profit or loss will simply relate to settling the remaining outstanding issues.

The value of the Barclays contract is largely represented by the investment property which Knight Frank valued.

Our investment in the Norwich Union contract is comprised of two parts: the operating property with a book value of £43.3m, which was valued at £51.7m by Knight Frank, together with a finance lease of £61.8m. Given this contract was agreed in 2004 off an IRR of around 9%, we would expect the mark to market of the finance lease to be positive versus its book value. Similarly, this is true for the DVLA contract, which is also a finance lease, albeit smaller.

Telereal II is assumed to run at around £14m pa until March 2010. There are no assets in the balance sheet related to that contract.

Slide 5 For the purposes of calculating our REIT entry charge, we asked Knight Frank only to value the freehold and leasehold properties in the DWP contract. The short leasehold properties were assessed by the directors as having negligible value for two reasons. Where the properties are vacant or our income is less than the amount payable to third party landlords, the property is clearly a net liability. However, negative property values are not recognised by the tax authorities. Where income exceeds outgoings, Knight Frank have confirmed our view that, in practice, such short leases have negligible value.

Turning now to the freehold and long leasehold properties. A number of assumptions needed to be made. For example, would the DWP stay in any properties in 2018 when the contract ends? How should their vacation and gain share entitlements be recognised in the valuation? What income stream should be allocated to these properties out of the unitary charge? For all these questions, I have given the answer in the right hand column. On the last question, splitting out a property component for the freehold and valuable leasehold properties is somewhat arbitrary. The original contract was structured by LST purely on the basis of the total cash flows of the contract and not around any particular class of assets within it. Not only did the contract need to cover a rental component, it also needed to compensate LST for the cost of vacations, the risk of not finding new tenants and the cost of existing short leasehold arrangements as well as life cycle capital expenditure and FM services. This is all wrapped into the unitary charge. To complicate matters, the unitary charge is calculated by reference to the properties occupied by DWP. Therefore as properties are vacated, the charge reduces even though our liability to third party landlords, for example, remains. This means that the unitary charge needs to compensate LST early on in the contract for a potential "tail" of liabilities running through to the contract end. When setting the unitary charge at the outset, this pattern was recognised and attractive to LST because, like all their contracts, it was evaluated on a cash IRR basis. However, to the extent that the DWP didn't vacate as quickly as they had intended, the premium being paid to compensate for future liabilities on vacation will have lasted longer and can be considered as additional profits.

So from all these elements of the unitary charge, Trillium has split out a rental component that relates just to the freehold and the valuable leaseholds and it largely ignores the income needed to compensate for the liability of the leasehold portfolio and vacation entitlement. It was only this rental component that Knight Frank valued.

As we indicated on 20th February, the initial yield of the DWP occupied properties was 6.4% of the value assessed by Knight Frank, allowing you to calculate the rental component at just over £50m pa. So how does that figure relate to the higher profit currently being made on the DWP contract? Just before I answer that, I want to show you how the DWP's vacation allowance relates to actual vacations to date and our current view on how the allowance will be used.

Slide 6 The red line in this graph represents the DWP's cumulative vacation entitlement, with the blue line representing their vacations to date plus our projection of how they will utilise their entitlement.

As I mention earlier, we would expect higher profits earlier on the DWP contract to help fund the cost of vacation and since the vacation is behind what we costed, we would expect additional profits for a while.

But what will be the shape of future profits?

Slide 7 As I stated in the interims, we would expect profitability on this contract to decline towards a return of 9-10% of capital employed of around £500m over the next four years or so. This includes margins on FM and lifecycle capital expenditure. From the end of this decade, this level of profitability is very similar to the property element valued by Knight Frank, which is represented by the red line here. Please note, I am not forecasting profits on this contract but using a graphical form to bring out the key issues. First of all, whether we perform better or worse than the green or brown lines depends on:

i. The speed at which DWP use their vacation allowance; and
ii. Which properties they vacate; and
iii. Our success at letting out the surplus space, in particular, the short leaseholds.

Secondly, we need to consider what items are missing from the graph.

On the accounting side, we have not shown the impact of: providing for the dilapidations (which we do five years out from contract end); the accelerated depreciation required for capital expenditure in the last few years as we depreciate certain elements of capitalised expenditure to the contract end only; the provision for surrenders in 2018; or, any gain on the disposal of operating properties at the end of the contract. Now, that explains how the accounting could materially change the shape of these lines, but what about cash flows? Why isn't Knight Frank's valuation a fair assessment of the contract's value? Well to a large extent it is. However, what the Knight Frank valuation doesn't capture is the degree to which our performance is above or below the red line; it doesn't capture the excess of capital expenditure over depreciation for the total portfolio (which runs at around £10m pa in the early years); it doesn't capture any payments for dilapidations and it also doesn't reflect any penalty for surrenders in the leasehold portfolio at the end of the contract, which will depend on the DWP's intention in 2018.

