

4. Segmental information

Group	2008					2007				
	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Trillium £m	Total £m	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Trillium £m	Total £m
Income statements										
Rental income	271.2	329.1	9.6	–	609.9	279.2	311.6	8.7	–	599.5
Service charge income	47.3	53.3	0.6	–	101.2	46.8	48.6	0.3	–	95.7
Property services income	–	–	–	761.0	761.0	–	–	–	785.9	785.9
Trading property sale proceeds	1.3	40.0	2.3	–	43.6	–	33.1	29.0	1.7	63.8
Long-term development contract income	–	–	26.3	–	26.3	–	28.9	51.8	–	80.7
Finance lease interest	2.9	5.9	–	10.4	19.2	3.5	5.9	–	6.1	15.5
Revenue	322.7	428.3	38.8	771.4	1,561.2	329.5	428.1	89.8	793.7	1,641.1
Rents payable	(11.0)	(5.3)	–	(175.1)	(191.4)	(11.3)	(4.9)	–	(179.9)	(196.1)
Other direct property or contract expenditure	(64.7)	(72.6)	(1.0)	(403.6)	(541.9)	(67.7)	(62.1)	(0.8)	(469.0)	(599.6)
Indirect property or contract expenditure	(32.6)	(29.4)	(4.0)	(13.7)	(79.7)	(31.6)	(30.9)	(5.8)	(16.3)	(84.6)
Long-term development contract expenditure	–	–	(24.3)	–	(24.3)	–	(26.1)	(40.3)	–	(66.4)
Bid costs	–	–	–	(11.9)	(11.9)	–	–	–	(2.8)	(2.8)
Cost of sales of trading properties	(0.9)	(38.9)	(1.0)	–	(40.8)	(0.1)	(28.7)	(20.9)	(0.5)	(50.2)
Depreciation	(2.2)	(5.2)	(0.4)	(38.0)	(45.8)	(1.5)	(4.9)	(0.1)	(26.4)	(32.9)
Underlying operating profit	211.3	276.9	8.1	129.1	625.4	217.3	270.5	21.9	98.8	608.5
Profit on disposal of non-current properties	16.4	40.9	–	18.1	75.4	28.5	81.7	0.5	7.5	118.2
Net (deficit)/surplus on revaluation of investment properties	(671.2)	(464.7)	(9.5)	(24.9)	(1,170.3)	293.6	1,022.0	5.6	(13.6)	1,307.6
Segment result	(443.5)	(146.9)	(1.4)	122.3	(469.5)	539.4	1,374.2	28.0	92.7	2,034.3
Demerger costs					(9.8)					–
Unallocated expenses					(13.0)					(13.6)
Operating (loss)/profit					(492.3)					2,020.7
Net interest expense (note 6)					(295.0)					(220.9)
					(787.3)					1,799.8
Share of the (loss)/profit of joint ventures (post-tax)										
– Retail Portfolio					(92.6)					182.5
– London Portfolio					(14.4)					–
– Other investment portfolio					5.9					–
– Trillium					0.1					(3.2)
					(101.0)					179.3
Share of the loss of an associate undertaking (post-tax)					(0.5)					–
(Loss)/profit before tax from continuing activities					(888.8)					1,979.1

Included within rents payable is finance lease interest payable of £2.0m (2007: £1.9m) and £2.8m (2007: £3.1m) respectively for Retail Portfolio and London Portfolio.

All of the share of the loss of an associate undertaking is attributable to Trillium.

