

13. Non-current assets

Group	Portfolio management £m	Development programme £m	Trillium £m	Total investment properties £m	Operating properties £m	Other property, plant and equipment £m	Total £m
Net book value at 1 April 2006	10,211.2	1,229.3	27.1	11,467.6	536.1	73.6	12,077.3
Properties transferred from portfolio management into the development programme during the year (at 1 April 2006 valuation)	(219.0)	219.0	–	–	–	–	–
Developments completed, let and transferred from the development programme into portfolio management during the year	60.8	(60.8)	–	–	–	–	–
Property acquisitions	510.0	13.7	414.1	937.8	26.6	–	964.4
Capital expenditure	77.2	422.1	–	499.3	27.2	19.0	545.5
Capitalised interest	–	29.8	–	29.8	–	–	29.8
Disposals	(643.5)	(5.6)	–	(649.1)	(23.0)	(0.2)	(672.3)
Transfer to joint venture	(266.5)	–	–	(266.5)	–	–	(266.5)
Surrender premiums received	(3.9)	–	–	(3.9)	–	–	(3.9)
Depreciation	(3.3)	–	–	(3.3)	(15.4)	(14.2)	(32.9)
Surplus/(deficit) on revaluation	884.4	436.8	(13.6)	1,307.6	–	–	1,307.6
Net book value at 31 March 2007	10,607.4	2,284.3	427.6	13,319.3	551.5	78.2	13,949.0
Properties transferred from portfolio management into the development programme during the year (at 1 April 2007 valuation)	(218.7)	218.7	–	–	–	–	–
Developments completed, let and transferred from the development programme into portfolio management during the year	1,491.5	(1,491.5)	–	–	–	–	–
Property acquisitions	714.2	0.2	149.4	863.8	8.9	–	872.7
Capital expenditure	117.5	467.3	6.8	591.6	32.4	16.1	640.1
Capitalised interest	1.4	43.7	–	45.1	–	–	45.1
Disposals	(1,099.4)	(2.2)	(0.6)	(1,102.2)	(16.9)	(0.7)	(1,119.8)
Transfers to joint ventures	(228.2)	–	–	(228.2)	–	–	(228.2)
Transfers to trading properties	–	(17.4)	–	(17.4)	(4.1)	–	(21.5)
Reclassifications	–	–	4.1	4.1	(4.1)	–	–
Surrender premiums received	(6.2)	–	–	(6.2)	–	–	(6.2)
Depreciation	(2.9)	–	–	(2.9)	(22.9)	(20.0)	(45.8)
Deficit on revaluation	(1,038.3)	(107.1)	(24.9)	(1,170.3)	–	–	(1,170.3)
Net book value at 31 March 2008	10,338.3	1,396.0	562.4	12,296.7	544.8	73.6	12,915.1

The following table reconciles the net book value of the investment properties (excluding those within Trillium) to the market value. Trillium's investment properties have been excluded from this reconciliation as the net book value and the market value are not materially different. The components of the reconciliation are included within their relevant balance sheet headings.

	Portfolio management £m	Development programme £m	Total investment properties £m
Net book value at 31 March 2007	10,607.4	2,284.3	12,891.7
Plus: amount included in prepayments in respect of lease incentives	93.6	37.4	131.0
Less: head leases capitalised (note 30)	(61.6)	(9.4)	(71.0)
Plus: properties treated as finance leases	163.1	–	163.1
Market value at 31 March 2007 – Group	10,802.5	2,312.3	13,114.8
– plus: share of joint ventures (note 19)			1,637.7
Market value at 31 March 2007 – Group and share of joint ventures			14,752.5
Net book value at 31 March 2008	10,338.3	1,396.0	11,734.3
Plus: amount included in prepayments in respect of lease incentives	156.3	24.3	180.6
Less: head leases capitalised (note 30)	(65.3)	(2.0)	(67.3)
Plus: properties treated as finance leases	149.2	–	149.2
Market value at 31 March 2008 – Group	10,578.5	1,418.3	11,996.8
– plus: share of joint ventures (note 19)			1,589.9
Market value at 31 March 2008 – Group and share of joint ventures			13,586.7

Included in investment properties are leasehold properties with a net book value of £1,368.1m (2007: £1,485.5m).