So to summarise, Knight Frank only valued one element of the DWP contract. Ultimately, the value extracted from the contract will be determined by our performance on managing vacation, particular around the leasehold portfolio, and what happens on contract termination in 2018.

Slide 8 The acquisition of SMIF presents some options in respect of how we account for our share of the underlying performance of SMIF's investments. You will be pleased to hear we have adopted the simplest approach, the implications of which I will explain in a minute.

As you know, our intention is to move swiftly to establish an infrastructure fund with outside investors alongside LST to own SMIF's existing investments. Therefore, we will hold the equity investments in our balance sheet on one line as "Assets held for sale" allocating our assessment of value to them. Individual SMIF investments will not currently be consolidated. The balance of consideration represents the amount we paid for the pipeline of SMIF opportunities and is therefore disclosed as "goodwill". Under IFRS, this goodwill is not authorised but assessed for impairment on a regular basis.

Turning to the income statement, the fees SMIF earns for asset management of the underlying projects will come through our income statement together with associated costs. Once the fund is established, and assuming we manage it, a fund management fee will also be recorded in the income statement. What is important to note is that our share of the underlying earnings of the SMIF investments will not be brought into our income statement while the interest cost of the acquisition will be. Instead the value of these earnings "accumulate" in the projects and, when the projects are sold into the fund, will come through the "profit or loss on sale of assets" line. Similarly, any dividends received from the underlying SMIF projects are used to reduce the carrying value of the assets held for sale, again only becoming visible in the income statement on disposal of the asset.

Clearly until the assets are transferred to this fund, the income statement is adversely affected by the full interest cost with no mitigating project income. It is likely that we will adjust for this in our calculation of Revenue Profit to give a fairer representation of underlying profitability.

With respect to future purchases of PPP assets, we will not consolidate the projects where it is our intention to transfer them to the fund within twelve months. Any synergies we achieve during our holding period from, for example, lower insurance costs or more efficient debt, will be reflected in our profit on transfer to the fund. Where we intend to own the PPP project for more than 12 months, we will be accounting for the acquisition in the same way as any other corporate purchase and so its assets, debt and income will be fully reflected in our financial statements.

Slide 9 In terms of assessing any additional value in LST's portfolio over book value, it is clearly too early to attribute a value for SMIF above its purchase price. The additional value will come through from the volume and pricing of new business secured. With respect to the DTR contract, represented here by the Metrix logo, while this is not yet signed, Mike

Schraer gave you an indication of the level of profits we can expect on that contract. On other new business, both Accor and Royal Mail will be accounted for as investment properties. This means they will be revalued every six months and any valuation change will come through the income statement.

I have outlined the value inherent in the individual LST contracts. You will judge the goodwill value in the LST business as a whole, particularly in light of the tremendous success we have had in securing new business in recent months.

RETAIL – Richard Akers

Slide 1 Welcome to the Retail presentation.

Slide 2 The purpose is to show that we can generate significant value and revenue growth in a challenging market.

Slide 3 We still have a similar number of shopping centres and retail parks and while the value has increased, it has not done so as fast as our central London assets and so the proportion of retail in our portfolio has fallen to 55%. But if you look back over a period of 2.5 years, we have had a massive expansion with nearly £2billion of acquisitions and almost doubling the number of shopping centres in our portfolio. The biggest of those acquisitions was our corporate acquisition of Tops Estates.

Slide 4 Tops had a portfolio of 7 shopping centres, one of which we sold within in 3 months of the deal and you can see from this slide that the portfolio has performed exceptionally well in the 15 months from acquisition to the end of September 2006 and has produced a strong relative performance against the quarterly shopping centre benchmark. Not only has the portfolio produced good investment returns, but it has also given us an immediate development opportunity at Willow Place in Corby. Just over a year ago, we felt that it was much harder to see value in new acquisitions and we decided to focus on expanding our development programme.

Slide 5 And since then we have started on site not only in Corby but on Christ's Lane is Cambridge the Elements in Livingston and most recently our largest ever scheme in the Retail portfolio, St David's 2 in Cardiff. As you can see from this slide, it now gives us a development programme of some £1.1billion which will produce cash rents of some £71million per annum over a programme, which stretches to autumn 2009.

