

10. Dividends

Group and Company	2008 £m	2007 £m
Ordinary dividends paid		
Final dividend for the year ended 31 March 2007 (34.00p per share)	159.5	–
Final dividend for the year ended 31 March 2006 (28.55p per share)	–	133.8
First quarterly dividend for the year ended 31 March 2008 (16.00p per share)	74.5	–
Second quarterly dividend for the year ended 31 March 2008 (16.00p per share)	74.4	–
Interim dividend for the year ended 31 March 2007 (19.00p per share)	–	89.2
	308.4	223.0

The Board has proposed a final dividend of 16.00p per share (final dividend for the year ended 31 March 2007: 34.00p) which will result in a further distribution of £74.4m (2007: £159.5m). It will be paid on 28 July 2008 to shareholders who are on the Register of Members on 20 June 2008. The final dividend is in addition to the third quarterly dividend of 16.00p paid on 25 April 2008. The total dividend paid and proposed in respect of the year ended 31 March 2008 is 64.00p (2007: 53.00p).

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.

34. Cashflow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Cash generated from operations				
(Loss)/profit for the financial year	(878.3)	3,528.3	(15.3)	1.6
Income tax (credit)/expense	(10.5)	(1,549.2)	(6.6)	0.7
(Loss)/profit before tax	(888.8)	1,979.1	(21.9)	2.3
Share of losses/(profits) of joint ventures (post-tax)	101.0	(179.3)	–	–
Share of loss of an associate undertaking (post-tax)	0.5	–	–	–
	(787.3)	1,799.8	(21.9)	2.3
Interest income	(29.4)	(36.4)	(14.7)	(5.7)
Interest expense	324.4	257.3	26.6	3.4
Operating (loss)/profit	(492.3)	2,020.7	(10.0)	–
Adjustments for:				
Depreciation	45.8	32.9	–	–
Profit on disposal of non-current properties	(75.4)	(118.2)	–	–
Net deficit/(surplus) on revaluation of investment properties	1,170.3	(1,307.6)	–	–
Share-based payment charge	5.0	5.6	–	–
Pension scheme charge	2.1	2.7	–	–
Changes in working capital:				
Decrease in trading properties and long-term development contracts	0.2	110.1	–	–
(Increase)/decrease in receivables	(26.3)	(127.2)	(0.3)	137.2
Increase in payables and provisions	67.1	63.4	443.5	47.2
Net cash generated from operations	696.5	682.4	433.2	184.4

35. Related party transactions**Subsidiaries**

In accordance with IAS 27 'Consolidated and Separate Financial Statements', transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Joint ventures

As disclosed in note 19, the Group has investments in a number of joint ventures. Details of transactions and balances between the Group and its joint ventures are disclosed as follows:

	Year ended 31 March 2008 and at 31 March 2008				Year ended 31 March 2007 and at 31 March 2007			
	Revenues £m	Net investments into joint ventures £m	Loans to joint ventures £m	Amounts owed to joint ventures £m	Revenues £m	Net investments into joint ventures £m	Loans to joint ventures £m	Amounts owed to joint ventures £m
The Scottish Retail Property Limited Partnership	0.6	(42.5)	0.9	(3.9)	1.5	9.5	0.4	(7.6)
Metro Shopping Fund Limited Partnership	0.9	(7.6)	0.7	(2.0)	0.5	(22.8)	–	(0.1)
Buchanan Partnership	3.7	(2.6)	0.5	–	3.6	(3.7)	0.3	–
St. David's Limited Partnership	5.4	55.4	4.3	(116.9)	1.9	302.7	20.4	(115.0)
Martineau Galleries Limited Partnership	0.2	3.1	0.3	–	0.2	–	0.1	–
The Bull Ring Limited Partnership	–	(13.5)	–	–	–	(14.4)	–	–
Bristol Alliance Limited Partnership	9.0	76.1	11.7	–	5.1	62.8	4.3	(1.9)
Martineau Limited Partnership	–	–	–	(0.1)	–	(0.5)	–	–
A2 Limited Partnership	–	(2.8)	–	–	–	–	–	–
Parc Tawe 1 Unit Trust	–	(1.4)	–	–	–	(4.0)	–	–
Hungate (York) Regeneration Limited	–	1.7	–	–	–	1.6	–	–
Countryside Land Securities (Springhead) Limited	–	5.5	–	–	–	0.9	–	–
Investors in the Community	–	–	–	–	–	0.5	–	–
Ebbfleet Limited Partnership	–	–	0.2	–	–	–	0.2	–
The Harvest Limited Partnership	0.1	72.9	0.1	(0.2)	–	–	–	–
The Oriana Limited Partnership	–	23.4	78.7	(0.3)	–	–	–	–
Millshaw Property Co. Limited	–	14.2	–	(10.8)	–	–	–	–
Fen Farm Developments Limited	0.1	(5.6)	13.7	–	–	–	–	–
	20.0	176.3	111.1	(134.2)	12.8	332.6	25.7	(124.6)