13. Non-current assets continued

In accordance with IFRS 1 'First time adoption of International Reporting Standards' and IAS 17 'Leases', the Group has reviewed the classification of all leases at the opening balance sheet date of 1 April 2004. In reviewing leases of land and buildings in accordance with IAS 17 the land and buildings elements of the lease need to be considered separately. On this basis, leases on 43 properties entered into between 1923 and 2003 were reclassified as finance leases in these accounts. This resulted in an increase in fixed assets of £77.2m and a finance lease creditor of the same amount at first time adoption on 1 April 2004. At 31 March 2008 leases on 25 properties (2007: 28) entered into between 1960 and 2007 were classified as finance leases. The corresponding increase in fixed assets and finance lease creditor was £67.3m (2007: £71.0m). Operating lease expense has reduced by £6.7m (2007: £7.2m).

The fair value of the Group's investment properties at 31 March 2008 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP, external valuers. The valuation by Knight Frank LLP, which conforms to Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors and with IVA 1 of the International Valuation Standards, and was arrived at by reference to market evidence of transaction prices for similar properties. Fixed asset properties include capitalised interest of £211.7m (2007: £145.6m). The average rate of capitalisation is 5.5% (2007: 5.5%). The historical cost of investment properties is £7,813.2m (2007: £7,210.6m).

The current value of investment properties in respect of proposed developments is £639.6m (2007: £329.3m). Developments are transferred out of the development programme when physically complete and 95% let. The schemes completed during the year were Christ's Lane, Cambridge, One Wood Street, EC2, Princesshay, Exeter, Maskew Avenue, Peterborough, Poole Road, Poole, Bankside 2&3, SE1, Thanet Leisure, Westwood Cross and Cardinal Place, SW1. The property rental income earned by the Group from its investment properties amounted to £603.8m (2007: £594.6m).

Group	2008 £m	2007 £m
Capital commitments	234.5	726.6

14. Net investment in finance leases

Group	2008 £m	2007 £m
Non-current		
Finance leases – gross receivables	692.8	603.9
Unearned finance income	(385.6)	(368.0)
Unguaranteed residual value	26.5	26.5
	333.7	262.4
Current		
Finance leases – gross receivables	27.4	14.6
Unearned finance income	(20.3)	(10.9)
	7.1	3.7
Total net investment in finance leases	340.8	266.1
Gross receivables from finance leases:		
Not later than one year	27.4	14.6
Later than one year but not more than five years	129.3	116.7
More than five years	563.5	487.2
	720.2	618.5
Unearned future finance income	(405.9)	(378.9)
Unguaranteed residual value	26.5	26.5
Net investment in finance leases	340.8	266.1

The Group has leased out a number of investment properties under finance leases ranging between 15 and 100 years in duration. These are accounted for as finance lease receivables rather than investment properties. The fair value of the Group's finance lease receivables approximates to the carrying amount.

15. Goodwill

Group	2008 £m	2007 £m
At the beginning of the year	129.6	34.3
Arising on acquisitions during the year (note 37)	13.5	83.2
Arising on acquisitions in the prior year	5.5	–
Transferred on acquisition of a joint venture (note 19)	–	12.1
At the end of the year	148.6	129.6
Represented by:		
Gross goodwill recognised	233.5	214.5
Total accumulated impairment losses	(84.9)	(84.9)
	148.6	129.6

The goodwill carried in the Group balance sheet relates entirely to the acquisition of the Group's Trillium business and subsequent acquisitions.