Slide 6 The key longer term impacts on retail property are the growth in the floorspace supply pipeline and the diversion of sales to both online channels and to supermarkets who are increasingly devoting more floorspace to non-food categories. This diversion of sales in likely to account for a high proportion of retail sales growth, leaving less for traditional high streets and centres. While there is concern about the supply of additional floorspace, many of the statistics used just look at town centre space, which increases to about 4.9million ft^2 per annum (2007 to 2011) against a long term average of 3.9million ft^2 per annum, but this will be more than balanced by a reduction in out of town floorspace supply.

Our view is that most of the new floorspace will be successful, but that the diversion of sales will adversely impact secondary centres, leading to more differentiation between prime and secondary.

Retail sales picked up strongly in 2006 after a weak 2005 but life is still tough for retailers. There is some sign now that cost pressures and deflationary effects may be easing but retailers are also very competitive and they are still keen to acquire the best quality space in the best locations and this means that there is a healthy amount of leasing activity….

Slide 7 ……which is evidenced by the success that we have had in the first half of this financial year in retail leasing. This is the slide we provided for our half year results. It shows that we have achieved over £10million per annum of rent secured or agreed in our development programme and nearly £19million in the portfolio.

Slide 8 So what does this mean for our strategy? Well, our strategy is to continue to invest in dominant retail assets, to provide market leading levels of customer service and to expand our development programme and, in a market which is becoming more competitive, we need to invest in assets which are differentiated from the competition and provide destinations that people want to visit for reasons that go beyond the range of retail goods on offer.

Slide 9 At Gunwharf Quays there is a unique and special environment overlooking Portsmouth Harbour and a mix of uses which includes restaurants, leisure, offices, hotel and residential, in addition to the retail and a spectacular tourist destination, the Spinnaker Tower. At Bull Ring, whilst the use is primarily retail, it has become a recognised brand far beyond its shopping catchment area because of its design, scale and the iconic architecture of the Selfridges store and at Livingston we have created a unique variety of retail offer by developing a designer outlet centre in the town centre along with the mix of leisure and restaurant uses. As you can see, all of these properties have out performed our portfolio which in turn has out performed the shopping centre benchmark. All of these figures being annual return figures for 3 years to the 31 March 06.

Slide 10 We must also differentiate by our quality of service and that can really make a difference to value. At East Kilbride we have unified the management of the centre which used to be managed by different landlords and we introduced new ideas such as display cases for retailers in the malls. This was originally developed for Zara who were not particularly well known in Scotland and wanted to get their product and pricing to as may customers as possible. It was then expanded to a range of other retailers with huge success. This and other initiatives at East Kilbride has enabled us to increase our consumer satisfaction score from 85% to 98%, our occupier satisfaction score to 3.79/5 from 3.4/5 and to drive footfall ahead by 3.3% when the Scottish average fell in the same period by 5.6%.

Slide 11 Our development programme will also produce more special destinations because of their design, scale, mix of uses and integration, both physically and culturally with their surroundings. Our developments are proceeding on programme. We have 3 completions this autumn. Exeter, where we are 75% let or in solicitors hands, Cambridge (81% let) and Corby, which is on a much shorter programme, is on target with 40% let or in solicitors hands. Bristol and Livingston complete in autumn 2008 and Cardiff in 2009.

Slide 12 I'd like to give you a little more detail now on our most imminent opening which is Princesshay in Exeter . This is a scheme of over 500,000 ft^2 with an anchor store, new shops, 122 apartments and a significant proportion of restaurants and cafes and a massive increase in public realm in the city. The scheme fulfils all the criteria for generating higher returns in the future.

Slide 13 It will be the prime pitch in the city of Exeter which in turn dominates a large catchment area with relatively little competition. The city and the region are seeing above average levels of economic and population growth and it is a popular tourist destination.

Slide 14 We could have leased this scheme more quickly but we have given a lot of attention to tenant mix and avoiding relocations from within the city. The high street is the main mid market fashion area. We have created a young fashion destination with Zara and Top Shop and the main Princesshay Mall is identified for fashion leaders. We have also created an area and specification of unit to accommodate independent retailers and on Bedford Street, we have created an environment which accommodates household and lifestyle retailers along with restaurants and local retailers.

Slide 15 The real stand out for this scheme though is its contemporary design by three architects – Chapman Taylor, Wilkinson Eyre and Panter Hudspith and this design has received accolades from all the key stakeholder bodies.