4. Segmental information continued

Group	2008					2007				
	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Trillium £m	Total £m	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Trillium £m	Total £m
Balance sheets										
Investment properties	4,615.9	7,069.6	48.8	562.4	12,296.7	5,497.7	7,329.4	64.6	427.6	13,319.3
Operating properties	–	–	–	544.8	544.8	–	–	–	551.5	551.5
Other property, plant and equipment	8.0	7.0	4.7	53.9	73.6	9.3	8.3	5.0	55.6	78.2
Net investment in finance leases	53.2	104.8	–	175.7	333.7	63.0	104.0	–	95.4	262.4
Goodwill	–	–	–	148.6	148.6	–	–	–	129.6	129.6
Investments in Public Private Partnerships	–	–	–	25.4	25.4	–	–	–	–	–
Investment in an equity accounted associate	–	–	–	42.9	42.9	–	–	–	–	–
Investments in equity accounted joint ventures	1,370.2	9.0	26.3	5.1	1,410.6	1,315.9	–	17.9	5.0	1,338.8
Trading properties and long-term development contracts	16.5	24.5	128.0	4.0	173.0	–	41.4	106.2	0.7	148.3
Trade and other receivables	203.1	390.0	23.3	221.3	837.7	185.9	220.3	27.7	207.5	641.4
Non-current assets classified as held for sale	–	–	–	664.1	664.1	–	–	–	2,420.3	2,420.3
Segment assets	6,266.9	7,604.9	231.1	2,448.2	16,551.1	7,071.8	7,703.4	221.4	3,893.2	18,889.8
Unallocated assets					64.0					53.1
Total assets					16,615.1					18,942.9
Trade and other payables	(249.2)	(253.2)	(24.1)	(338.2)	(864.7)	(286.7)	(160.8)	(20.0)	(281.8)	(749.3)
Provisions	–	–	–	(77.6)	(77.6)	–	–	–	(80.7)	(80.7)
Liabilities directly associated with non-current assets classified as held for sale	–	–	–	(427.7)	(427.7)	–	–	–	(1,601.0)	(1,601.0)
Segment liabilities	(249.2)	(253.2)	(24.1)	(843.5)	(1,370.0)	(286.7)	(160.8)	(20.0)	(1,963.5)	(2,431.0)
Unallocated liabilities					(5,662.2)					(5,720.6)
Total liabilities					(7,032.2)					(8,151.6)
Other segment items										
Capital expenditure	220.1	368.3	0.2	51.7	640.3	148.5	357.1	0.3	39.6	545.5

All the Group's operations are in the UK and are organised into four main business segments against which the Group reports its primary segment information. These are Retail Portfolio, London Portfolio, Other investment portfolio and Trillium.

Company

The Company's business is to invest in its subsidiaries, and therefore it operates in a single segment.

6. Net interest (expense)/income

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Interest expense				
Bond and debenture debt	(195.1)	(173.1)	–	–
Bank borrowings	(136.4)	(89.6)	–	–
Other interest payable	(2.2)	(1.2)	(26.6)	(3.4)
Fair value losses on interest rate swaps	(21.9)	–	–	–
Provision discounting (note 26)	(1.6)	(1.0)	–	–
Amortisation of bond exchange derecognition	(7.6)	(17.1)	–	–
Interest on pension scheme liabilities	(8.1)	(7.6)	–	–
	(372.9)	(289.6)	(26.6)	(3.4)
Interest capitalised in relation to properties under development	48.5	32.3	–	–
Total interest expense	(324.4)	(257.3)	(26.6)	(3.4)
Interest income				
Short-term deposits	4.1	1.5	–	–
Other interest receivable	1.3	2.4	14.7	5.7
Interest receivable from joint ventures	15.0	8.5	–	–
Expected return on pension scheme assets	9.0	8.6	–	–
Fair value profits on interest rate swaps	–	15.4	–	–
	29.4	36.4	14.7	5.7
Total interest income	29.4	36.4	14.7	5.7
Net interest (expense)/income	(295.0)	(220.9)	(11.9)	2.3

Included within rents payable (note 4) is finance lease interest payable of **£4.8m** (2007: £5.0m).

9. Income tax (credit)/expense

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Current tax				
Corporation tax expense/(credit) for the year	10.3	68.8	(6.6)	0.7
Adjustment in respect of prior years	(17.9)	(0.6)	–	–
Corporation tax in respect of property disposals	0.5	32.0	–	–
Real Estate Investment Trust conversion charge	–	315.0	–	–
Total current tax (credit)/expense	(7.1)	415.2	(6.6)	0.7
Deferred tax				
Origination and reversal of timing differences	(3.4)	32.9	–	–
Released in respect of property disposals	–	(18.8)	–	–
On valuation surplus	–	330.7	–	–
Released on conversion to a Real Estate Investment Trust	–	(2,309.2)	–	–
Total deferred tax credit	(3.4)	(1,964.4)	–	–
Total income tax (credit)/expense in the income statement	(10.5)	(1,549.2)	(6.6)	0.7