Impairment has been tested by comparing the carrying amount of the businesses' assets and liabilities with their recoverable amount, being their value in use. The latter has been calculated by reference to the cashflow projections for each business for its major contracts and covering the entire term of the contracts concerned. The main assumptions underlying the forecasts are the relative inflation rates applying to costs and revenues and the amount of expenditure required for the businesses to fulfil their service level commitments and the vacation rate under the DWP contract; and the volume of new business for SMIF management companies and IIC. The cashflows are discounted at a rate reflecting market assessments of the time value of money and the risks specific to each business. The discount rate used for the 2008 test was 7.5% (2007: 6.5%).

16. Investments in subsidiary undertakings

Company	2008 £m	2007 £m
At the beginning of the year – as previously stated	5,037.1	5,037.1
– prior year adjustment	12.5	6.9
At the beginning of the year – as restated	5,049.6	5,044.0
Capital contributions receivable for options granted over ordinary shares	5.0	5.6
At the end of the year	5,054.6	5,049.6

In accordance with IFRIC 11 'IFRS 2 – Group and Treasury Transactions' the equity settled share-based charge for the employees of the Company's subsidiaries are treated as an increase in the cost of investment in the subsidiaries, and a corresponding increase in the Company's equity.

Certain subsidiaries and joint ventures have non-coterminous year ends. In these circumstances, management accounts prepared to 31 March 2008 are used for the purpose of the Group consolidation.

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The principal Group undertakings, all of which are wholly owned, either directly by the Company or through a fellow subsidiary undertaking, and its principal joint ventures, which are 50% owned (with the exception of The Bull Ring Limited Partnership which is 33% owned), are:

Wholly owned subsidiary undertakings*Group operations*

Land Securities Properties Limited

Trillium

Land Securities Trillium Limited

Investment property business

Land Securities Intermediate Limited

Land Securities Property Holdings Limited

Ravenseft Properties Limited

The City of London Real Property Company Limited

Ravenside Investments Limited

Joint ventures

The Scottish Retail Property Limited Partnership

Metro Shopping Fund Limited Partnership

Buchanan Partnership

The Bull Ring Limited Partnership

Bristol Alliance Limited Partnership

St. David's Limited Partnership

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

A full list of subsidiary undertakings at 31 March 2008 will be appended to the Company's next annual return.

17. Investments in Public Private Partnerships

Group	2008 £m	2007 £m
At the beginning of the year	–	–
Arising on acquisitions during the year (note 37)	17.2	–
Additions	8.2	–
At the end of the year	25.4	–

During the year ended 31 March 2008 a number of Public Private Partnership (PPP) investments were acquired independent from the disposal group. These PPP investments relate to assets currently under construction, they therefore have no revenues or trading expenses.

The Group's share of the assets and liabilities of the PPP investments at 31 March 2008 is as follows:

	£m
Assets	216.4
Liabilities	(191.0)
Group's share of net assets	25.4

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.

20. Trading properties and long-term development contracts

Group	2008 £m	2007 £m
Trading properties	173.0	148.3
The amounts for contracts in progress at the balance sheet date are as follows:		
Contract revenue recognised as revenue in the year	26.3	80.7
Contract costs incurred and recognised profits (less recognised losses) to date	332.8	494.8
Advances received	(346.0)	(504.1)
	(13.2)	(9.3)
Plus: gross amount due to customers for contract work (included in accruals and deferred income)	13.2	9.3
Gross amount due from customers for contract work	–	–

21. Trade and other receivables

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Trade receivables – Property investment	34.0	26.1	–	–
– Trillium	112.1	96.2	–	–
Property sales receivables	205.2	78.6	–	–
Other receivables	53.9	81.6	–	–
Prepayments and accrued income	314.6	329.9	0.3	–
Finance leases receivable within one year (note 14)	7.1	3.7	–	–
Loans to joint ventures	111.1	25.7	–	–
Loans to Group undertakings	–	–	385.9	5.5
	838.0	641.8	386.2	5.5

Trade receivables are net of provisions for doubtful debts of **£15.0m** (2007: £15.2m). Financial assets which are past due but not impaired are **£54.2m** (2007: £29.4m).