Slide 16 This slide shows some photographs of some of the completed or virtually completed buildings within the scheme and I think that the variety of materials and form and the quality of these buildings comes thorough in the photographs.

The scheme has been designed with sustainability very much at the forefront. The retail part is being assessed under BREEAM as very good and the residential part very good under the Eco homes 2005 scheme. Some 85% of the waste from construction, including 23,000 tonnes of concrete have been re-used or recycled and the flexible build design will enable changes of use in the future.

Slide 17 Looking forward to our future development pipeline, we are working on numerous feasibility studies within the portfolio and this gives a selection of our opportunities. At Leeds Shopping Plaza which was also part of the Tops Estates portfolio we are planning major refurbishment alongside the Trinity Quarter development which together will create over 1million ft^2 in a city with one of the highest levels of retailer demand. In Liverpool we are investigating the reconfiguration of the St John's centre to improve the internal and the external environment in a location surrounded by the rail and bus infrastructure which when complete, will still be less than half the level of rent being quoted by the competition in the city. And in Aberdeen, we are progressing a series of initiatives which are now enshrined in supplementary planning guidance with Aberdeen City Council which will enhance our holding which we have jointly with British Land and sits between John Lewis and Marks and Spencer in the heart of one of the most economically buoyant cities in the UK.

Slide 18 We don't often talk much about the schemes where we haven't secured planning permission or anchor tenants, but this will give you a better flavour for what we are trying to achieve. Buchanan Galleries, held in a partnership with HGI, is a 600,000 ft^2 shopping centre in a prime position in Glasgow city centre and notwithstanding the fact that it is anchored by John Lewis, rental levels are only 80% of those in prime Buchanan Street. The architecture of the centre as you can see here is very civic partly as a result of the fact that it also includes Glasgow Royal Concert Hall. Our proposals, for which we are going to submit a planning application during the course of this month, will virtually double the centre in size and provide further parking, another anchor store and most importantly will open up views into the centre from the streets around and add significantly more food and beverage provision. This will give us the potential to take rents to a level equivalent to prime Buchanan Street.

Slide 19 In simple terms this is how we are going to achieve it. We will build new car parking above the existing Glasgow central bus station and connect that by new bridge link to the new extended centre, the site of the existing car park. This, together with a number of other packages of alterations, residential developments and improvements to the public realm will deliver the end product. We believe this will give us a similar quality product to Bull Ring which is appropriate considering that Glasgow and Birmingham are vying to become the number 2 retail location in the country after central London.

Slide 20 Finally I'd like to end up with a few comments about retail warehousing and some examples of our activities there. Out of town is a very attractive format for shoppers because of its excellent accessibility and convenience which together with the lack of new supply going forward means that we will see above average levels of rental growth. As with shopping centres, we believe there will be more differentiation between prime and secondary in both bulky and open consent parks in the future. We invested in retail warehousing very early and the penalty for this is that we have accumulated some massive capital gains. Whilst our total returns over the last 3 years have been strong, we are only marginally above the benchmark because of this constraint on sales. Since REIT conversion we have completed the sale of one park in Erdingon and we are marketing for sale a number of other retail warehouse assets. We have also being buying assets such as Westwood Cross in Thanet which is an open consent park anchored by Debenhams and Marks and Spencer. As with shopping centres, we will be recycling capital into development and into significant asset enhancement and Westwood Cross is a good example.

Slide 21 This is the shopping park with its car park in the foreground. We acquired the field in the immediate foreground and are currently under construction…

Slide 22 …with a leisure development including a bingo club and cinema together with four restaurants, but most importantly we are adding over 500 parking spaces to the complex.

Slide 23 As an example of asset enhancement, this is our holding in Edmonton. We own the three buildings in the middle of the slide with Mothercare at the top. The other two are occupied by Wickes and Courts and Wickes have now moved to the old Courts unit and we are about to commence the redevelopment of the Wickes unit…

Slide 24 …to create five smaller units.

Slide 25 And finally on retail warehousing, this is a plan of our development in Peterborough which is substantially pre-let to B&Q and Matalan and has some 8 acres of further expansion land. This will be completed in November of this year.

Slide 26 In conclusion, we have a focused strategy generating income growth and capital value growth with a quality portfolio which is maintaining footfall at higher relative levels than the national average, which has significant reversionary potential, and therefore built in income growth into the future and is of sufficient quality to generate higher than average rental growth going forward. That growth will be supplemented by the revenue profit growth from selected sales at yields below our cost of debt, for example the recent sale of The Gate in Newcastle will add £1.2million to revenue profits in 2008. And we have a major development programme which will deliver quality assets into the portfolio and some £71million per annum of rents. In summary, we are in a lower growth environment than we have been in the last 3 years and are operating in a challenging occupational market but we believe we have the right strategy to deliver value to shareholders in the medium term.