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

(Loss)/profit on activities before taxation	(888.8)	1,979.1	(21.9)	2.3
(Loss)/profit on activities multiplied by the rate of corporation tax in the UK of 30%	(266.7)	593.7	(6.6)	0.7
Effects of:				
Deferred tax released in respect of property disposals	–	(18.8)	–	–
Corporation tax on disposal of non-current assets	6.3	6.0	–	–
Joint venture accounting adjustments	0.9	(44.2)	–	–
Prior year corporation tax adjustments	(17.9)	(0.6)	–	–
Prior year deferred tax adjustments	(2.9)	1.1	–	–
Non-allowable expenses and non-taxable items	19.8	7.9	–	–
Real Estate Investment Trust conversion charge	–	315.0	–	–
Deferred tax released on conversion to a Real Estate Investment Trust	–	(2,309.2)	–	–
Exempt property rental profits in the year ended 31 March 2008	278.9	–	–	–
Exempt property gains in the year ended 31 March 2008	(28.9)	–	–	–
Exempt property rental profits in the three months ended 31 March 2007	–	(89.8)	–	–
Exempt property gains in the three months ended 31 March 2007	–	(10.3)	–	–
Total income tax (credit)/expense in the income statement (as above)	(10.5)	(1,549.2)	(6.6)	0.7

Land Securities Group PLC elected for group Real Estate Investment Trust (REIT) status with effect from 1 January 2007. As a result the Group no longer pays UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. On entering the REIT regime an entry charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business was payable. Deferred tax accrued at the date of conversion in respect of the assets and liabilities of the qualifying rental business was released to the income statement, as the relevant temporary differences are no longer taxable on reversal. An equivalent release of deferred taxation was also made by the joint ventures, of which the Group's share was £98.0m.

The calculation of the Group's tax expense and liability necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a formal resolution has been reached with the relevant tax authorities. If all such issues are resolved in the Group's favour, provisions established in previous periods of up to £216.0m could be released in the future.

11. (Loss)/earnings per share

Group	2008 £m	2007 £m
(Loss)/profit for the financial year	(878.3)	3,528.3
Revaluation deficits/(surpluses) net of deferred taxation – Group	1,170.3	(976.9)
– joint ventures	134.2	(54.5)
Profit on non-current property disposals after current and deferred tax	(67.8)	(105.2)
Mark-to-market adjustment on interest rate swaps (net of deferred tax)	22.4	(13.7)
Demerger costs (net of taxation)	6.9	–
Prior year non-revenue tax adjustments	(16.2)	–
Deferred tax arising from capital allowances on investment properties	–	11.7
Deferred tax arising from capitalised interest on investment properties	–	5.8
Real Estate Investment Trust conversion charge	–	315.0
Deferred tax released on conversion to a Real Estate Investment Trust – Group	–	(2,309.2)
– joint ventures	–	(98.0)
EPRA adjusted earnings	371.5	303.3
Eliminate effect of debt restructuring charges (net of taxation)	1.9	13.4
Eliminate effect of bond exchange derecognition (net of deferred tax)	7.6	13.3
Adjusted earnings	381.0	330.0
	Number million	Number million
Weighted average number of ordinary shares	470.6	469.8
Effect of own shares and treasury shares	(5.4)	(1.6)
Weighted average number of ordinary shares after adjusting for own shares	465.2	468.2
Effect of dilutive share options	1.1	1.9
Weighted average number of ordinary shares adjusted for dilutive instruments	466.3	470.1
	Pence	Pence
Basic (loss)/earnings per share	(188.80)	753.59
Diluted (loss)/earnings per share	(188.80)	750.54
Adjusted earnings per share	81.90	70.48
Adjusted diluted earnings per share	81.71	70.20
EPRA adjusted earnings	79.67	64.52

Management have chosen to disclose adjusted earnings per share in order to provide an indication of the Group's underlying business performance. Accordingly, it excludes the effect of all exceptional items, debt and other restructuring charges, and other items of a capital nature (other than trading properties and long-term contract profits) as indicated above. In addition, the corporation tax charge arising from the conversion to a REIT, and the deferred tax released following the conversion to a REIT, have also been excluded due to their size and incidence. Further, prior to the conversion to a REIT, the deferred tax arising on capital allowances in respect of investment properties was eliminated as experience had shown that these allowances are not in practice repayable, and deferred tax on capitalised interest was also added back as this was effectively a permanent difference. An EPRA measure has been included to assist comparison between European property companies. We believe our measure of adjusted diluted earnings per share is more appropriate than the EPRA measure in the context of our business.