22. Cash and cash equivalents

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Cash at bank and in hand	25.7	32.4	69.5	5.0
Short-term deposits	22.7	20.3	–	–
	48.4	52.7	69.5	5.0

For the purposes of the cashflow statement, cash and cash equivalents comprise the following:

Cash at bank and in hand	25.7	32.4	69.5	5.0
Short-term deposits	22.7	20.3	–	–
Bank overdraft (note 24)	(1.4)	–	–	–
	47.0	52.7	69.5	5.0

The effective interest rate on short-term deposits was 5.1% (2007: 8.0%) and the deposits have an average maturity of one day (2007: 30 days).

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.

23. Non-current assets classified as held for sale continued

Set out below is an analysis of the movements within the disposal group for the year ended 31 March 2008:

	Trillium Investment Partners LP £m	Other £m	Total £m
Book value at 1 April 2007	761.2	58.1	819.3
Projects acquired from AMEC (note 37)	–	134.4	134.4
Other projects acquired	67.0	77.5	144.5
Cash received on refinancing of Trillium Investment Partners LP	(414.8)	–	(414.8)
Cash received from the disposal group	(7.9)	(18.3)	(26.2)
Cash received on disposal of Meterfit	–	(25.3)	(25.3)
Trillium Investment Partners LP transferred to an associate undertaking (note 18)	(43.4)	–	(43.4)
Cash received on disposal of Trillium Investment Partners LP	(399.6)	–	(399.6)
Profit within Trillium Investment Partners LP from acquisition to 14 March 2008	23.9	–	23.9
Profit on disposal of Trillium Investment Partners LP	13.6	–	13.6
Profit on disposal of Meterfit	–	10.0	10.0
Profit from discontinued operations	37.5	10.0	47.5
Book value at 31 March 2008	–	236.4	236.4

The Group has retained a 10% interest in Trillium Investment Partners LP and consequently its share of the profit recognised from acquisition to 14 March 2008 is £2.4m.

24. Short-term borrowings and overdrafts

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Borrowings falling due within one year (note 27)	802.1	1,687.4	–	–
Overdrafts (note 27)	1.4	–	–	61.9
Bond exchange derecognition adjustment falling due within one year (note 27)	(11.7)	(6.3)	–	–
Amounts payable under finance leases falling due within one year (notes 27 and 30)	2.2	2.1	–	–
	794.0	1,683.2	–	61.9

Where the Group operates a notional cash pooling arrangement the cash and overdraft balances are netted off.

25. Trade and other payables

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Trade payables	28.5	26.7	–	–
Capital payables	116.8	77.9	–	–
Other payables	73.3	28.1	–	–
Accruals and deferred income	574.4	526.6	0.2	–
Amounts owed to joint ventures	134.2	124.6	–	–
Loans from Group undertakings	–	–	874.5	50.8
	927.2	783.9	874.7	50.8

Capital payables represent amounts due under contracts to purchase properties, which were unconditionally exchanged at the year end, and for work completed on investment properties but not paid for at the financial year end. Deferred income principally relates to rents received in advance.

26. Provisions

Group	Dilapidations £m	Onerous leases £m	Other £m	Total £m
At 1 April 2006	23.1	19.8	15.3	58.2
Net charge/(credit) to income statement for the year	5.9	(0.5)	7.1	12.5
Release of discount charged to net interest expense (note 6)	–	1.0	–	1.0
Utilised in the year	(8.1)	(4.7)	(2.4)	(15.2)
On acquisition of Royal Mail property portfolio	–	24.2	–	24.2
At 31 March 2007	20.9	39.8	20.0	80.7
Net charge to income statement for the year	7.2	0.4	7.2	14.8
Release of discount charged to net interest expense (note 6)	–	1.6	–	1.6
Utilised in the year	(7.9)	(11.6)	–	(19.5)
At 31 March 2008	20.2	30.2	27.2	77.6
Included in the balance above the following amounts are anticipated to be utilised within one year:				
At 31 March 2007	7.9	11.6	–	19.5
At 31 March 2008	14.8	10.6	15.5	40.9

Dilapidations

Provision for dilapidations is made in respect of certain leasehold properties where the Group anticipates incurring future expenditure at the end of the lease. The amounts provided are based on the current estimate of the future costs determined on the basis of the present condition of the relevant properties. Settlement of the amounts provided occurs once agreement is reached with the parties to the lease.