London – Mike Hussey

Slide 1 Good morning

Slide 2 Before I go on to discuss progress to date on the Portfolio and our strategy for the future - a brief summary of the Portfolio in London and key features

Slide 3 We set ourselves some basic parameters to work to as a unit which we believed would contribute superior returns to the Group

Slide 4 Some examples of this and in particular our ability to identify opportunities in the investment market for long term capital growth in emerging areas

Slide 5 The acquisition of assets close to others where development or active asset management is taking place which gives a greater opportunity to perform above normal market levels

Slide 6 This applies equally to exit strategy in markets that we believe have or are close to topping out in yield compression terms and where performance may be flat or at least below our target returns elsewhere in the portfolio

Slide 7 Pre-letting supporting the speculative development activity. Mitigating risk but securing superior returns

Slide 8 In other instances significant growth follows completion of the asset particularly when regenerating a whole area..

Slide 9 We also do both… the forward sale anchored our scheme at Bankside 1 and discussions on the letting of Bankside 2 and 3 will support the decision to defer lease up to nearer completion

Slide 10 Similarly at New Street Square a reconfigured scheme was commenced following a letting off plan to Deloitte – with phasing allowing us to spread our exposure to the letting market – we have now secured a further letting to Deloitte and Taylor Wessing leaving us with attractive space due to be delivered in the next year and available to let in an improving market.

Slide 11 As we move through the decade we are looking closer at the leasing prospects for new office accommodation and the ability to mitigate risk through provision of mixed use schemes, where appropriate.

Slide 12 We will continue to consider office schemes in the City of London that will offer exceptional accommodation and therefore continue to be in demand even in less buoyant market conditions.

Slide 13 We are starting to direct our next phase of developments to areas outside the City, like the West End where we are planning a number of high quality mixed use schemes and introducing a residential component.

Slide 14 In the City, we have made specific decisions to refurbish as opposed to develop, where delivery timing is considered a key issue.

Slide 15 Looking to the future, our holdings in Victoria will undergo a transformation (which started with Cardinal Place) and will continue with the Victoria Transport Interchange – which is currently in public consultation and the Victoria Street masterplan which is at concept stage.

In our view these proposals will integrate Victoria with the core West End with the added benefit of enhanced and improved transport connections, additional retail and residential provision around new public areas and high quality office accommodation.

Slide16

Slide 17 The graph demonstrates how our decision to commence development in 2003 for delivery in 2006/2007 has tracked through to a period of low availability of high quality stock. Our confidence in our product has been rewarded by exceptional returns.

Slide 18 Of course the market is an ever-changing landscape and we have constantly warned of the consequence of over supply, particularly in the City market where it is possible to deliver significant levels of new space from an already massive list of extant planning consents. Our strategy has been to address this and deliver either to a faster timeframe or ensure that our product is exceptional and differentiated from the competition.

This graph demonstrates the potential supply characteristics and why we have faith in our decision to orientate the activity at the turn of the decade to mixed use development activity in the West End. What we will be watching carefully is the level of new development starts in the City of London in the next 12 months.

Ebbsfleet Valley - Robyn Pyle

Slide 1 Thank you Mike and may I extend a warm welcome to you all to the Observatory.

In the first part of this presentation I will spend a little time on the context for our development here at Ebbsfleet Valley following which I will hand over to Adam Cunnington who will take you through some of the detail of our proposals.

Slide 2 I thought it would be helpful and to start with how the Urban Community Development Team fits within Land Securities.

Our primary area of activity is focused on long term large scale residentially led mixed use development which delivers above average returns for Land Securities. We achieve this in two ways, firstly the use of scale as a means of creating premium values and secondly, by using the strength of Land Securities balance sheet to compete effectively for new opportunities.

Whilst outside of the core Central London and Retail business units our activities are more complimentary to Trillium and a good example of this was the MoDEL prime plus contract which we competed for last year under the Trillium banner.

In terms of geography our main area of operation lies within the South East of England and in addition to the Kent Thameside projects we have a site in Cambridge and also a 1600 acre site adjacent to Stanstead Airport.

We continue to actively seek new opportunities within the south east region.

Side 3 You will see from this slide Kent Thameside is located approximately 18 miles to the East of Central London and is identified within the Government's Thames Gateway strategy as a primary growth area.