Further detail of the above transactions and balances can be seen in note 19.

35. Related party transactions continued

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the applicable categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on pages 66 to 76.

	2008 £m	2007 £m
Short-term employee benefits	7.7	6.1
Post-employment benefits	0.6	0.9
Share-based payments	3.2	2.4
Compensation for loss of office	–	0.7
	11.5	10.1

The amount shown as compensation for loss of office represents the maximum potential amount assuming no mitigation.

36. Operating lease arrangements

The Group earns rental income by leasing its investment and operating properties to tenants under non-cancellable operating leases.

At the balance sheet date, the Group had contracted with tenants to receive the following future minimum lease payments:

	2008 £m	2007 £m
Not later than one year	547.6	516.8
Later than one year but not more than five years	2,123.0	2,055.6
More than five years	4,284.4	4,078.7
	6,955.0	6,651.1

The total of contingent rents recognised as income during the year was £10.9m (2007: £11.6m).

37. Business combinations

AMEC's Project Investments business

The Group acquired 100% of the voting rights of AMEC's Project Investments business (AMEC) on 12 November 2007 for a consideration of £203.8m, including costs. This has been accounted for as a business combination.

	£m
Provisional fair value of net assets acquired	
Assets of the disposal group	138.2
Liabilities directly associated with the assets of the disposal group	(3.8)
Disposal group (note 23)	134.4
PPP investments (note 17)	17.2
Cash and cash equivalents	45.3
Current liabilities	(6.6)
Net assets acquired	190.3
Fair value of consideration	
Cash	202.1
Costs	1.7
	203.8
Goodwill (note 15)	(13.5)
	190.3

The disposal group comprises a number of PPPs which were acquired exclusively with a view to being resold to Trillium Investment Partners LP. The net amount attributed to the disposal group at the date of acquisition represents fair value less costs to sell. The separate PPP investments represent investments in associates which are currently constructing PPP assets. These assets are not treated as assets held for sale. The remaining assets and liabilities relate to the management companies within AMEC that are being retained. The fair values reported above in respect of these assets and liabilities equate to their book values. The goodwill acquired is attributable to the knowledge and market expertise of the management team of the retained portion of the business.

Set out below are the results of AMEC's Project Investments business, excluding the disposal group, from the date of acquisition 12 November 2007 to 31 March 2008 and for the period from 1 April 2007 to the date of acquisition:

	Results for AMEC from 12 November 2007 to 31 March 2008 £m	Results for the Group excluding AMEC for the year ended 31 March 2008 £m	Results for the Group for the year ended 31 March 2008 £m	Results for AMEC from 1 April 2007 to 12 November 2007 £m	Results for the Group as if AMEC had been acquired on 1 April 2007 £m
Revenue	–	1,561.2	1,561.2	13.4	1,574.6
(Loss)/profit before tax	(5.5)	(883.3)	(888.8)	9.1	(879.7)
Taxation credit/(charge)	1.5	9.0	10.5	(2.5)	8.0
(Loss)/profit after tax	(4.0)	(874.3)	(878.3)	6.6	(871.7)

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