Onerous leases

An onerous lease provision is established in respect of leasehold properties that are unoccupied or the expected future rental income is not expected to meet the Group's rental obligations. The provisions are based on assumptions about expected future rentals and voids. This provision will be settled as the net rental obligations develop. The provision may vary based on reassessment of the relevant assumptions as circumstances change and new obligations are established.

Other

Other provisions include liabilities arising from the contractual arrangements with clients that include specific performance measurement targets and life cycle capital expenditure requirements. Settlement of the amounts provided follows agreement with the clients. It is expected that most of the other provisions will be utilised within the next three years.

27. Borrowings continued

Financial risk factors

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's operations and debt financing expose it to a variety of financial risks. The main risks arising include credit risk, liquidity risk and market risk, the latter in respect of both interest rates and foreign exchange.

The exposure to each risk, how it arises and policies for managing each risk for the year are summarised below:

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, finance lease receivables and short-term investments. The Group's credit risk is primarily attributable to its trade and finance lease receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. The balance is low relative to the scale of the balance sheet and therefore the credit risk of trade receivables is considered to be low.

Property sales receivables primarily relate to the sale of six properties, for which all payments to date have been received when due, and as the purchasers are of reputable financial standing the credit risk is considered low.

Finance lease receivables relate to amounts receivable from tenants in respect of tenant finance leases. This is not considered a significant credit risk as the tenants are generally of good financial standing.

The credit risk on liquid funds and derivative financial instruments is limited due to the Group's policy of monitoring counterparty exposures. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

Liquidity risk

The Group actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations and committed investments. The Group's undrawn committed borrowing facilities are monitored against projected cash flows.

The expiry periods of the Group's undrawn committed borrowing facilities are:

	2008 £m	2007 £m
Group		
More than one year but not more than two years	25.0	–
More than two years but not more than five years	2.0	2.0
More than five years	584.0	1,077.1
	611.0	1,079.1

The undrawn committed borrowing facilities are net of amounts drawn under both the syndicated bank facility and the Euro Commercial Paper.

Market risk

The Group is exposed to market risk through interest rates, currency fluctuations and availability of credit.

Interest rates

The Group uses interest rate swaps and similar instruments (forward rate agreements, forward starting swaps and gilt locks) to manage its interest rate exposure. With property and interest rate cycles typically of four to seven years duration, the Group's target is to have a minimum of 80% of anticipated debt at fixed rates of interest and a maximum of 20% floating over this timeframe. Due to a combination of factors, principally the high level of certainty required under IAS 39 'Financial Instruments: Recognition and Measurement', hedging instruments used in this context do not qualify for hedge accounting. Specific hedges are also used in geared joint ventures to fix the interest exposure on limited recourse debt.

At 31 March 2008 the Group (including joint ventures) had £2.3bn of hedges in place, and its debt was 80% fixed. Consequently, based on year end debt levels, a 1% change in interest rates would decrease or increase the Group's annual profit before tax by £12.4m (2007: £8.6m). The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest rate swaps, at the year end.

Foreign exchange

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group does not normally enter into any foreign currency transactions as it is UK based. However, the Group is able to raise debt in currencies other than Sterling, and where this occurs it is the Group's policy to hedge 100% of the exposure by entering into currency swaps to fix the Sterling value of debt. Therefore the Group's foreign exchange risk is low.