Slide 4 Whilst already well connected this will be further improved with the opening of the Channel Tunnel Rail Link in November of this year.

This will give direct access from Ebbsfleet to Europe with journey times to Paris and Brussels significantly reducing. More importantly the provision of high speed Domestic Services to St Pancras starting in 2009 will reduce the journey time into St Pancras from Ebbsfleet to around 17 minutes.

Slide 5 You will have seen as you came down on the coach the significant roads works that are currently being undertaken to widen the A2 to four lanes in each direction and improve the junctions to the M25.

In addition Fastrack the new dedicated route public transport system for Kent Thameside is up and running and achieving patronage levels in its first year in excess of 50% of its initial projections. This will be a major driver of model shift from car use to public transport.

For a change we really do have investment being made into infrastructure ahead of the start of development.

Slide 6 Overall Land Securities owns or has the development rights over approximately 1450 acres (587 hectares) in Kent Thameside.

These include;
Crossways, the balance of which we sold to Legal & General last year;
Waterstone Park, where we have a development agreement with Countryside for the development of approximately 650 new homes
Swanscome Peninsular, where we hold development rights granted to us by Lafarge to provide a mixture of new homes and employment space and of course;
Ebbsfleet Valley itself which runs from Bluewater to the west to Springhead to the East.

Slide 7 The origins of regeneration of the East of London date back to the mid 1980's and were initiated by Michael Heseltine's proposals to create the East Thames Corridor.

In Kent Thameside the vision for the area was first articulated by the Kent Thameside Association which published in 1995 its vision for the area called "Looking to the Future" and it is a tribute to those involved in this in this document that many of the principals that they set out then have stood the test of time. These ambitions were recognised in Regional Planning Guidance 9A again published in 1995 and has resulted in site specific allocations coming through the Dartford and Gravesham Local Development Frameworks.

More recently our proposals for Ebbsfleet Valley have been recognised by the Thames Gateway Executive as one of the four key economic drivers for the Thames Gateway. The others include Statford City, Canary Wharf and the Thames Ports.

Slide 8 So let me turn to Ebbsfleet Valley itself.

This aerial photograph shows the extent of the site and you will see clearly in the foreground the route of the CTRL high speed rail link, the station and some of the associated car parking..

Slide 9 In total the combined sites of Ebbsfleet and Eastern Quarry extend to just over one thousand acres (405 hectares)

At Ebbsfleet we own 48.5% of the development area resulting from the 50/50 joint venture arrangement with LaFarge and a land equalisation agreement with a minority land interest. In addition to that there is a profit sharing arrangement with The Secretary of State in respect of the Ebbsfleet project as a whole.

At Eastern Quarry we own 96.2% of the development area, the balance again being subject to a land equalisation agreement with a minority land interest.

Slide 10 Outline planning permission for Ebbsfleet was granted in November 2002 for a total of 8.5 million square feet which includes a mix of employment, residential, retail, leisure and community uses.

Following the grant of outline planning, the next stage of the planning process is to obtain what are called 'Quarter Master Plans'. These effectively provide the context in which subsequent Detailed Planning Applications are set. In September 2003 the Springhead Quarter Master Plan was approved for around 1.1 million square feet, which in turn has enabled detailed planning permission to be granted for our first phase of residential development, at Springhead. We are developing this in joint venture with Countryside Properties and we will be on site later this month.

In May last year we submitted our second Quarter Master Application, this time in respect of the Station Quarter South Area. We expect a decision on this in early summer.

Work is currently ongoing in respect of our other of the remaining two Quarter Master Planning Applications.

Slide 11 At Eastern Quarry we submitted outline planning permission in January 2003 for a total of 9.4 million square feet made up of 6250 new homes, up to 1.3 million square feet of employment space and 1.2 million square feet of retail, leisure and other uses.

Whilst Dartford Borough Council resolved to grant permission in July 2005, the planning permission itself has still to be granted. The delay results from a combination of the time taken to conclude negotiations on the planning gain package and dealing with concerns from the Highways Agency in respect of the scale of development in the Kent Thameside area and the impact that this would have on the A2

Slide 12 So let me wind up my part of this presentation by reviewing the progress we have made to date and talking about some of the barriers still to be overcome.

Achievements include;

The multi-utilities agreement reached with EDV and Thames Water which will provide a single point of contact for the provision of all utilities throughout Ebbsfleet Valley. This will give us significant advantage in that we can manage the delivery of utility infrastructure exactly tailored to our development programme.