18. Investment in an associate undertaking

Group	2008 £m	2007 £m
At the beginning of the year	–	–
Transferred from non-current assets classified as held for sale (note 23)	43.4	–
Share of post-tax results	(0.5)	–
At the end of the year	42.9	–

On 14 March 2008 the Group sold 90% of its investment in Trillium Investment Partners LP. Trillium Investment Partners LP, prior to its partial disposal, had been classified as a non-current asset held for sale (note 23). Although the Group owns less than 20% of the equity, the Group believes that it exercises significant influence over Trillium Investment Partners LP, through representation on the Supervisory Board as well as its capacity as general partner and investment adviser. Consequently the Group's remaining interest in Trillium Investment Partners LP has been accounted for as an associate in accordance with IAS 28 'Investment in Associates'.

The Group's share of the revenue and expenses of Trillium Investment Partners LP for the period 15 March 2008 to 31 March 2008 is as follows:

	£m
Revenue	1.1
Expenses	(1.6)
Share of losses before tax	(0.5)
Tax	–
Group's share of post-tax result	(0.5)

The Group's share of the assets and liabilities of Trillium Investment Partners LP at 31 March 2008 is as follows:

	£m
Assets	257.7
Liabilities	(214.8)
Group's share of net assets	42.9

19. Investments in joint ventures

Summary financial information of Group's share of joint ventures	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other ¹ £m	Total £m
Income statement										
Rental income	12.5	14.0	9.9	5.4	14.7	3.4	1.4	1.4	3.4	66.1
Service charge income	2.5	3.0	0.7	0.7	2.7	–	–	–	0.7	10.3
Property services income	–	–	–	–	–	–	–	–	0.1	0.1
Trading property sale proceeds	–	–	–	–	–	–	–	–	35.1	35.1
Revenue	15.0	17.0	10.6	6.1	17.4	3.4	1.4	1.4	39.3	111.6
Rents payable	(0.2)	–	–	–	–	–	–	–	(0.1)	(0.3)
Other direct property expenditure	(4.6)	(3.8)	(1.9)	(1.2)	(4.1)	(0.2)	–	–	(1.4)	(17.2)
Indirect property expenditure	(0.6)	(1.1)	(0.1)	(0.3)	(0.2)	(0.2)	(0.1)	(0.2)	(0.1)	(2.9)
Cost of sales of trading properties	–	–	–	–	–	–	–	–	(26.8)	(26.8)
	9.6	12.1	8.6	4.6	13.1	3.0	1.3	1.2	10.9	64.4
(Loss)/profit on disposal of non-current properties	(7.6)	0.6	–	–	–	–	–	–	(0.1)	(7.1)
Net (deficit)/surplus on revaluation of investment properties	(28.4)	(12.1)	(11.5)	(21.8)	(31.5)	6.3	(9.7)	(15.6)	(9.9)	(134.2)
Operating (loss)/profit	(26.4)	0.6	(2.9)	(17.2)	(18.4)	9.3	(8.4)	(14.4)	0.9	(76.9)
Net interest (expense)/income	(5.6)	(12.5)	(3.5)	0.4	0.1	0.4	–	–	(0.3)	(21.0)
(Loss)/profit before tax	(32.0)	(11.9)	(6.4)	(16.8)	(18.3)	9.7	(8.4)	(14.4)	0.6	(97.9)
Income tax expense	(0.1)	(0.6)	–	–	–	–	–	–	(2.4)	(3.1)
Share of (losses)/profits of joint ventures after tax	(32.1)	(12.5)	(6.4)	(16.8)	(18.3)	9.7	(8.4)	(14.4)	(1.8)	(101.0)
Balance sheet										
Investment properties ²	126.7	246.4	176.0	244.1	288.4	291.5	62.7	87.3	55.9	1,579.0
Current assets	11.2	38.3	6.1	118.7	9.1	12.4	2.3	1.5	73.7	273.3
	137.9	284.7	182.1	362.8	297.5	303.9	65.0	88.8	129.6	1,852.3
Current liabilities	(2.9)	(4.9)	(2.5)	(15.7)	(8.2)	(17.2)	(0.5)	(79.7)	(10.7)	(142.3)
Non-current liabilities	(62.0)	(209.9)	–	(0.4)	–	(2.3)	–	(0.1)	(24.7)	(299.4)
	(64.9)	(214.8)	(2.5)	(16.1)	(8.2)	(19.5)	(0.5)	(79.8)	(35.4)	(441.7)
Net assets	73.0	69.9	179.6	346.7	289.3	284.4	64.5	9.0	94.2	1,410.6
Capital commitments	2.9	0.6	2.9	127.4	–	27.7	–	–	8.3	169.8
Market value of investment properties²	125.9	246.6	180.0	244.0	293.3	294.5	62.8	87.3	55.5	1,589.9
Net investment										
At 1 April 2007	145.8	95.3	188.6	308.1	321.1	198.6	–	–	81.3	1,338.8
Properties contributed	–	–	–	–	–	–	39.7	205.8	–	245.5
Cash contributed	–	6.6	3.4	–	–	–	33.2	–	26.3	69.5
Share of post-tax results	(32.1)	(12.5)	(6.4)	(16.8)	(18.3)	9.7	(8.4)	(14.4)	(1.8)	(101.0)
Distributions	(42.5)	(14.2)	(6.0)	–	–	–	–	(0.8)	(11.6)	(75.1)
Fair value movement on cashflow hedges taken to equity	1.8	(5.3)	–	–	–	–	–	–	–	(3.5)
Loan advances	–	–	–	55.4	–	79.5	–	–	–	134.9
Loan repayments	–	–	–	–	(13.5)	(3.4)	–	(181.6)	–	(198.5)
At 31 March 2008	73.0	69.9	179.6	346.7	289.3	284.4	64.5	9.0	94.2	1,410.6