Financial maturity analysis

The interest rate and currency profiles of the Group's undiscounted borrowings, after taking into account the effect of the foreign currency swaps and interest rate swaps, are set out below:

Group	2008			2007		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling	4,402.5	1,552.7	5,955.2	5,458.4	207.6	5,666.0
Euro	–	–	–	–	26.9	26.9
	4,402.5	1,552.7	5,955.2	5,458.4	234.5	5,692.9

27. Borrowings continued

The maturity profiles of the Group's borrowings are as follows:

Group	2008			2007		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	172.2	633.5	805.7	1,457.2	234.5	1,691.7
More than one year but not more than two years	464.4	38.0	502.4	2.3	–	2.3
More than two years but not more than five years	321.9	–	321.9	22.0	–	22.0
More than five years	3,444.0	881.2	4,325.2	3,976.9	–	3,976.9
	4,402.5	1,552.7	5,955.2	5,458.4	234.5	5,692.9

The maturity profiles of the Group's derivative instruments are as follows:

Group	2008			2007		
	Interest rate swaps £m	Foreign currency swaps £m	Total £m	Interest rate swaps £m	Foreign currency swaps £m	Total £m
One year or less, or on demand	178.9	35.5	214.4	274.9	100.9	375.8
More than one year but not more than two years	46.7	–	46.7	178.9	–	178.9
More than two years but not more than five years	1,721.9	–	1,721.9	867.3	–	867.3
More than five years	78.2	–	78.2	79.5	–	79.5
	2,025.7	35.5	2,061.2	1,400.6	100.9	1,501.5

28. Net pension benefit assets/(obligations)**Defined benefit schemes****Land Securities Scheme**

The Pension & Assurance Scheme of the Land Securities Group of Companies (the Scheme) is the most significant defined benefit pension scheme of the Group. The Scheme is a wholly funded scheme, and the assets of the Scheme are held in a self-administered trust fund which is separate from the Group's assets.

Contributions to the Scheme are determined by a qualified independent actuary on the basis of triennial valuations using the projected unit method. As the Scheme is closed to new members, the current service cost will be expected to increase as a percentage of salary, under the projected unit method, as members approach retirement.

A full actuarial valuation of the Land Securities Scheme was undertaken on 1 July 2006 by the independent actuaries, Hymans Robertson Consultants & Actuaries. This valuation, and the latest formal valuation of the Land Securities Trillium Plan, was updated to 31 March 2008.

As a result of the valuation performed on 1 July 2006, the Trustees and the Group have agreed that the employer contributions of 30% of pensionable salary will be paid together with additional employer contributions to address the deficit at that time.

Contributory money purchase scheme

A contributory money purchase scheme was introduced on 1 January 1999 for all new administrative and senior property based employees, subject to eligibility, together with a separate similar scheme, effective 1 April 1998, for other property based employees. A further separate similar scheme, previously set up by Trillium, is also in operation for their employees.

Pension costs for defined contribution schemes are as follows:

Group	2008 £m	2007 £m
Defined contribution schemes	2.0	1.8

All death-in-service and benefits for incapacity arising during employment are wholly insured. No post retirement benefits other than pensions are made available to employees of the Group.

The major assumptions used in the valuation, were (in nominal terms):

Group	2008 %	2007 %
Rate of increase in pensionable salaries	3.60*	3.25*
Rate of increase in pensions in payment	3.60	3.25
Discount rate	6.90	5.40
Inflation	3.60	3.25
Expected return on plan assets	6.44	6.14

*plus an allowance of 1.25% per annum for promotional salary increases in respect of employee members of the Trillium Plan.

The expected return on plan assets is based on expectations for bonds and equities. At the year end, the expected return on bonds is based on market yields of long dated bonds at that date. The estimated expected return on equities includes an additional equity risk premium.

