

LAND SECURITIES' CORPORATE FINANCE
DIRECTOR STEPHEN LEUNG AND
ITS TREASURER SEAN WEST TALK TO
JULIA BERRIS.



Building success

PHOTOGRAPHER: ROGER HARRIS

STEPHEN LEUNG
Corporate Finance Director

Working for a company with a £13bn property portfolio, Corporate Finance Director Stephen Leung (pictured, left, opposite) needs to contribute to making it the leader in its industry. So far, he seems to have done all the right things.

In 2005 Land Securities was the overall winner of the ACT's Deals of the Year Awards for its £2bn revolving credit finance. The company is well known for innovative deals which help shape the industry it operates in.

A key player in that deal, Stephen Leung says he has enjoyed helping define a company strategy that has made significant changes to how he and his colleagues operate. "Land Securities has changed in terms of business strategy, so I had to look at everything afresh," he says.

Leung also played an important part in a major debt restructuring in November 2004, giving the company the flexibility it needed to develop its business strategy.

"The process involved replacing legacy debt with a new secured structure," he explains. "The old approach had become very inflexible. The mixture of unsecured and secured debt did not sit easily with the ratings world. The restructuring has secured a debt platform with a substantial reduction of cost. It has also given us the flexibility in the business that we were looking for."

Leaving his role within treasury, Leung has branched out into the commercial side of the business and moved over to business development, where he has experienced a different side of Land Securities.

He says: "I initially had a secondment to business development which has recently become permanent. My role in treasury and corporate finance involved supporting business development. For example, if there was an acquisition in progress, the treasury department would undertake some of the due diligence, etc."

"My switch to business development enabled me to have a more front-end role, where I am sourcing new opportunities. It has been very interesting because a lot of the skills I learnt in treasury work well with this side of the business. The financial skills learnt within treasury complement the required skill set of business development."

Leading lights

With nearly £13bn of commercial property in its portfolio, Land Securities is a market leader, with the likes of Piccadilly Lights, Scotland Yard and the Home Office on its books.

The company was founded in 1944 by Harold Samuel when he purchased Land Securities Investment Trust. At the time the company owned three houses in Kensington and some government stock. The company grew and made its name by purchasing London property and by its involvement in the development of post-war London.

Land Securities currently owns 30 shopping centres, including the Bullring, Birmingham, 30 retail parks and 11 supermarkets, and other retail development projects totalling 364,000 square metres. It also owns office space across the capital.

Land Securities is quoted on the London Stock Exchange and is a FTSE 100 company.

Leung started his career as an accountant at Deloitte and Touche in 1988 and moved into treasury when he was employed by business and technology company EDS in 1995.

He explains: "I suppose I got into the nuts and bolts of the role at EDS. It operated an in-house bank, so it dealt with all the funding of overseas operations and foreign exchange. The benefit of working in that company was that I was able to move to other positions quite easily in the large treasury department."

Leung then moved to corporate finance at EDS and found the increased focus on supporting business units a challenge that gave him an opportunity to expand his knowledge and career.

He says: "You are delivering a lot more when you are actually helping the

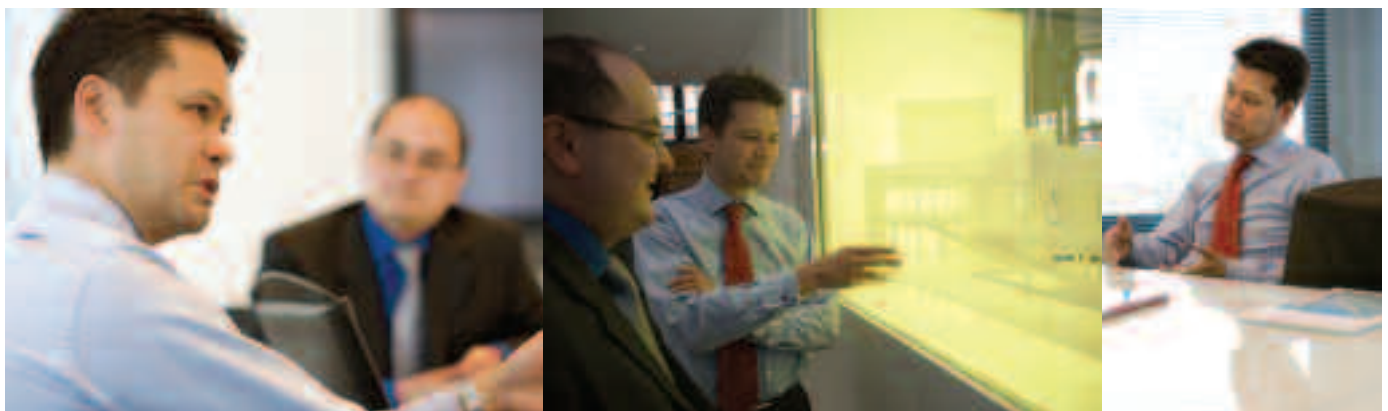
business. EDS's focus is on winning IT contracts, including some major PFI deals; my role was to find ways to efficiently fund the capital for the various projects."