1. Other principally includes the Martineau Galleries Limited Partnership, Fen Farm Developments Limited, the Ebbsfleet Limited Partnership, the A2 Limited Partnership and Investors in the Community (IIC).

2. The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.

19. Investments in joint ventures continued

Year ended 31 March 2007 and at 31 March 2007

Summary financial information of Group's share of joint ventures	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other ¹ £m	Total £m
Income statement										
Rental income	20.6	13.3	10.2	2.0	15.1	3.3	–	–	3.1	67.6
Service charge income	4.5	3.2	1.4	0.2	2.6	–	–	–	0.5	12.4
Property services income	–	–	–	–	–	–	–	–	1.6	1.6
Revenue	25.1	16.5	11.6	2.2	17.7	3.3	–	–	5.2	81.6
Rents payable	(0.2)	–	–	–	–	–	–	–	(0.1)	(0.3)
Other direct property expenditure	(8.4)	(4.3)	(2.4)	(0.4)	(4.5)	(0.2)	–	–	(4.6)	(24.8)
Indirect property expenditure	(1.4)	(1.0)	(0.1)	–	(0.2)	(0.1)	–	–	(0.9)	(3.7)
Depreciation	–	–	–	–	–	–	–	–	(0.1)	(0.1)
	15.1	11.2	9.1	1.8	13.0	3.0	–	–	(0.5)	52.7
Profit on disposal of non-current properties	–	–	–	–	–	–	–	–	0.2	0.2
Net surplus on revaluation of investment properties	6.3	23.0	10.2	2.6	23.8	6.9	–	–	2.3	75.1
Operating profit	21.4	34.2	19.3	4.4	36.8	9.9	–	–	2.0	128.0
Net interest (expense)/income	(11.7)	(10.9)	(3.4)	0.2	0.1	0.4	–	–	(0.2)	(25.5)
Profit before tax	9.7	23.3	15.9	4.6	36.9	10.3	–	–	1.8	102.5
Income tax (expense)/credit										
– ordinary	(2.7)	(6.2)	(3.5)	(1.2)	(5.6)	(1.1)	–	–	(0.9)	(21.2)
– exceptional	17.7	16.9	6.9	1.2	44.9	8.1	–	–	2.3	98.0
Share of profits of joint ventures after tax	24.7	34.0	19.3	4.6	76.2	17.3	–	–	3.2	179.3
Balance sheet										
Investment properties ²	357.2	301.0	185.1	213.2	319.6	197.3	–	–	57.9	1,631.3
Current assets	15.2	9.8	7.5	116.3	10.7	15.5	–	–	30.1	205.1
	372.4	310.8	192.6	329.5	330.3	212.8	–	–	88.0	1,836.4
Current liabilities	(4.5)	(5.2)	(4.0)	(21.2)	(9.2)	(11.8)	–	–	(5.9)	(61.8)
Non-current liabilities	(222.1)	(210.3)	–	(0.2)	–	(2.4)	–	–	(0.8)	(435.8)
	(226.6)	(215.5)	(4.0)	(21.4)	(9.2)	(14.2)	–	–	(6.7)	(497.6)
Net assets	145.8	95.3	188.6	308.1	321.1	198.6	–	–	81.3	1,338.8
Capital commitments	0.6	1.1	1.3	1.9	–	129.3	–	–	–	134.2
Market value of investment properties²	351.4	299.3	189.3	213.3	325.0	200.5	–	–	58.9	1,637.7
Net investment										
At 1 April 2006	105.2	81.0	173.0	0.8	259.3	118.5	–	–	91.7	829.5
Properties contributed	–	–	–	267.6	–	–	–	–	–	267.6
Cash contributed	9.5	6.8	1.4	35.1	0.3	–	–	–	2.5	55.6
Cost of acquisition	–	–	–	–	–	–	–	–	0.5	0.5
Share of post-tax results	24.7	34.0	19.3	4.6	76.2	17.3	–	–	3.2	179.3