28. Net pension benefit assets/(obligations) continued

The mortality assumptions used in this valuation were:

Group	2008 Years	2007 Years
Life expectancy at age 60 for current pensioners – Men	28.4	28.4
– Women	31.5	31.5
Life expectancy at age 60 for future pensioners (current age 40) – Men	29.6	29.6
– Women	32.6	32.6

The fair value of the assets in the schemes (including annuities purchased to provide certain pensions in payment) and the expected rate of return (net of investment management expenses) were:

	2008 %	2007 %	2006 %	2008 £m	2007 £m	2006 £m
Equities	7.50	7.50	7.50	70.5	70.8	64.1
Bonds and insurance contracts	5.35	4.80	4.60	68.0	71.6	82.9
Other	5.25	5.25	4.50	0.5	2.0	3.0
Fair value of schemes' assets				139.0	144.4	150.0
Present value of schemes' liabilities				(123.9)	(150.0)	(156.5)
Non-permissible surplus				(4.1)	–	–
Surplus/(deficit) in the schemes				11.0	(5.6)	(6.5)
Related deferred tax (liability)/asset				(0.8)	0.4	2.0
Net pension asset/(liability)				10.2	(5.2)	(4.5)

The major categories of plan assets as a percentage of total plan assets are as follows:

Group	2008 %	2007 %
Equities	51	49
Bonds and insurance contracts	49	49
Other	–	2

The plan assets do not include any directly owned financial instruments issued by Land Securities Group PLC. Indirectly owned financial instruments had a fair value of less than £0.2m (2007: £0.2m).

Group	2008 £m	2007 £m
Analysis of the amounts charged to the income statement		
Analysis of the amount charged to operating profit		
Current service cost	2.1	2.7
Charge to operating profit	2.1	2.7
Analysis of amount (credited)/charged to interest expense		
Expected return on plan assets	(9.0)	(8.6)
Interest on schemes' liabilities	8.1	7.6
Net return	(0.9)	(1.0)

During the year ended 31 March 2006, the Group introduced amendments to the main scheme, which were adopted by the Trustees for active members who had given their consent. As a result, the accrued entitlement of the active members at 31 March 2006 has been linked to inflation, with future benefits accrued according to annual earnings. The effect of this change was a reduction of £8.3m in the Group's pension liability associated with funding future anticipated salary increases.

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1%	Decrease/increase by 2% or £2.2m
Rate of mortality	Increase by 1 year	Increase by 2.5% or £2.8m

28. Net pension benefit assets/(obligations) continued

Group	2008	2007
Changes in the present value of the defined benefit obligation	£m	£m
At the beginning of the year	150.0	156.5
Current service cost	2.1	2.7
Interest cost	8.1	7.6
Actuarial gains	(32.0)	(1.3)
Benefits paid	(4.5)	(15.6)
Contributions by plan participants	0.2	0.1
At the end of the year	123.9	150.0

Group	2008	2007
Changes in the fair value of plan assets	£m	£m
At the beginning of the year	144.4	150.0
Expected return on plan assets	9.0	8.6
Employer contributions	2.0	3.9
Actual return less expected return on schemes' assets	(12.1)	(2.6)
Benefits paid	(4.5)	(15.6)
Contributions by plan participants	0.2	0.1
At the end of the year	139.0	144.4

Group	2008	2007
Analysis of the movement in the balance sheet (surplus)/deficit	£m	£m
At the beginning of the year	5.6	6.5
Charge to operating profit	2.1	2.7
Expected return on plan assets	(9.0)	(8.6)
Interest on schemes' liabilities	8.1	7.6
Employer contributions	(2.0)	(3.9)
Actuarial (gains)/losses	(15.8)	1.3
At the end of the year	(11.0)	5.6

Group	2008	2007
Analysis of the amounts recognised in the statement of recognised income and expense	£m	£m
Analysis of gains and losses		
Actual return less expected return on schemes' assets	(12.1)	(2.6)
Experience gains and losses arising on schemes' liabilities	32.0	1.3
Non-permissible surplus	(4.1)	–
Actuarial gains/(losses)	15.8	(1.3)

Actuarial gains and losses are recognised immediately through the statement of recognised income and expense.