Spending some time working in IT project finance led Leung to Trillium, which was bought by Land Securities in 2001. He says: "I was there for two years before moving to the Land Securities team and I feel that I joined at a very interesting time because they very much wanted to expand the business."

A key deal for Trillium and Leung was Telereal, which acquired the majority of BT's UK property estate – 600-700 properties. "It was a complex securitisation," Leung says. "At one point it was the largest single tenant securitisation ever. It was certainly the biggest challenge of my career before I came to Land Securities."

Leung feels his switch to business development was a natural progression. "I have certainly got closer to working with property teams and it has really increased my knowledge of the industry," he says.

The property market is witnessing some significant changes at the moment, which may have an effect on Land Securities. For example, the government's Real Estate Investment Trusts (REITs) will put property companies on a level playing field with direct investors; in return for paying a conversion charge of 2% on the gross value of property assets REITs will be exempt from both corporation tax and capital gains tax on their qualifying properties. "This is a major change in the industry and will be positive for the quoted property," says Leung.



SEAN WEST

Treasurer

Being a treasurer in this kind of company is a unique position, explains Sean West, who joined the company in May 2004. "The exciting thing is that this business is very much transaction-based, and accordingly there is an interesting cocktail of deals to be done," he says. "For example, the corporate acquisition of Tops Estates in June 2005 involved the redemption and repayment of the embedded debt."

Land Securities is an innovative company. West explains that the treasury department echoes this corporate ethos in the way it supports the business. "For us, it is always about trying to support the business as best we can," he says. "Land Securities is very focused on not selling a boxed product to its customers. Flexibility is important to the commercial side of the company, so you have to be able to build that into the treasury function and the transactions that you execute."

Soon after West joined the company he was quickly put to work on restructuring of the company debt in November 2004.

Using innovative instruments in finance has been a challenge that West has enjoyed while treasurer at Land Securities. "It takes a considerable amount of effort to introduce a new structure," he explains. "The market was used to things being done in a certain way. November 2004 was quite different and we had to undertake extensive investor education to ensure investors and other stakeholders understood why we were doing the things that we had chosen to do."

West and his team have treasury policies clearly aligned with an overarching business strategy of flexibility and forward thinking.

He says: "In terms of our funding structure we try to ensure that the finance we put in place supports the commercial activities, is cost-effective, and maximises our return to shareholders. In terms of risk management we try to keep our interest rate exposures fixed to a minimum of 80%, and we adopt a three to five-year view."

Working for an almost wholly UK company West and his team have few dealings with foreign exchange. West's team work in line with the project finance team who often deal with joint venture

Results for year-end March 31

Land Securities' latest results show a successful year:

- A combined portfolio valuation increase of 15.3% from £9.4bn in 2005 to £12.9bn. Retail warehouses increased by 14.1%, shopping centres by 12% and London offices by 19.7%.
- Pre-tax profits rose by 80.4% from £1,307.5m in 2005 to £2,359.2m. This includes the surpluses and an exceptional profit of £293m on the sale of the share in Telereal.
- Revenue profit increased by 8.2% from £361.8m to £391.3m.
- Acquisitions included Tops Estates and the LxB portfolio.
- London offices have seen a 19.7% increase in value. The company acquired 15 properties at a total cost of £643.4m.
- The Trillium business has gone through significant changes with the sale of Telereal, investing the released capital into new sectors such as defence and education.

businesses, which are common in the property industry.

He says: "Often the important question is, do we raise finance in our core-funded vehicle or provide some specific asset-backed financing? This is something we decide on a case by case basis."

The treasury team is split into different sections who take care of different elements of treasury. West's team is made up of four people, who arrange the funding, risk management and operations of the group.

He says: "We also have someone who focuses on the legal and compliance issues that are associated with our secured funding programme. Our front and back-office departments are completely separate."

West started his career working for Westpac Banking Corporation in Sydney, Australia, where he did much of his banking education and training, which stood him in good stead for moving overseas.

He says: "I moved to the UK six years ago from Sydney. When you want to develop a career in the financial markets, the UK is the place to be."

West joined the treasury team at Railtrack in 2000 and dealt with a wide range of treasury issues, such as operations, dealing and financing.

He says: "When Railtrack went into administration in 2001, I remained with the company through this period, and worked on the financial structuring of the replacement company, Network Rail."

During his time at Network Rail, West played an integral role establishing the company's funding programmes, working on risk management and regulatory corporate finance work.

He then moved to Land Securities at an exciting time, benefiting from the company developments and modern attitude that the company embodies.

As Land Securities develops in the ever-changing climate of the property market, West is looking forward to exciting times ahead with the treasury team.

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