Distributions	–	(29.6)	(5.1)	–	–	–	–	–	(4.5)	(39.2)
Fair value movement on cashflow hedges taken to equity	6.4	3.1	–	–	–	–	–	–	–	9.5
Transferred to goodwill	–	–	–	–	–	–	–	–	(12.1)	(12.1)
Loan advances	–	–	–	–	–	67.0	–	–	–	67.0
Loan repayments	–	–	–	–	(14.7)	(4.2)	–	–	–	(18.9)
At 31 March 2007	145.8	95.3	188.6	308.1	321.1	198.6	–	–	81.3	1,338.8

1. Other principally includes the Martineau Galleries Limited Partnership, the Ebbsfleet Limited Partnership, the A2 Limited Partnership and Investors in the Community (IIC).

2. The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.

23. Non-current assets classified as held for sale

Group	2008 £m	2007 £m
Non-current assets classified as held for sale	664.1	2,420.3
Liabilities directly associated with non-current assets classified as held for sale	(427.7)	(1,601.0)
	236.4	819.3

Non-current assets and liabilities held for sale at 31 March 2007 represent PPP investments acquired as part of the SMIF acquisition. SMIF was acquired on 5 February 2007 for £517.0m (excluding external debt repaid of £397.6m). SMIF included a number of PPP investments which the Group acquired exclusively with a view to being resold to third party investors, while maintaining a minority share. The Group transferred the majority of the PPP investments acquired with SMIF, together with a number of projects subsequently acquired, into a specifically created vehicle, Trillium Investment Partners LP, for the purpose of introducing third party investors. During the year Trillium Investment Partners LP was refinanced resulting in a repayment of £414.8m of debt. On 14 March 2008, 90% of the equity of Trillium Investment Partners LP was sold to third party investors and the remaining 10%, which is to be retained, was transferred to an investment in an associate undertaking. On disposal £23.9m was recognised as the income of Trillium Investment Partners LP as a discontinued operation, being the operational profits of the business from acquisition to 14 March.

The remaining balance represents a number of PPP investments which will be sold to Trillium Investment Partners LP or to third parties. The net carrying value of the disposal group is based on its fair value less costs to sell at the date of acquisition, as adjusted to reflect cash advanced and cash returned from the disposal group. The disposal group represents a discontinued operation, and the Group has not recognised any profits or losses in respect of this discontinued operation (other than disclosed above) for the period from acquisition to 31 March 2008. The disposal group is held in the Trillium segment.