Group	2008	2007	2006	2005	2004
History of experience gains and losses	£m	£m	£m	£m	£m
Experience adjustments arising on schemes' assets					
Amount	(12.1)	(2.6)	15.5	3.1	13.7
Percentage of schemes' assets	(8.7%)	(1.8%)	10.3%	2.5%	13.1%
Experience adjustments arising on schemes' liabilities					
Amount	(32.0)	(1.3)	20.5	7.8	0.2
Percentage of the present value of funded obligations	(25.8%)	(0.9%)	13.1%	5.7%	0.1%
Present value of schemes' liabilities	(123.9)	(150.0)	(156.5)	(136.6)	(121.8)
Fair value of schemes' assets	139.0	144.4	150.0	125.7	104.6
Non-permissible surplus	(4.1)	–	–	–	–
Surplus/(deficit)	11.0	(5.6)	(6.5)	(10.9)	(17.2)

The contributions expected to be paid in respect of the defined benefit schemes during the financial year ending 31 March 2009 amount to £5.0m. The Company did not operate any defined contribution schemes or defined benefit schemes during the financial year ended 31 March 2008 or in the previous financial year.

29. Deferred taxation

Group	Accelerated tax depreciation £m	Capitalised interest £m	Revaluation surplus £m	Other £m	Total £m
Deferred tax liabilities					
At 1 April 2006	(147.9)	(26.5)	(1,664.2)	(154.7)	(1,993.3)
Net (charge)/credit to income statement for the year	(17.7)	(6.1)	(330.7)	0.8	(353.7)
Released in respect of property disposals during the year	1.1	–	32.5	–	33.6
Released on conversion to a Real Estate Investment Trust	160.1	31.7	1,962.4	154.8	2,309.0
At 31 March 2007	(4.4)	(0.9)	–	0.9	(4.4)
Transferred to deferred tax assets	–	–	–	(0.9)	(0.9)
Net credit to income statement for the year	3.7	–	–	–	3.7
At 31 March 2008	(0.7)	(0.9)	–	–	(1.6)

Group	Tax losses £m	Hedges £m	Pension deficit/(asset) £m	Other £m	Total £m
Deferred tax assets					
At 1 April 2006	12.2	2.3	2.0	9.0	25.5
Net charge to income statement for the year	(6.4)	(3.1)	(0.4)	–	(9.9)
Released in respect of property disposals during the year	(5.8)	–	–	(9.0)	(14.8)
Released on conversion to a Real Estate Investment Trust	–	2.4	(2.2)	–	0.2
(Credited)/charged to equity	–	(1.6)	1.0	–	(0.6)
At 31 March 2007	–	–	0.4	–	0.4
Transferred from deferred tax liabilities	–	–	–	0.9	0.9
Net credit to income statement for the year	–	–	(0.3)	–	(0.3)
Credited to equity	–	–	(0.9)	–	(0.9)
At 31 March 2008	–	–	(0.8)	0.9	0.1

Group	2008 £m	2007 £m
Deferred tax is provided as follows:		
Excess of capital allowances over depreciation – operating properties	0.7	4.4
Capitalised interest – operating properties	0.9	0.9
Other temporary differences	(0.1)	(1.3)
Total deferred tax	1.5	4.0

31. Called up share capital

Group and Company	Authorised		Allotted and fully paid	
	2008 Number m	2007 Number m	2008 £m	2007 £m
Ordinary shares of 10p each	600.0	600.0	47.1	47.0
Non-equity B shares of £1.02 each	38.9	38.9	–	–
Redeemable preference shares of £1.00 each	0.1	0.1	–	–
			47.1	47.0

	Number of shares	
	2008	2007
Movements in the share capital were:		
At the beginning of the year	470,356,546	469,283,782
Issued on the exercise of options under:		
1993 Savings Related Share Option Scheme	111,548	85,658
2003 Savings Related Share Option Scheme	75,748	113,606
2000 Executive Share Option Scheme	8,660	63,371
2002 Executive Share Option Scheme	348,832	810,129
2005 Executive Share Option Scheme	144	–
At the end of the year	470,901,478	470,356,546

The number of ordinary shares that would be issued if all options were exercised at 31 March 2008 is **3,330,114** (2007: 3,423,934).

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.