As you will see outside, we are well advanced on the completion of our first Earthworks package to create the East Village development platform for Eastern Quarry.

The new Ebbsfleet International Station is complete and will be open to passengers in November this year.

Finally we have reached an agreement with BT to deliver fibre optic links, not just to the new businesses that will come to Ebbsfleet Valley but also to every single new home.

But there are still barriers.

There is huge inertia in the planning system.

We continue to have concerns on the lack of central Government coordination in terms of aligning inter-departmental strategies to meet the DCLG objectives for the Thames Gateway as a whole and Kent Thameside in particular.

Finally, of course, the delays that we have experienced as a result of the consequences of the Highways Agency position on the A2.

Despite this, we remain convinced that the Government remains committed to the growth of Kent Thameside and in particular the delivery of Ebbsfleet Valley. On that positive note, let me hand over to Adam Cunnington.

Ebbsfleet Valley – Adam Cunnington

Slide 14 Thank you Robyn. I will now talk through the details of the project finances phasing and key value drivers.

Slide 15 This shows the master plan as it stands today consisting of a number of zones, each with a differing range of mixtures of uses and density. Eastern Quarry on the left is predominantly residential with a community focus, whilst Ebbsfleet on the right hand side of the slide has a commercial bias, with greater density levels as you approach the station. The CTRL line is evident running north south through the Ebbsfleet site with the Station building located towards the north. Running east west, the Fastrack route is clearly evident through the Eastern Quarry development and connecting with Ebbsfleet Station and beyond. The Fastrack stops become localised hot spots of development with higher areas of density and the provision of local schools, community facilities and shops to serve residents and to provide the greatest levels of patronage to Fastrack. It is a key underpinning element of our master-plan and means that residents of Ebbsfleet Valley will be able to treat the car as an option and not as a necessity. The differing range of offers associated with the different zones of the development allow a number of development areas to be delivered simultaneously whilst providing a comprehensive mix and range of product types. The following slides show how this may be delivered.

Slide 16 This next set of four slides illustrate our approach to phasing over the next 5 years. This first slide shows the works anticipated to take place within the next year to two years. In the south east corner of the site residential development at Springhead in joint venture with Countryside Properties will commence, preceded by early landscaping and infrastructure works. In the southern part of Ebbsfleet we anticipate early landscaping and infrastructure works to be undertaken to release the mixed use, but residentially led plots within Development Zone 4. Similarly in Eastern Quarry beyond the current round of earthworks that we are close to completing, we plan to undertake early landscape and infrastructure packages in order to release subsequent development plots.

Slide 17 2008/9 sees ongoing development in Springhead, the delivery of the first phases of development in Development Zone 4 and also in Eastern Quarry. In Development Zone 4, a mixed use block containing residential, local retail and leisure uses with the potential for a small hotel and some small scale local office provision is anticipated. In Eastern Quarry the first phase is residentially dominated with the first homes being delivered in the high value lakeside setting. Elsewhere infrastructure is being prepared for Development Zone 3 adjacent to Ebbsfleet Station in readiness for the launch of the domestic rail service and a phase of development to coincide with this.

Slide 18 2009/10 sees ongoing development in Springhead, continued roll out of residential product in Development Zone 4 and further residential development in Eastern Quarry, including both the local centre and associated primary school. Adjacent to the Station the first large scale mixed use phase is anticipated being a combination of higher density hotel, retail, leisure, office and residential uses.

Slide 19 20010/11 sees consolidation of all these four phases of development as critical mass grows and the impact of the CTRL domestic services takes effect.

Slide 20 To summarise this roll out in terms of the overall delivery of development this table shows a relatively soft start as the early infrastructure is delivered and the range of development faces is established and launched. Output rises steadily over the second four year snap shot, before reaching a peak and then easing back toward the end of the project. This schedule also helps to give an indication of our current expectation in terms of the likely mix of uses on each of the sites. The table is set up to show four yearly snap shots over the key 20 year period when the vast majority of the development takes place with the remainder falling into the 2023 and beyond column.

Slide 21 One of the key elements in differentiating Ebbsfleet Valley from the range of other sites likely to be coming forward concurrently both within the Thames Gateway and the other growth areas is to build upon both the inherent USPs of the site and also to construct a compelling offer that will be attractive both to residential and commercial occupiers. In doing so the success of the early phase will be critical in driving the long term value growth on the site and achieving the premium value levels that we believe the site to be capable of.

Clearly to both residential and commercial occupiers, the range of international, national and local transport connections will be a key feature of the site. Similarly investment in high quality buildings, landscape and public realm, together with a strong life style and supporting amenities offer will be highly attractive.