33. Total shareholders' equity

Group	Ordinary shares £m	Own shares £m	Share-based payments £m	Share premium £m	Capital redemption reserve £m	Retained earnings* £m	Total £m
At 1 April 2006	46.9	(3.4)	6.3	43.2	30.5	7,370.4	7,493.9
Exercise of options	0.1	–	–	8.3	–	–	8.4
Fair value movement on cashflow hedges – Group	–	–	–	–	–	5.1	5.1
– joint ventures	–	–	–	–	–	9.5	9.5
Fair value of share-based payments	–	–	5.6	–	–	–	5.6
Own shares acquired	–	(15.1)	–	–	–	(21.1)	(36.2)
Cost of shares awarded to employees	–	4.0	(4.0)	–	–	–	–
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(0.3)	(0.3)
Dividends paid (note 10)	–	–	–	–	–	(223.0)	(223.0)
Profit for the financial year	–	–	–	–	–	3,528.3	3,528.3
At 31 March 2007	47.0	(14.5)	7.9	51.5	30.5	10,668.9	10,791.3
Exercise of options	0.1	–	–	5.1	–	–	5.2
Fair value movement on cashflow hedges – Group	–	–	–	–	–	(3.2)	(3.2)
– joint ventures	–	–	–	–	–	(3.5)	(3.5)
Fair value of share-based payments	–	–	5.0	–	–	–	5.0
Own shares acquired	–	(9.4)	–	–	–	(78.2)	(87.6)
Cost of shares awarded to employees	–	1.6	(1.6)	–	–	–	–
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	14.9	14.9
Dividends paid (note 10)	–	–	–	–	–	(308.4)	(308.4)
Loss for the financial year	–	–	–	–	–	(830.8)	(830.8)
At 31 March 2008	47.1	(22.3)	11.3	56.6	30.5	9,459.7	9,582.9

*Included within retained earnings are cumulative gains in respect of cashflow hedges (interest rate swaps) of £4.4m (2007: £11.1m).

Own shares represent the cost of shares purchased in Land Securities Group PLC by the Employee Share Ownership Plan (ESOP) which is operated by the Group in respect of its commitment to the Deferred Bonus Shares Scheme (note 32). The number of shares held by the ESOP at 31 March 2008 was 1,336,275 (2007: 895,771).

In July 2006 and 2007 the shareholders at the Annual General Meeting authorised the acquisition of shares issued by the Company representing up to 10% of its share capital to be held as treasury shares. At 31 March 2008 the Group owned 5,896,000 ordinary shares (2007: 1,225,000 ordinary shares) with a market value of £87.6m (2007: £25.9m).

Company	Ordinary shares £m	Share-based payments £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Retained earnings* £m	Total £m
At 1 April 2006 – as previously stated	46.9	–	43.2	30.5	373.6	4,653.0	5,147.2
– prior year adjustment	–	6.9	–	–	–	–	6.9
At 1 April 2006 – as restated	46.9	6.9	43.2	30.5	373.6	4,653.0	5,154.1
Exercise of options	0.1	–	8.3	–	–	–	8.4
Dividends paid (note 10)	–	–	–	–	–	(223.0)	(223.0)
Fair value of share-based payments	–	5.6	–	–	–	–	5.6
Profit for the financial year	–	–	–	–	–	1.6	1.6
At 31 March 2007	47.0	12.5	51.5	30.5	373.6	4,431.6	4,946.7
Exercise of options	0.1	–	5.1	–	–	–	5.2
Dividends paid (note 10)	–	–	–	–	–	(308.4)	(308.4)
Fair value of share-based payments	–	5.0	–	–	–	–	5.0
Loss for the financial year	–	–	–	–	–	(15.3)	(15.3)
At 31 March 2008	47.1	17.5	56.6	30.5	373.6	4,107.9	4,633.2

*Available for distribution.

Land Securities Group PLC has not presented its own income statement, as permitted by Section 230 (1)(b) Companies Act 1985. The loss for the year of the Company, dealt with in its financial statements, was £15.3m (2007: profit of £1.6m).

The merger reserve arose on 6 September 2002 when the Company acquired 100% of the issued share capital of Land Securities PLC. The merger reserve represents the excess of the cost of acquisition over the nominal value of the shares issued by the Company to acquire Land Securities PLC. The merger reserve does not represent a realised or distributable profit.