

27. Reconciliation of movement in capital and reserves

	Attributable to equity holders of the parent							Total equity £m
	Issued share capital £m	Share premium £m	Equity option of preference shares £m	Other reserves £m	Retained earnings £m	Total £m	Minority interests £m	
Balance at 1 January 2007	81	841	76	4,330	(1,211)	4,117	17	4,134
Total recognised income and expense	–	–	–	72	1,291	1,363	21	1,384
Placing of shares (net of costs)	5	–	–	–	736	741	–	741
Share-based payments	–	–	–	–	34	34	–	34
Share options:								
Proceeds from shares issued	1	63	–	–	–	64	–	64
Purchase of own shares	–	–	–	–	(50)	(50)	–	(50)
Conversion of preference shares	3	318	(76)	229	(229)	245	–	245
Purchase of treasury shares	–	–	–	–	(152)	(152)	–	(152)
Other	–	–	–	–	–	–	(1)	(1)
Ordinary share dividends	–	–	–	–	(396)	(396)	(1)	(397)
At 31 December 2007	90	1,222	–	4,631	23	5,966	36	6,002
Total recognised income and expense	–	–	–	1,343	379	1,722	23	1,745
Share-based payments	–	–	–	–	51	51	–	51
Share options:								
Proceeds from shares issued	–	16	–	–	–	16	–	16
Purchase of own shares	–	–	–	–	(43)	(43)	–	(43)
Other	–	–	–	–	–	–	7	7
Ordinary share dividends	–	–	–	–	(478)	(478)	(11)	(489)
At 31 December 2008	90	1,238	–	5,974	(68)	7,234	55	7,289

Other reserves include a merger reserve of £4,589m (2007 £4,589m), a statutory reserve of £202m (2007 £202m), a translation reserve of £787m (2007 £217m debit) and a hedging reserve of £396m (2007 £57m). The £1,343m credit to other reserves includes £1,004m to the translation reserve and £339m to the hedging reserve. Under Section 4 of the British Aerospace Act 1980 the statutory reserve may only be applied in paying up unissued shares of the Group to be allotted to members of the Group as fully paid bonus shares.

Placing of shares

On 11 May 2007, 174,418,605 new ordinary shares of 2.5p each were issued by a placing of shares (note 25). The placing structure utilised attracted merger relief under Section 131 of the Companies Act 1985, resulting in a credit to the merger reserve of £736m. Subsequent internal transactions required to complete the placing structure have resulted in this part of the merger reserve being transferred to the retained earnings reserve.

Own shares held

Own shares held, including treasury shares and shares held by BAE Systems ESOP Trust, are recognised as a deduction from retained earnings.

Conversion of preference shares

During the prior year, 259,962,909 preference shares were converted into ordinary shares of 2.5p each on the basis of 0.47904 ordinary shares for each preference share (note 25).

Treasury shares

During the prior year, 33,270,000 ordinary shares of 2.5p each were repurchased under the buyback programme announced in October 2006. As at 31 December 2008, 55,038,953 (2007 61,945,000) ordinary shares of 2.5p each with an aggregate nominal value of £1,375,974 (2007 £1,548,625) were held in treasury.

BAE Systems ESOP Trust

The Group has an ESOP discretionary trust to administer the share plans and to acquire Company shares, using funds loaned by the Group, to meet commitments to Group employees. A dividend waiver was in operation for shares within the ESOP Trust, other than those owned beneficially by the participants, for the dividends paid in June and December 2008.

At 31 December 2008, the ESOP held 2,093,818 (2007 1,552,015) ordinary shares of 2.5p each with a market value of £8m (2007 £8m). The shares held by the ESOP are recorded at cost and deducted from retained earnings until such time as the shares vest unconditionally to employees.

A dividend waiver was in operation during 2008 and remains over shares within the Company's Share Incentive Plan Trust other than those shares owned beneficially by the participants. A dividend waiver was also in operation for the dividends paid in June and December 2008 over shares in the Group All-Employee Free Shares Plan Trust other than those shares owned beneficially by participants.