In the residential context we believe that our offer will provide an opportunity to increase the traditional catchment for residential development in the area and to grow to a wider regional catchment including Greater London. In additional a growing environmental awareness amongst home buyers will enable Ebbsfleet Value to play to its strengths as a public transport oriented, mixed use, highly sustainable development. On the commercial front the ability to provide a quality product offer together with a strong local employee base and coupled to lower occupation costs than London, without diminution in accessibility to London, will give us a clear market positioning. Building equally upon the sustainability agenda and the need for corporations to be visibly seen to occupy environmentally friendly buildings within sustainable locations will allow us to capitalise upon the natural asset of Ebbsfleet. The ability to couple this with a range and mix of tenure offers and to target those offers to specific occupiers will build a compelling case for office occupiers.

Slide 22 Exploring this potential for value growth within the residential market further, the map shown here represents average residential values in 2006 the darkest colours showing an average sale price over £350,000 and the lightest colours within the range of £100,000 to £150,000 is clear to see that Ebbsfleet Valley sits within an area that currently realises relatively low residential values whilst only a few miles to the south, a growing area of high value residential properties is to be found. The opportunity that this affords is to push Ebbsfleet Valley to become closer in real terms to the values achieved in the likes of Sevenoaks and Tonbridge than is currently otherwise experienced.

Slide 23 To set this in some context, this graph shows average house price relative to household income within Dartford, the South East and England. It can be seen that whilst average house price in Dartford is broadly the same as the average house price in England, they are substantially more affordable relative to income than the rest of England. If the same multiple of house price to household income is applied to Dartford as prevails within the Greater South East, then it can be seen that there is inherent head room within the Dartford market to bring Dartford up to the average house price within the South East without exceeding the wider income multiple, giving in the region of £45,000 worth of additional value to be generated.

Slide 24 The impact of any rise in residential sales values both in terms of land and residential units is shown on the attached table. This shows that on the assumption that the cost base remains fixed, every £25 per square foot of value that can be added to the price of a residential property can generate in the region of £600,000 of additional value per acre or £26,000 per unit and that this increases pro rata for every additional pound of value added to the sales price. Since our last presentation in 2003 the base line average sales value has increased from approximately £225 per square foot to the £275 per square foot shown as the base case in this table.

Slide 25 To set these value slides into context I will set out now some of the expenditure forecast and scenarios. This slide shows the high and low capital expenditure scenario for both Ebbsfleet and Eastern Quarry. The high capital expenditure scenario sets out the full forecast range of costs including all residential uses and infrastructure. The lowest scenario assumes that all projects are undertaken in joint venture and assumes therefore that 50% of all build and infrastructure costs are shared with the JV partner, but, in exchange, a management fee is paid to the JV partners which forms part of these costs. One change to note since our 2003 presentation is that these figures now exclude the development of the land owned by second site.

Slide 26 Again, this schedule is set out in four yearly windows which correspond to those set out on the earlier phasing slide. The breakdown of costs across the project is shown on this slide in percentage terms reflecting the balance of uses within Ebbsfleet and Eastern Quarry and include an even apportionment of infrastructure costs across the uses.

Slide 27 This slide sets out the key heads of expenditure on infrastructure. For those who may recall the 2003 schedule, we have used the same cost heads and it is worth explaining briefly some of the differences between the 2003 figures and those shown today. The Ebbsfleet infrastructure costs show a substantial reduction, the key reason for this being the adoption of a different strategy to deal with the relocation of CTRL car parking associated with Ebbsfleet station. The previous plan had allowed for a 3 level podium structure to be created adjacent to the station beneath which many of the CTRL car parking spaces were to have been accommodated the costs of which were contained within the development platform section of the budget. The CTRL and car parking section at the bottom previously covered only those CTRL car parking spaces that were contained within freestanding deck structures. Today the full cost of the CTRL car parks is contained within the CTRL car parking section as all are anticipated to be free standing car park decks. The development platforms section therefore represents only those works that are required to enable the development to straddle the railway lines together with localised associated earthworks.

Within the Eastern Quarry cost breakdown in addition to four years worth of cost inflation, there has been a greater level of topographical modelling and site investigation works that has enabled us to refine our earthworks strategy, together with incremental changes in the forecast cost plan, resulting in a small overall increase in forecast infrastructure budget.

Slide 28 We conclude the presentation with an image of what Ebbsfleet Valley might look like in 25 years time. I will now hand back to Mike Hussey who will close and respond to any questions, thank you.